中信银行
CHINA CITIC BANK

China CITIC Bank Corporation Limited

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

Stock Code: 0998

2013 Annual Report

Important Notice

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

The meeting of the Board of Directors adopted the full text and summary of the 2013 Annual Report on 27 March 2014. 14 out of the 14 eligible directors attended the meeting, including 11 who attended in person on site, three who attended by proxy. Chairman Chang Zhenming, Director Li Qingping, and Director Xing Tiancai asked Director Zhu Xiaohuang, Director Sun Deshun and Director Li Zheping to attend and vote as their proxies, respectively, due to other work arrangements. The supervisors of the Bank attended the meeting as non-voting delegates.

The Bank's 2013 Annual Report prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were audited by KPMG Huazhen (Special General Partnership) and KPMG in accordance with the auditing standards of Mainland China and Hong Kong respectively.

The "Profit and Dividends Distribution" in "Management Discussion and Analysis" in Chapter 6 of the report discloses the Bank's Profit Distribution Plan for 2013 as adopted by the Board of Directors and to be submitted to the 2013 Annual Shareholders' General Meeting for deliberation. The Bank proposes to distribute final dividends for 2013 with a total amount of RMB11.790 billion, representing RMB2.52 (pre-tax) for every 10 shares based on the total share capital of A shares and H shares.

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

Mr. Chang Zhenming as Chairman of the Board of Directors, Mr. Zhu Xiaohuang as President of the Bank, Mr. Cao Guoqiang as Vice President of the Bank in charge of financial function, and Mr. Lu Wei as General Manager of the Budget and Finance Department, hereby guarantee the truthfulness, accuracy and completeness of the financial report contained in the 2013 Annual Report.

Material Risk Reminder

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

Corporate Introduction

Founded in 1987, CITIC Bank is one of the earliest established commercial bank during China's reform and opening up and China's first commercial bank participating in financing at both domestic and international financial markets. It is renowned at home and abroad for brushing numerous track records in the contemporary Chinese financial history. Over the years, it has made great contributions to China's economic development.

As one of the leading domestic commercial banks in terms of capital strength, CITIC Bank has grown rapidly in the wave of economic development in China and has become a national commercial bank with strong comprehensive competitive edges. In July 2013, CITIC Bank ranked 47th in terms of tier-one capital and 57th in terms of total assets among the "Top 1,000 World Banks" published by British magazine The Banker, ranking among the best of all Chinese commercials banks. In November 2013, The 21st Century Business Herald awarded CITIC Bank "Top Ten Listed Companies with Excellence in Corporate Social Responsibility" in its Competition for the Top 10 Listed Companies in China.

In 2007, CITIC Bank had its A and H shares concurrently listed, rising among those global public banks. In 2009, CITIC Bank acquired CIFH and wholly controlled CNCBI, thereby establishing an internationalized operation platform. In 2011, the Bank successfully completed its rights issue, laying a solid foundation for further growth. In 2013, the Bank set up a new development strategy and put forward the vision of "building a first-class commercial bank with unique market value".

The mission of the Bank is "Irrigating the real economy, creating staff happiness, enhancing shareholder value and serving social development". With customer focus and market orientation, the Bank has proactively performed its social responsibility, supported development of the real economy, gained all-round access into the modern service sector, devoted itself to creating another CITIC Bank online, and thereby promoted harmonious sustainable development of the whole society.

The Bank provides corporate customers with banking financial solutions in corporate banking, international, financial market, institutional banking business, investment banking business and factoring business, and offers retail customers diversified financial products and services covering retail banking, credit card, consumer finance, safe deposit box, wealth management, private banking and going abroad finance. For both corporate and retail customers, the Bank provides all-round financial services in wealth management, online banking, small and micro enterprise finance and asset custody business.

As at the end of 2013, CITIC Limited was the controlling shareholder of the Bank, holding 66.95% of the Bank's total issued and outstanding shares; and the second largest shareholder was BBVA, holding 9.90% of the Bank's total issued and outstanding shares. The Bank had 1,073 outlets in 116 large and medium cities in mainland China, mainly distributed in coastal areas in Eastern China and economically developed cities in Central and Western China, and own staff number exceeded 46,000. There were three subsidiaries under the Bank, namely, Lin'an CITIC Rural Bank in mainland China, and CNCBI and CIFL in Hong Kong. CNCBI had over 1,700 employees and more than 40 outlets in Hong Kong, Macao, New York, Los Angeles, Singapore and mainland China.

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Corporate Introduction

Corporate Information

Registered Name in Chinese	中信銀行股份有限公司
Registered Name in English	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative	Chang Zhenming
Authorized Representatives	Zhu Xiaohuang, Li Xin
Secretary to the Board of Directors	Li Xin
Joint Company Secretaries	Li Xin, Wendy KAM Mei Ha (FCS, FCIS)
Securities Representative of the Company	Wang Junwei
Registered Address and Office Address	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal Code	100027
Official Website	bank.ecitic.com
Telephone Number/Fax Number	+86-10-65558000/+86-10-65550809
Email Address	ir_cncb@citicbank.com
Principal Place of Business in Hong Kong	54th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong
Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times
Websites for Information Disclosure	Website designated by the CSRC to publish A-share annual report: www.sse.com.cn Website designated by the SEHK to publish H-share annual report: www.hkexnews.hk
Place Where Annual Report is Kept	Office of the Board of Directors and Board of Supervisors, CITIC Bank
Legal adviser as to PRC Laws	King & Wood Mallesons (PRC)
Legal adviser as to Hong Kong Laws	Clifford Chance
PRC Auditor	KPMG Huazhen (Special General Partnership) 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China (Postal code: 100738)
Signing CPAs	Jin Naiwen & Wang Lipeng
International Auditor	KPMG 8th Floor, Prince's Building, No. 10 Chater Road, Central, Hong Kong
A-share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation Limited 36th Floor, China Insurance Building, No. 166 East Lujiazui Road, Pudong New District, Shanghai
H-share Registrar	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong

Listing Venue, Stock Name and Stock Code	A-share: Shanghai Stock Exchange CNCB 601998 H-share: The Stock Exchange of Hong Kong Limited CITIC Bank 0998
Date of Business License Registration	17 September 2013
Authority of Registration	State Administration for Industry & Commerce, PRC
Registration Number of Business License	100000000006002
Institution Number of Finance License	B0006H111000001
Tax Registration Number	110105101690725
Certificate of Organization Code	10169072-5

Contact Persons and Contact Details

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

Registration Change

	First registration	**Registration for changes due to establishment of China CITIC Bank Corporation Limited**	**Registration as at the end of the reporting period**
Date of Registration	20 April 1987	31 December 2006	17 September 2013
Place of Registration	State Administration for Industry & Commerce, PRC	State Administration for Industry & Commerce, PRC	State Administration for Industry & Commerce, PRC
Registration Number of Business License	01600	1000001000600	100000000006002
Institution Number of Finance License	0521	B10611000H0001	B0006H111000001
Tax Registration Number	110105101690725	110105101690725	110105101690725
Certificate of Organization Code	–	10169072-5	10169072-5

Changes in Principal Business since Listing

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

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

Changes of the Controlling Shareholder since Listing

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

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

Financial Highlights

Operating Performance

Unit: RMB million

Item	2013	2012	Growth rate (%)
Operating income	**104,813**	89,711	16.83
Total profit	**52,549**	41,609	26.29
Net profit attributable to shareholders of the Bank	**39,175**	31,032	26.24
Net operating cash flow	**(136,228)**	(55,426)	—
Per share			
Basic earnings per share (RMB)	**0.84**	0.66	27.27
Diluted earnings per share (RMB)	**0.84**	0.66	27.27
Net operating cash flow per share (RMB)	**(2.91)**	(1.18)	—

Profitability Indicators

Item	2013	2012	Increase/ (decrease)
Return on average assets (ROAA)	**1.20%**	1.10%	0.10
Return on average equity (ROAE) (excluding minority interests)	**18.48%**	16.65%	1.83
Cost-to-income ratio	**31.43%**	31.58%	(0.15)
Credit cost	**0.62%**	0.84%	(0.22)
Net interest spread	**2.40%**	2.61%	(0.21)
Net interest margin	**2.60%**	2.81%	(0.21)

Scale Indicators

Unit: RMB million

Item	2013	2012	Growth rate (%)
Total assets	**3,641,193**	2,959,939	23.02
Total loans and advances to customers	**1,941,175**	1,662,901	16.73
Total liabilities	**3,410,468**	2,756,853	23.71
Total deposits from customers	**2,651,678**	2,255,141	17.58
Placements from banks and non-bank financial institutions	**41,952**	17,894	134.45
Total equity attributable to the Bank's shareholders	**225,601**	198,356	13.74
Net asset per share attributable to the Bank's shareholders (RMB)	**4.82**	4.24	13.74

Asset Quality Indicators

Unit: RMB million

Item	2013	2012	Growth rate(%)/ increase/ (decrease)
Performing loans	**1,921,209**	1,650,646	16.39
Non-performing loans (NPLs)	**19,966**	12,255	62.92
Allowance for impairment of loans	**41,254**	35,325	16.78
NPL ratio	**1.03%**	0.74%	0.29
Provision coverage ratio	**206.62%**	288.25%	(81.63)
The ratio of allowance for impairment of loans to total loans	**2.13%**	2.12%	0.01

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

Capital Adequacy Indicators

Item	2013	2012	Growth rate(%) Increase/ (decrease)
Capital adequacy indicators calculated according to new measures			
Core tier-one capital adequacy ratio	**8.78%**	9.29%	(0.51)
Tier-one capital adequacy ratio	**8.78%**	9.29%	(0.51)
Capital adequacy ratio	**11.24%**	12.42%	(1.18)
Capital adequacy indicators calculated according to old measures			
Core capital adequacy ratio	**9.05%**	9.89%	(0.84)
Capital adequacy ratio	**12.12%**	13.44%	(1.32)
Total equity to total assets ratio	**6.34%**	6.86%	(0.52)

Note: The new measures refer to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC on 7 June 2012 (implemented as of 1 January 2013).

Five-Year Financial Summary

Unit: RMB million

Item	2013	2012	2011	2010	2009
Operating performance					
Operating income	**104,813**	89,711	77,092	56,356	40,983
Total profit	**52,549**	41,609	41,590	28,695	19,265
Net profit attributable to the Bank's shareholders	**39,175**	31,032	30,819	21,509	14,320
Net operating cash flow	**(136,228)**	(55,426)	300,104	37,325	(7,697)
Per share					
Basic earnings per share (RMB)	**0.84**	0.66	0.71	0.53	0.35
Diluted earnings per share (RMB)	**0.84**	0.66	0.71	0.53	0.35
Net operating cash flow per share (RMB)	**(2.91)**	(1.18)	6.41	0.96	(0.20)
Scale indicators					
Total assets	**3,641,193**	2,959,939	2,765,881	2,081,314	1,775,031
Total loans and advances to customers	**1,941,175**	1,662,901	1,434,037	1,264,245	1,065,649
Total liabilities	**3,410,468**	2,756,853	2,587,100	1,956,776	1,668,023
Total deposits from customers	**2,651,678**	2,255,141	1,968,051	1,730,816	1,341,927
Total equity attributable to the Bank's shareholders	**225,601**	198,356	174,496	120,175	102,798
Net asset per share attributable to the Bank's shareholders (RMB)	**4.82**	4.24	3.73	3.08	2.63
Profitability indicators					
Return on average assets (ROAA)	**1.20%**	1.10%	1.27%	1.13%	0.94%
Return on average equity (ROAE)	**18.48%**	16.65%	20.92%	19.29%	12.91%
Cost-to-income ratio (excluding business tax and surcharges)	**31.43%**	31.58%	29.88%	33.63%	39.95%
Credit cost	**0.62%**	0.84%	0.43%	0.36%	0.25%
Net interest spread	**2.40%**	2.61%	2.85%	2.54%	2.39%
Net interest margin	**2.60%**	2.81%	3.00%	2.63%	2.51%
Asset quality indicators					
NPL ratio	**1.03%**	0.74%	0.60%	0.67%	0.95%
Provision coverage ratio	**206.62%**	288.25%	272.31%	213.51%	149.36%
Capital adequacy indicators calculated according to new measures					
Core tier-one capital adequacy ratio	**8.78%**	9.29%	—	—	—
Tier-one capital adequacy ratio	**8.78%**	9.29%	—	—	—
Capital adequacy ratio	**11.24%**	12.42%	—	—	—
Capital adequacy indicators calculated according to old measures					
Capital adequacy ratio	**12.12%**	13.44%	12.27%	11.31%	10.72%
Core capital adequacy ratio	**9.05%**	9.89%	9.91%	8.45%	9.17%

Note: (1) The new measures refer to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC on 7 June 2012 (implemented as of 1 January 2013).

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

Chang Zhenming
Chairman

Chairman's Statement

Hereby, I am delighted to report to all shareholders that, as at the end of 2013, total assets of CITIC Bank Group reached RMB3,641.193 billion, a growth of 23.02% over the end of the previous year; customer deposits stood at RMB2,651.678 billion, an increase of 17.58% over the end of the previous year; and the balance of loans to customers totalled RMB1,941.175 billion, up 16.73% over the end of the previous year. For the whole year, the Group realized net profit attributable to shareholders of RMB39.175 billion, an increase of 26.24% over the end of the previous year, and a weighted return on average assets (ROAA) of 18.48%, up 1.78 percentage points over the end of the previous year. With an NPL ratio of 1.03%, the Group kept its asset quality basically stable. The Group's provision to loan ratio stood at 2.13%, up 0.01 percentage point over the end of the previous year, and its capital adequacy ratio was 11.24%, down 1.18 percentage points compared with the end of the previous year. In 2013, CITIC Bank ranked 47th in terms of tier-one capital in the "Top 1,000 World Banks" published by The Banker magazine of the United Kingdom, ranking No.1 among all joint-stock commercial banks.

In 2013, the global economy underwent a tortuous path of recovery. The developed economies were changing for the better in the general sense despite their lower than potential economic growth rates. Emerging economies and developing countries continued to experience economic slowdown. With a marked trend of rebound, the Chinese national economy went on steadily as a whole. "Stabilizing growth, adjusting structure and de-leveraging" remained the main theme of China's macroscopic control policy all year round. In the face of such complicated external environments, CITIC Bank diligently implemented the government macroscopic control policy and regulatory requirements, served the real economy with enthusiasm, promoted business transformation with vigor, continued to optimize business structure, and effectively reinforced risk prevention and control. As a result, the Bank enjoyed healthy and steady growth in all business areas and presented delightful results to all shareholders, clients and social communities.

Hereby, I am delighted to report to all shareholders that, as at the end of 2013, total assets of CITIC Bank Group reached RMB3,641.193 billion, a growth of 23.02% over the end of the previous year; customer deposits stood at RMB2,651.678 billion, an increase of 17.58% over the end of the previous year; and the balance of loans to customers totalled RMB1,941.175 billion, up 16.73% over the end of the previous year. For the whole year, the Group realized net profit attributable to shareholders of RMB39.175 billion, an increase of 26.24% over the end of the previous year, and a weighted return on average assets (ROAA) of 18.48%, up 1.78 percentage points over the end of the previous year. With an NPL ratio of 1.03%, the Group kept its asset quality basically stable. The Group's provision to loan ratio stood at 2.13%, up 0.01 percentage point over the end of the previous year, and its capital adequacy ratio was 11.24%, down 1.18 percentage points compared with the end of the previous year. In 2013, CITIC Bank ranked 47th in terms of tier-one capital in the "Top 1,000 World Banks" published by The Banker magazine of the United Kingdom, ranking No.1 among all joint-stock banks.

In 2013, the Board of Directors proactively adapted to new changes in the operating environment, closely followed adjustment in the macroscopic control policy, made timely, prudent and scientific decision making on significant issues, and provided leadership and support to the senior management. All these ensured healthy growth of each and every business line of the Bank. Members of the Board actively performed their due diligence in close combination with their professional backgrounds and expertise. Their careful consideration and adequate discussion of various proposals and issues plus their comments and recommendations made in the interest of the Bank added to scientific and efficient decision making by the Board. The Board also enthusiastically facilitated the construction of a corporate governance structure for the Bank in compliance with the best domestic and overseas regulatory criteria and devoted itself to the formation of an operation mechanism featuring scientific decision making, efficient execution and effective supervision. As such, the Board helped promote sustained, rapid and healthy development of the Bank via sound corporate governance and played an active role in reinforcing risk management and enhancing internal control.

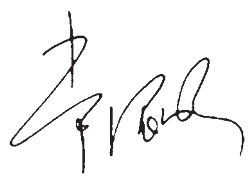
The year 2013 saw deepened reform of the financial market. With a firm grasp of internal and external opportunities to promote strategic adjustment of the Bank, the Board of Directors adopted the Opinions on Several Issues Regarding Strategic Development of CITIC Bank proposed by the senior management, which defined the Bank's mission as "irrigating the real economy, creating employee happiness, increasing shareholder value and serving social development", and described the Bank's vision as "building a first-class commercial bank with unique market value". The Bank focused its efforts on implementation of its new strategy, upheld its operation guideline of "expanding deposit scale, promoting structural transformation and upgrading management level", actively reformed its operation model, adjusted and optimized its organizational structure, gradually developed business uniqueness, reinforced vertical total risk management, accelerated institutional development, and thereby enjoyed steady growth of all business areas. To realize upward focus shift of its corporate finance business, the Bank strengthened stratified operation and namelist management of corporate customers, built up capacity for provision of better services to corporate customers, and intensified innovation and development of low-capital consumption products. For retail banking, the Bank actively implemented the Big Retail strategy, continued to further system construction, endeavored to upgrade outlet capacity, sped up transformation of marketing-service-based outlets and development of flagship outlets, promoted unique retail banking business known as "two cards one fund", and thus enhanced its influence at the retail market.

In 2013, the Bank centered its efforts on the development strategy of "building a first-class commercial bank with unique market value". By "entering the service sector on all fronts, vigorously developing online banking and mainstreaming non-mainstream business", the Bank gradually built up unique business in three major markets. In its financial services for the modern service industry, the Bank actively developed the product system, constructed platforms for marketing cooperation, enhanced customer development and formed preliminary advantages as an early starter. For online banking, the Bank opened up a new world through the construction of three platforms, namely, financial mall, mobile banking and internet banking, developed unique products in e-commerce, mobile payment and online lending, and created the "Cyber Payment" brand. Non-mainstream business not only achieved breakthroughs but also enjoyed accelerated cultivation of future competitive edges. Among others, the Bank's asset custody business exceeded RMB2 trillion, rising from No.six to No.two in the rankings thereof among all medium-sized banks. Under the prerequisite of compliant operation, the Bank continued to conduct extensive cooperation through the CITIC integrated financial service platform in areas including resource sharing, cross selling, product innovation, and joint marketing of important projects, achieving positive progress in business synergy and gradual creation of unique market value. In the competition for inclusion in the "2013 Gold Medal List of Chinese Financial Institutions", the Bank was named "The Most Competitive Bank of the Year" and "The Most Innovative Bank of the Year in Internet Finance".

In 2013, against the harsh and complicated operating environment, the Board of Directors paid great attention to better internal control and risk management, highlighted forward-looking relevance of its efforts and reinforced supervision and guidance of related work. By adjusting implementation levels of internal control, continuously sorting out internal control measures and improving the rectification and supervision system, the Board helped the Bank enhance quality of management and control measures, and raise the level of supervision via internal control. At the same time, the Bank reinforced vertical total risk management, and set up a risk management system combining vertical management and double-line reporting, thus reinforcing independence of risk management and further ensuring steady operation and healthy development of the Bank.

The year 2013 witnessed the Bank's proactively performing its corporate social responsibility ("CSR"). To fully practice the concept of "financial services for all", the Bank continued with solid efforts to promote public benefit projects, combine business growth with performance of CSR, create more value for shareholders, provide employees with better career paths and stronger health guarantee, benefit customers with efficient, safe and express financial products and quality services, support energy conservation, emission reduction and pollution control with greener credit policy, render a necessary hand to vulnerable groups of the society, and safeguard legitimate rights and interests of depositors.

Looking forward to 2014, we expect ongoing adjustments of the world economic situation with major uncertainties lingering in different regions in terms of routes and speeds of economic recovery. 2014 marks the first year of China's all-round efforts to deepen its reform. Amid economic slowdown and accelerating economic restructuring, the Bank will closely follow the government's adjustment of macroscopic economic policy and layout of economic development, further its own strategic transformation, pace up its structural readjustment, continue with its pioneering efforts, create its competitive edges, and thereby ensure return to shareholders, clients and all communities of the society for their consistent trust and support with excellent performance.



Chang Zhenming
Chairman and non-executive Director
27 March 2014

Zhu Xiaohuang

President

President's Statement

Availing myself of this opportunity and on behalf of the senior management of the Bank, I would like to extend our sincere gratitude to all investors and friends of all communities for your care and support, to the Board of Directors and Board of Supervisors for your guidance and help, and to all managers and staff of the Bank for your input and contribution. Standing on a brand new historical starting point, the Bank will properly handle important relations as expressed in the present versus future, risk versus profit, the Head Office versus braches and sub-branches, front office versus middle and back offices, and domestic versus overseas business. With this, plus more profound strategic transformation, rational growth and refined management, we will develop a better tomorrow for CITIC Bank.

2013 was the first year for the Bank to implement its new development strategy. In face with the complicated volatile economic and financial situations and fierce market competition at home and abroad, the Bank met the challenges with proactive countermeasures. By fully implementing the Opinions on Several Issues Regarding Strategic Development of CITIC Bank and the operation guideline of "expanding deposit size, promoting structural transformation and improving management level", the Bank effectively upgraded its level of operation and management and presented delightful results.

Business performance on a new stage and asset quality under overall control

In 2013, the Bank upheld the three principles of "safety, liquidity and profitability" in its operation, arranged its business in an anti-cyclical manner, emphasized low asset occupation in its overall structure, and controlled loan scale with low credit leverage. The operating results of 2013 are satisfactory. As at the end of 2013, consolidated total assets of the Group reached RMB3,641.193 billion, a growth of 23.02% over the end of the previous year; customer deposits exceeded RMB2.6 trillion, and total balance of loans to customer recorded more than RMB1.9 trillion. For the whole year, the Group realized net profit attributable to shareholders of RMB39.175 billion, up 26.24% year-on-year, an indicator of substantial improvement in profitability.

In 2013, the banking industry encountered decline of asset quality in general. As at the year end, the Group recorded RMB19.966 billion consolidated balance of non-performing loans ("NPLs") and an NPL ratio of 1.03%, up RMB7.711 billion and 0.29 percentage point respectively over the end of the previous year, placing asset quality under control in the overall sense. As a response to the pressure of NPL rebound, the Bank reinforced the construction of its total risk management system. Specific efforts included tougher risk screening, adequate provisioning, and more effective collection and write-off of bad debts. For the whole year, the Bank's NPL principal disposed of and write-offs recovered both reached historical high.

Step-by-step combing of operation and management systems and steady capacity building for refined management

In 2013, in line with the new development strategy, the Bank improved its corporate governance, adjusted and optimized its operation and management framework, streamlined business committees bank-wide, set up the position of Chief Officer for major areas of concern, re-classified front, middle and back offices such as corporate finance, retail finance, financial market, assets-liabilities planning, risk management and control, and IT, and redefined functions of the Head Office, branches and sub-branches. Meanwhile, an authorization-based management matrix was established to improve the management of finance, credit granting and human resources, covering vertical authorization of 42 branches and horizontal authorization of over 30 Head Office departments, realizing uniform authorization for the first time in the history of the Bank and reinforcing tier-one legal person management. In line with the growth in retail banking, the Bank accelerated development of physical outlets. During the reporting period, the Bank set up 189 new outlets, increasing the total number of outlets to 1,073, up 21.2% year-on-year, covering 116 large and medium cities nationwide and occupying 80% of the local economic aggregates. Construction of the urbanized operation model went on with a quicker pace. Upgrading the four tier-two branches respectively located in Wenzhou, Quanzhou, Wuxi and Foshan to direct management by the Head Office, the Bank enhanced motivation of such tier-two branches to pioneer into new markets.

In 2013, the Bank actively promoted refined management, practicing a brand new comprehensive performance evaluation system against branches, namely, "rating of branches + KPI", and the first-ever all-round performance evaluation of all Head Office departments. Meanwhile, multiple means such as credit, capital, fee, interest rate and FTP were integrated to optimize resource distribution, reinforce professional and differentiated management of the corporate finance segment, accelerate upward focus shift of corporate business, and push forward upgrading of corporate business to full coverage of all functions. Meanwhile, the Bank increased its strategic input to vigorously develop retail banking and non interest business, promote rapid growth of consumer finance, construct a wealth management system on all fronts, deepen sales-oriented transformation of outlets, construct comprehensive outlets, and build unique flagship outlets for retail banking. Marked improvement was seen in the Bank's capacity for intensive and refined management of information technology, as a result of quicker construction of IT infrastructure, development of a bank-wide service-oriented structure and remarkable progress in renovation and upgrading of core systems. In addition, the Bank initiated its programs for selection and promotion of reserve leadership, launched the plan for cultivation of young backbone employees, improved the internal hierarchy of positions and the corresponding remuneration system, and intensified training in accordance with its development strategy.

Marked achievement in structural adjustment and gradual development of business uniqueness

In 2013, the Bank made active efforts to adjust and optimize its business structure. The reporting period witnessed distinctive improvement in the Bank's liabilities structure. Of its incremental corporate deposits, the share of core deposits went up substantially. Loan structure enjoyed further optimization. Proactively exiting from high-risk customers in local government financing vehicle (LGFV), PV industry and steel trade, the Bank further optmized its loan structure. With the proportion of loans to large enterprises decreasing from 37.3% at the beginning of 2013 to 35.2% at the end of the reporting period, and with the proportions of loans to small and micro enterprises both going up compared with the end of the previons year, the Bank moved closer to an "olive-shaped" customer mix. In addition, the Bank's income structure kept optimizing, i.e., non-interest income of the Bank reached RMB17.85 billion for the whole year, up 37.6% over the previous year.

Focus of the Bank for 2013 was placed on "entering the service sector on all fronts, vigorously developing online banking and expanding non-mainstream business". The Bank enjoyed a good beginning with regard to its business layout for the modern service sector. The balance of loans to the modern service sector increased by RMB118.0 billion or 33.8% over the end of the previous year. To achieve strategic development of online finance, the Bank set the strategic goal of "creating another CITIC Bank online". Through establishment of the Online Banking Department, launch of the NFC mobile payment model, autonomous research and development of the "Cyber Payment" product series represented by QR code payment, conclusion of cooperation agreements with a number of influential platform customers, release of the online lending product series, and construction of the three platforms, namely, financial mall, mobile banking and internet banking, the Bank completed its preliminary layout for online banking in the Big Data era. Non-mainstream business of the Bank achieved breakthrough development, with future competition edges actively cultivated in multiple business areas including factoring, L/C, agency business, safe-deposit box services, bills, precious metal and wealth management.

In-depth breakthrough in overall risk management and marked enhancement of risk control capacity

In 2013, the Bank successfully enhanced its overall risk management system. In restructuring of risk management, the Bank combined vertical management and double-line reporting and reinforced independence of risk management. Moreover, the Bank defined mandates for departments in charge of total risk management, and further clarifying division of duties for management of credit risk, market risk, operation risk, liquidity risk, reputation risk and concentration risk. As such, departments in charge of risk management enjoy clearer and more rational boundaries of mandate. As an active response to interest rate liberalization, the Bank reinforced liquidity risk management with focus placed on the ability to negotiate loan and deposit prices and to control cost. In face with tight market liquidity, the Bank initiated its liquidity working group mechanism which ensured gradual recovery of liquidity asset reserve via measures such as improving the three-tier liquidity reserve management system, dynamically adjusting the FTP market yield curve, reinforcing liabilities marketing and optimizing asset allocation. Withstanding market tests and exhibiting strong capacity for responding to changes and addressing problems, the Bank's liquidity management mechanism won affirmation from regulators. Moreover, the Bank completed the construction of an independent vertical audit framework that is "led by one audit department and four audit centers" which is fulfilling its functions in a step-by-step manner.

Looking forward to 2014, we believe quite a number of uncertainties will persist in world economic development in general and Chinese economic development in particular. If 2013 is the "launch year" of the Bank's new strategy, 2014 will be the "key year" for the Bank to fully implement the strategy. In the face of the new round of financial reform and challenges from interest rate liberalization, the Bank will resolutely implement the spirit of the Third Plenary Session of the 18th CPC Congress, strictly abide by domestic and overseas regulatory laws and regulations, and focus its efforts on the following 10 areas under the theme of "reinforcing strategic implementation, promoting rapid development, upgrading operating capacity and specifying basic management": (1) Effectively enhance liabilities marketing and strengthen management of liquidity risk; (2) Comprehensively consolidate customer base and promote rapid growth of effective customers; (3) Deepen structural adjustment of corporate business and realize the supporting role of transformation; (4) Accelerate release of retail capacity to improve contribution from the retail segment; (5) Enhance business innovation at the financial market, and increase comprehensive contribution from inter-bank business; (6) Pace up efforts to cultivate CNCB business uniqueness and create new profit growth points; (7) Reinforce risk prevention and control to stabilize asset quality; (8) Enhance development of the urbanized operation model to highlight features of regional development; (9) Quicken the construction of core systems to guarantee rapid business development; and (10) Intensify development of human resources to improve professional quality of employees.

Availing myself of this opportunity and on behalf of the senior management of the Bank, I would like to extend our sincere gratitude to all investors and friends of all communities for your care and support, to the Board of Directors and Board of Supervisors for your guidance and help, and to all managers and staff of the Bank for your input and contribution. Standing on a brand new historical starting point, the Bank will properly handle important relations as expressed in the present versus future, risk versus profit, the Head Office versus braches and sub-branches, front office versus middle and back offices, and domestic versus overseas business. With this, plus more profound strategic transformation, rational growth and refined management, we will develop a better tomorrow for CITIC Bank.

Zhu Xiaohuang
Executive Director and President
27 March 2014

Honors

January

- CITIC Bank was named "The Most Responsible Enterprise" at the Eighth China International Forum on Corporate Social Responsibility (CSR) hosted by the China News Service.

February

- The brand of CITIC Bank was valued at USD2.665billion and ranked 69th among the "Top 500 Global Bank Brands" published by British magazine *The Banker*.
- The China Foreign Exchange Trade System (CFETS) rated CITIC Bank "The Best Spot Market-Maker" and "The Most Popular Spot Market-Maker" of the 2012 inter-bank foreign exchange market.

March

- The *Fortune* (Chinese version) placed CITIC Bank on the list of "Top 25 Enterprises in CSR" in its 2013 annual ranking of enterprises from the CSR perspective.

April

- When assessing operational quality of financial institutions, the Deutsche Bank granted CITIC Bank the award "Excellence in USD and EUR Clearing Efficiency".

May

- The Credit Card Center of CITIC Bank won the awards of "2013 Best Customer Relationship Management in China" and the "2013 Best Data Structure in China" from *The Asian Banker* magazine in its 2013 awards for China.

July

- The Bank was honored "China's Best Customer Service Center" during the 2012-2013 Eighth Competition for Best Customer Services in China jointly hosted by the China Information Association and the China Association of Trade in Service (CATIS) and organized by the Customer Service Committee of CATIS.
- JPMorgan Chase issued CITIC Bank "USD Clearing Quality Accreditation" in its assessment of operational quality of financial institutions worldwide.
- CITIC Bank ranked 47th in terms of tier-one capital and 57th in terms of total assets out of the "Top 1,000 World Banks" published by *The Banker* magazine of the United Kingdom.

October

- Interbrand released its 2013 Value List of Best Chinese Brands on which the brand of CITIC Bank was valued at RMB8.94billion and ranked 20th.
- CCM World Group named the Credit Card Center of CITIC Bank "The Best Call Center in China" in its 2013 "Gold Earphone Cup" Competition for the Best Call Center in China.

November

- The *21st Century Business Herald* awarded CITIC Bank the honor of "Top Ten Listed Companies for Excellence in CSR" in its Competition for the Top 10 Listed Companies in China.
- At the Third Annual China Conference of Wealth and Asset Management (CCTM 2013) jointly hosted by Treasury China and the Treasury Research and Development Center of CACFO, CITIC Bank was honored "The Best Bank of Wealth and Asset Management".

December

- "The 2013 CBN China Financial Value List (CFV)" named CITIC Bank "The Best Bank of Online Financial Services".
- China Financial Certification Authority (CFCA) named CITIC Bank "The Best Brand for Mobile Finance in China" when it hosted the Ninth China Annual Conference of E-banking and the 2013 China Gold Medal for E-banking.
- At the Eighth Annual Asia Financial Conference & Competitiveness Rankings of Asian Banks hosted by *The 21st Century Business Herald*, CITIC Bank was granted an award for "Excellence in Innovation of Corporate Banking Business".
- CITIC Bank was named "The Best Trade Finance Bank with Distinctive Features" during the competition for "Excellence in Trade Finance in China" sponsored by the China Banking Association (CBA).

Irrigating
The Real Economy

The Bank makes great efforts to improve financial solutions for large, medium and small enterprises, exits from high-risk customers in the local government financing vehicle, PV industry and steel trade, and moves closer to an "olive-shaped" customer structure. The proportion of loans to small and medium enterprises increased continuously.

Management Discussion and Analysis

Economic, Financial and Regulatory Environment

The year 2013 witnessed continuous occurrence of profound and complex changes in the international situation and ongoing in-depth adjustment of the world economy. Driven by the US economy, the global economy achieved moderate recovery albeit far from solid foundation for recovery. The recovery process of developed economies as represented by the United States and European Union paced up somewhat. Emerging economies, however, saw marked weakening of their recovery, with some of them frustrated by capital flight and currency depreciation for a time. The global economy grew up by 3.0% in 2013, down 0.1 percentage point over 2012, as per statistics of the International Monetary Fund (IMF).

The Chinese central government adhered to the overall work tone of progressing amid stability. Driven by a series of government policy measures to "stabilize growth, adjust structure and promote reform", the national economy exhibited a development momentum of growth amid stability and improvement amid stability. Gross domestic product (GDP) of the year reached RMB56.8845 trillion, a growth of 7.7% over the previous year. Investment in fixed assets (excluding those made by rural households) for the whole year totalled RMB43.6528 trillion, up 19.6% over the previous year. Total retail sales of consumer goods reached RMB23.7810 trillion, up by 13.1% compared with the previous year. Import and export of goods registered USD4.16 trillion, an increase of 7.6% over the previous year, and trade surplus was USD259.2 billion. Consumer price index (CPI) increased by 2.6% and producer's price index (PPI) decreased by 1.9% over the previous year.

In 2013, the financial industry in China in general continued to operate in a healthy and steady way. As at the end of 2013, the balance of M2 and M1 supply reached RMB110.7 trillion and RMB33.7 trillion, respectively, a growth of 13.6% and 9.3% over the previous year, respectively; total social financing for the full year registered RMB17.3 trillion, up RMB1.5 trillion over the previous year as per comparable statistics. Loan balance of financial institutions totalled RMB71.9 trillion, an increase of RMB8.9 trillion; and the aggregate balance of Renminbi deposits rose to RMB104.4 trillion, up RMB12.6 trillion. The parity exchange rate of Renminbi against the US dollar stood at 6.0969 at the end of 2013, appreciating 3.1% over the end of the previous year. Domestic banks enjoyed steady operation and constant growth in business scale, and maintained stable capital adequacy ratios and asset quality in general but were challenged by more short-term liquidity fluctuations and certain rise in credit rises at the same time.

In 2013, the CBRC strengthened its regulatory supervision and enhanced its regulatory system, by issuing a series of policies and regulations such as the *Notification on Relevant Issues of Regulating Investment Operation of Wealth Management Business of Commercial Banks and the Measures for Liquidity Risk Management of Commercial Banks (Exposure Draft)*. By reinforcing regulatory guidance of the banking sector, firmly guarding the basic principles of risk, driving forward reform and transformation and pushing the banking sector to better serve the real economy, the CBRC thereby maintained healthy, sustainable and steady development of the sector.

Implementation of Development Strategy

Focusing on the new strategic development orientation, the Bank further strengthened the implementation of its development strategy in 2013, with progress achieved in the following aspects:

Step-by-step combing of the operation and management system: The Bank adjusted and optimized its organizational structure, streamlined business committees at the management level, re-set up front, middle and back offices and redefined functions of the Head Office, branches and sub-branches. Meanwhile, an authorization-based management matrix was established to improve the management of finance, credit granting and human resources, covering vertical authorization of 42 branches and horizontal authorization of over 30 Head Office departments, achieving uniform authorization and reinforcing tier-one legal person management.

Proactive transformation of the operation model: To drive the focus of its service for corporate customers upward, the Bank set up the Group Client Banking Department at the Head Office, and organized 20 service teams at the Head Office and the branches, giving rise to the preliminary shape of a "direct operation + system promotion" system for concentrated management of large customers. To drive the focus of its service for retail customers downward, the Bank made vigorous efforts to promote steady progress of key strategic programs such as transformation of retail outlets, flagship outlets, and wealth management.


中信银行


中信 财富阶梯

Reinforcing vertical and overall risk management: The Bank took proactive efforts to reform its risk management system. With positions such as Chief Risk Officer setting up at the Head Office, Risk Director at tier-one branches and Risk Manager at tier-two branches, the Bank constructed a risk management system combining vertical management and double-line reporting, thus reinforcing the independence of risk management. Moreover, the Bank further optimized division of duties for different types of risk management and fully incorporated business lines such as wealth management, bond undertaking and retail credit into its uniform risk management system.

Capacity building for refined management: The practice of a brand new comprehensive performance evaluation system against branches, namely, "rating of branches + KPI", plus the first-ever all-round performance evaluation of all Head Office departments, fully realized the incentivizing and constraining roles of performance evaluation in operation and management. The Bank made integrated use of multiple means such as credit, capital, expense, interest rate and internal funds transfer pricing to optimize resource management, increased the proportions of business segments and line departments in direct distribution of resources, and enhanced support to strategic development business areas such as retail banking and intermediary business.

Acceleration of structural adjustment: The bank made continuous efforts to build up its capacity for asset allocation. The reporting period witnessed marked improvement in the Bank's liability structure. Of its incremental corporate deposits, the share of core deposits (mainly including settlement deposits and deposits from institutional customers) went up substantially. Loan structure enjoyed further optimization after the Bank exited from high-risk customers in the local government financing vehicle (LGFV), PV industry and steel trade. The Bank also moved closer to an "olive-shaped" customer structure. The proportion of loans to large enterprises decreased to 35.2% at the end of the reporting period from 37.3% at the end of the previous year. In addition, the Bank's income structure kept optimizing, i.e., non-interest income of the Bank reached RMB17.85 billion, up 37.6% over the previous year, accounting for 17.7% of its total income, a growth of 2.7 percentage points.

Gradual development of business uniqueness: The Bank enjoyed a good beginning with regard to its business layout for the modern service sector. The balance of loans to the modern service sector registered RMB467.1 billion, an increase of RMB118.0 billion or 33.8% over the end of the previous year, 21.3 percentage points higher than the average growth rate of its corporate loans. Development of online banking took on a new phase. The Bank constructed three platforms, namely, financial mall, mobile banking and internet banking, made unique products in e-commerce, mobile payment and online lending, and created the "Cyber Payment" brand. Moreover, non-mainstream business achieved breakthrough development. During the reporting period, the income from wealth management service fee and asset custody increased 136.1% and 60.7% over the previous year respectively.

Actively promoting the development of synergy: The Bank was active in the development of "one platform and three markets", i.e., each year the Bank takes the lead to convene a meeting for synergy with subsidiaries of CITIC Group to tap into the market of the CITIC Group's subsidiaries, further develop the market of these subsidiaries' customers, and promote market construction of asset securitization and non-performing asset transfer in cooperation with CITIC Asset Management and CITIC Trust. As a result, new progress was made in synergy.

Accelerating institutional development: During the reporting period, the Bank set up 189 new outlets, and total number of outlets reached 1,073, up 21.2% year-on-year while attaining the outlet growth target set in the new strategy. These outlets, covering 116 large and medium cities nationwide, occupy 80% of the local economic aggregates. Transformation towards urbanized operation model went on with a quicker pace. By upgrading the four tier-two branches located in Wuxi, Wenzhou, Foshan and Quanzhou to direct management by the Head Office, the Bank enhanced motivation of such tier-two branches to pioneer into new markets.

Core Competitiveness Analysis

Leading corporate finance business in the sector: In terms of corporate finance business, the Bank is more or less an industry leader, with its international business, investment banking, cash management and asset custody, etc., enjoying strong market competitiveness. Receipts and payments of international business and cross-border Renminbi settlement of the Bank ranked No.6 among all national commercial banks and No.1 among all joint-stock banks for many consecutive years. The Bank also took the first place among all joint-stock banks in terms of both the scale of public offering, debt underwriting and granting of syndicated loans as the lead arranger. Further, the Bank is one of the earliest banks in mainland China to provide cash management services. With a full coverage of cash pool, receipts and payments, and smart deposit accounts, etc. in its product line, the Bank provided customers with all-round services in funds flow and information flow management. During the reporting period, the Bank became the exclusive supervisory and custodian bank of Yu'E Bao, substantially enhancing market influence of its brand.

Fast development of retail finance business: Retail finance business of the Bank kept fast growth rate and continuous rise in market status thanks to the Bank's efforts in reinforcing product line interaction and cross selling based on the theme of family wealth management. As at the end of the reporting period, the number of personal customers of the Bank reached 38.4768 million, up 16.99% over the end of the previous year; AUM of personal customers registered RMB732.43 billion, up 36.41% over the end of the previous year; balance of personal deposits recorded RMB466.306 billion, up 27.07% over the end of the previous year; and non-interest income from retail finance accounted for 36.32% of the Bank's total non-interest income. The Bank reached historical highs in both growth rate of personal deposits and proportion of retail finance in total business.

Continuous innovation of online financial business: The Bank focused on the strategic target of "creating another CITIC Bank online" and developed its core competitiveness in the internet economy to the best of its capacity via persistent innovation of concepts, products and information technology. In terms of online payment, the Bank launched its "Cyber Payment" brand, developed products such as QR code payment, NFC mobile payment and cross-bank bill-collection business, took the lead to cooperate with the three major telecom operators as well as China UnionPay in all NFC mobile payment products, stood out as the first commercial bank to launch cross-bank bill-collection business, and released the cross-boundary product Cyber Payment mobile application. In terms of online financing, the "online lending to traders", a joint product between the Bank and CHINAUMS, established an innovative credit assessment model based on big data analysis technology, enjoying multiple features such as simple formalities, easy access, efficient approval, high quota and low interest, etc. As at the end of the reporting period, online loans cumulatively disbursed to traders reached RMB1,578 million.

Constant enhancement of brand influence: Thanks to its rapid business development, outstanding management capability, excellent financial performance and prudent risk control, the Bank has won increasing market recognition of its products and services. Amongst others, the brand of CITIC Bank has enjoyed continuous growth of visibility and influence both online and offline at home and abroad and its brand value has risen rapidly. Among the "Top 500 Global Bank Brands" published by *The Banker* magazine of the United Kingdom in 2013, the brand of CITIC Bank ranked 69th and was valued at USD2.665 billion, up 16% over the previous year. On the "2013 Top 50 Value List of Best Chinese Brands" published by Interbrand, an internationally renowned branding consultancy, the brand of CITIC Bank ranked 20th with value of RMB8.94 billion.

Analysis of the Financial Statements

Overview

In response to the complicated operating situation and precautionary changes of the regulatory environment in 2013, the Group focused on implementation of its new strategy, and upheld the operation guideline of "expanding deposit scale, promoting structural transformation and upgrading management level". Thanks to reinforced strategic execution and specified basic management, the Bank enjoyed healthy and steady development of operating performance for the whole year.

Continuous improvement of profitability: For the reporting period, the Group realized net profit attributable to the Bank's shareholders of RMB39.175 billion, an increase of 26.24% over the previous year; net interest income of RMB85.688 billion, an increase of 13.52% over the previous year; and net non-interest income of RMB19.125 billion, an increase of 34.45% over the previous year.

Steady growth of asset scale: As at the end of the reporting period, the Group's total assets reached RMB3.641193 trillion, up 23.02% over the end of the previous year, of which total loans to customers stood at RMB1.941175 trillion, up 16.73% over the end of the previous year; and total deposits from customers amounted to RMB2.651678 trillion, up 17.58% over the end of the previous year.

Overall controllability of asset quality: As at the end of the reporting period, the Group's balance of NPLs stood at RMB19.966 billion, up RMB7.711 billion or 62.92% over the end of the previous year; and its NPL ratio was 1.03%, up 0.29 percentage point over the end of the previous year. As at the end of the reporting period, the Group registered a provision coverage ratio of 206.62%, down 81.63 percentage points over the end of the previous year and a ratio of allowance for impairment of loans to total loans of 2.13%, up 0.01 percentage point over the end of the previous year.

Income Statement Analysis

Unit: RMB million

Item	2013	2012	Increase/ decrease	Growth rate (%)
Net interest income	**85,688**	75,486	10,202	13.52
Net non-interest income	**19,125**	14,225	4,900	34.45
Operating income	**104,813**	89,711	15,102	16.83
Operating expenses	**(40,435)**	(34,979)	5,456	15.60
Asset impairment loss	**(11,940)**	(13,104)	1,164	(8.88)
Profit before taxation	**52,549**	41,609	10,940	26.29
Income tax	**(12,832)**	(10,224)	2,608	25.51
Net profit	**39,717**	31,385	8,332	26.55
Including: Net profit attributable to the Bank's shareholders	**39,175**	31,032	8,143	26.24

Operating Income

During the reporting period, the Group realized operating income of RMB104.813 billion, up 16.83% over the previous year, in which net interest income accounted for 81.8%, down 2.3 percentage points over the previous year; and net non-interest income accounted for 18.2%, up 2.3 percentage points over the previous year.

Item	2013 (%)	2012 (%)	2011 (%)
Net interest income	**81.8**	84.1	84.5
Net non-interest income	**18.2**	15.9	15.5
Total	**100.0**	100.0	100.0

Net Interest Income

During the reporting period, the Group realized net interest income of RMB85.688 billion, up RMB10.202 billion or 13.52% over the previous year, which was mainly attributable to the continuous increase in interest-earning assets.

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

Unit: RMB million

	2013			2012		
Item	**Average balance**	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	1,827,191	113,001	6.18	1,529,621	102,369	6.69
Investment in debt securities	366,702	13,754	3.75	292,622	10,616	3.63
Deposits with the Central Bank	466,610	6,988	1.50	390,421	5,842	1.50
Deposits and placements with banks and non-bank financial institutions	309,811	12,292	3.97	333,843	13,958	4.18
Amounts under resale agreements	223,041	11,200	5.02	121,433	5,208	4.29
Receivables investments and others	106,586	6,100	5.72	17,149	817	4.76
Subtotal	3,299,941	163,335	4.95	2,685,089	138,810	5.17
Interest-bearing liabilities						
Deposits from customers	2,469,243	54,213	2.20	2,040,733	45,947	2.25
Deposits and placements from banks and non-bank financial institutions	501,149	20,613	4.11	366,846	15,021	4.09
Amounts under repurchase agreements	10,300	467	4.53	13,331	537	4.03
Issued debt certificates and others	59,475	2,354	3.96	48,130	1,819	3.78
Subtotal	3,040,167	77,647	2.55	2,469,040	63,324	2.56
Net interest income		85,688			75,486	
Net interest spread (1)			2.40			2.61
Net interest margin (2)			2.60			2.81

Notes: (1) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.
(2) Calculated by dividing net interest income by average balance of total interest-earning assets, annualized.

The table below sets out the changes in the Group's net interest income resulting from changes in the scale factor and the interest rate factor:

Unit: RMB million

Item	2013 compared with 2012		
	Scale factor	Interest rate factor	Total
Assets			
Loans and advances to customers	19,915	(9,283)	10,632
Investment in debt securities	2,688	450	3,138
Deposits with the Central Bank	1,140	6	1,146
Deposits and placements with banks and non-bank financial institutions	(1,005)	(661)	(1,666)
Amounts under resale agreements	4,358	1,634	5,992
Receivables investments and others	5,069	214	5,283
Changes in interest income	32,165	(7,640)	24,525
Liabilities			
Deposits from customers	9,648	(1,382)	8,266
Deposits and placement from banks and non-bank financial institutions	5,499	93	5,592
Amounts under repurchase agreements	(122)	52	(70)
Issued debt certificates and others	429	106	535
Changes in interest expense	15,454	(1,131)	14,323
Changes in net interest income	16,711	(6,509)	10,202

Net Interest Margin and Net Interest Spread

For the reporting period, the Group's net interest margin stood at 2.60%, down 0.21 percentage point over the previous year, and net interest spread registered 2.40%, down 0.21 percentage point over the previous year.

Interest Income

During the reporting period, the Group realized an interest income of RMB163.335 billion, up RMB24.525 billion or 17.67% over the previous year. The increase in interest income was primarily due to the increase in interest-earning assets. The Group's average balance of interest-earning assets increased from RMB2,685.089 billion in 2012 to RMB3,299.941 billion in 2013, up RMB614.852 billion or 22.90%.

Interest Income from Loans and Advances to Customers

During the reporting period, the Group achieved RMB113.001 billion interest income from loans and advances to customers, up RMB10.632 billion or 10.39% over the previous year, of which the interest income from loans and advances to customers of the Bank reached RMB109.875 billion, up RMB10.304 billion or 10.35%. Due to impacts of interest rate cut, average yield of loans dropped 0.53 percentage point.

Classification by Term

The Group

Unit: RMB million

Item	2013			2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,043,876	65,718	6.30	827,155	58,554	7.08
Long and medium-term loans	783,315	47,283	6.04	702,466	43,815	6.24
Total	1,827,191	113,001	6.18	1,529,621	102,369	6.69

The Bank

Unit: RMB million

Item	2013			2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,023,538	64,931	6.34	811,492	57,697	7.11
Long and medium-term loans	709,770	44,944	6.33	637,627	41,874	6.57
Total	1,733,308	109,875	6.34	1,449,119	99,571	6.87

Classification by Business

The Group

Unit: RMB million

Item	2013			2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,352,818	84,952	6.28	1,162,436	78,592	6.76
Discounted bills	83,186	4,497	5.41	74,428	5,589	7.51
Personal loans	391,187	23,552	6.02	292,757	18,188	6.21
Total	1,827,191	113,001	6.18	1,529,621	102,369	6.69

The Bank

Item	2013			2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,280,166	82,516	6.45	1,101,507	76,872	6.98
Discounted bills	75,337	4,216	5.60	69,377	4,882	7.04
Personal loans	377,805	23,143	6.13	278,235	17,817	6.40
Total	1,733,308	109,875	6.34	1,449,119	99,571	6.87

Interest Income from Investment in Debt Securities

During the reporting period, the Group's interest income from investment in debt securities stood at RMB13.754 billion, up RMB3.138 billion or 29.56% over the previous year. With yield and risk taken into overall consideration, the Group increased input into debt securities and reinforced term restructuring of debt securities. As a result, the Group's average balance of debt securities investment increased RMB74.080 billion and its average yield of debt securities increased 0.12 percentage point.

Interest Income from Deposits with the Central Bank

During the reporting period, the Group's interest income from deposits with the Central Bank amounted to RMB6.988 billion, representing an increase of RMB1.146 billion or 19.62% over the previous year. The average balance of deposits with the Central Bank grew RMB76.189 billion due to the growth in both deposits from customers and Renminbi statutory deposit reserve within the year.

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

During the reporting period, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB12.292 billion, down RMB1.666 billion or 11.94% over the previous year, mainly because the average balance of deposits and placements with banks and non-bank financial institutions decreased by RMB24.032 billion, and the average yield of such deposits and placements dropped 0.21 percentage point.

Interest Income from Amounts under Resale Agreements

During the reporting period, the Group's interest income from amounts under resale agreements stood at RMB11.2 billion, up RMB5.992 billion or 115.05% over the previous year; the average balance and average yield of amounts under resale agreements increased by RMB101.608 billion and 0.73 percentage point, respectively, mainly due to the Group's flexible use of inter-bank funds and increase in the proportion of high-yield inter-bank assets in combination with development trends of market interest rates.

Interest Income from Receivables Investments and Other Business Areas

During the reporting period, the Group's interest income from receivables investments and other business areas stood at RMB6.1 billion, up RMB5.283 billion over the previous year. Thanks to more investment fund trust schemes and asset management schemes for securities brokerages, interest income of the Group during the year increased correspondently.

Interest Expense

During the reporting period, the Group's interest expense was RMB77.647 billion, up RMB14.323 billion or 22.62% over the previous year. The increase in interest expense was primarily due to the expansion of interest-bearing liabilities. The Group's average balance of interest-bearing liabilities increased from RMB2,469.040 billion in 2012 to RMB3,040.167 billion in 2013, up RMB571.127 billion or 23.13%; while the average cost rate of interest-bearing liabilities decreased from 2.56% in 2012 to 2.55% in 2013, down 0.01 percentage point.

Interest Expense on Deposits from Customers

During the reporting period, the interest expense on deposits from customers of the Group was RMB54.213 billion, up RMB8.266 billion or 17.99% over the previous year, of which the interest expense on deposits from customers of the Bank was RMB52.830 billion, up RMB8.377 billion or 18.84% over the previous year, primarily due to the fact that the average balance of deposits from customers increased by RMB419.448 billion.

The Group

Unit: RMB million

	2013			2012		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time deposits	**1,154,956**	**37,421**	**3.24**	952,649	32,908	3.45
Demand deposits	**871,069**	**5,840**	**0.67**	754,131	5,546	0.74
Subtotal	**2,026,025**	**43,261**	**2.14**	1,706,780	38,454	2.25
Personal deposits						
Time deposits	**339,032**	**10,581**	**3.12**	247,382	7,152	2.89
Demand deposits	**104,186**	**371**	**0.36**	86,571	341	0.39
Subtotal	**443,218**	**10,952**	**2.47**	333,953	7,493	2.24
Total	**2,469,243**	**54,213**	**2.20**	2,040,733	45,947	2.25

The Bank

Unit: RMB million

	2013			2012		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time deposits	**1,105,257**	**36,541**	**3.31**	907,297	31,980	3.52
Demand deposits	**853,549**	**5,817**	**0.68**	738,108	5,528	0.75
Subtotal	**1,958,806**	**42,358**	**2.16**	1,645,405	37,508	2.28
Personal deposits						
Time deposits	**307,694**	**10,127**	**3.29**	220,957	6,634	3.00
Demand deposits	**91,372**	**345**	**0.38**	72,062	311	0.43
Subtotal	**399,066**	**10,472**	**2.62**	293,019	6,945	2.37
Total	**2,357,872**	**52,830**	**2.24**	1,938,424	44,453	2.29

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

During the reporting period, the Group's interest expense on deposits and placements from banks and non-banking financial institutions amounted to RMB20.613 billion, up RMB5.592 billion or 37.23% over the previous year, which was primarily due to the increase of RMB134.303 billion in the average balance of deposits and placements from banks and non-banking financial institutions and the rise of average cost rate of such deposits and placements from 4.09% to 4.11%, showing an increase of 0.02 percentage point.

Interest Expense on Amounts Under Repurchase Agreements

During the reporting period, the Group's interest expense on amounts under repurchase agreements was RMB467 million, down RMB70 million or 13.04% over the previous year, which was primarily due to the decrease of RMB3.031 billion in the average balance of amounts under repurchase agreements, while offsetting the impact of the 0.50 percentage point rise in average cost rate.

Interest Expense on Issued Debt Certificates and Others

During the reporting period, the Group's interest expense on issued debt certificates and others stood at RMB2.354 billion, an increase of RMB535 million or 29.41% over the previous year, which was primarily due to new issuance of small enterprise debts, subordinated debts and inter-bank certificates of deposit, etc. for the current period.

Net Non-Interest Income

During the reporting period, the Group realized a net non-interest income of RMB19.125 billion, an increase of RMB4.9 billion or 34.45% over the previous year.

Unit: RMB million

Item	2013	2012	Increase/ decrease	Growth rate (%)
Net fee and commission income	**16,811**	11,210	5,601	49.96
Net gain from trading	**1,750**	2,335	(585)	(25.05)
Net (loss)/gain from investment securities	**(203)**	76	(279)	(367.11)
Net gain/(loss) from arbitrage	**2**	—	2	—
Other net operating gain	**765**	604	161	26.66
Total net non-interest income	**19,125**	14,225	4,900	34.45

Net Fee and Commission Income

During the reporting period, the Group realized a net fee and commission income of RMB16.811 billion, an increase of RMB5.601 billion or 49.96% over the previous year, of which fee and commission income amounted to RMB18.318 billion, up 50.22% over the previous year. This increase was primarily due to the rapid growth in items including bank card fees, consulting and advisory fees and wealth management service fees.

Unit: RMB million

Item	2013	2012	Increase/ decrease	Growth rate (%)
Bank card fees	5,626	3,820	1,806	47.28
Consulting and advisory fees	4,607	2,831	1,776	62.73
Settlement fees	2,367	2,593	(226)	(8.72)
Wealth management fees	2,491	1,055	1,436	136.11
Agency fees	1,242	967	275	28.44
Custody and other trusted services commissions	776	483	293	60.66
Guarantee fees	1,183	435	748	171.95
Others	26	10	16	160.00
Subtotal	**18,318**	12,194	6,124	50.22
Fee and commission expense	**(1,507)**	(984)	(523)	53.15
Net fee and commission income	**16,811**	11,210	5,601	49.96

Net gain from trading

Unit: RMB million

Item	2013	2012	Increase/ decrease	Growth rate (%)
Net gain from foreign exchange trading	1,377	1,458	(81)	(5.56)
Derivatives	179	675	(496)	(73.48)
Debt securities	192	200	(8)	(4.00)
Financial instrument designated at fair value through profit or loss	2	2	—	—
Net gain from trading	**1,750**	2,335	(585)	(25.05)

During the reporting period, the Group realized RMB1.75 billion net gain from trading, down RMB585 million or 25.05% over the previous year, mainly due to the Group's decrease in realized gain from delivered trading of derivatives.

Loss on Asset Impairment

During the reporting period, the Group's asset impairment loss was RMB11.940 billion, declining by RMB1.164 billion or 8.88% over the previous year, of which impairment loss on loans and advances to customers stood at RMB11.327 billion, down RMB1.477 billion or 11.54% over the previous year.

Unit: RMB million

Item	2013	2012	Increase/ decrease	Growth rate (%)
Loans and advances to customers	**11,327**	12,804	(1,477)	(11.54)
Off-balance sheet assets	**43**	131	(88)	(67.18)
Securities investment	**(74)**	(16)	(58)	—
Others (Note)	**644**	185	459	248.11
Total loss on asset impairment	**11,940**	13,104	(1,164)	(8.88)

Note: Including the impairment losses of repossessed assets, placements with banks and other assets.

Operating Expenses

During the reporting period, the Group incurred RMB40.435 billion operating expense, representing an increase of RMB5.456 billion or 15.60% over the previous year, of which staff cost and property & equipment expenses increased by 15.31% and 28.34%, respectively over the previous year.

During the reporting period, the Group recorded a cost to income ratio of 31.43%, down 0.15 percentage point over the previous year.

Unit: RMB million

Item	2013	2012	Increase/ decrease	Growth rate (%)
Staff cost	**17,797**	15,434	2,363	15.31
Property and equipment expenses and amortization	**6,235**	4,858	1,377	28.34
Others	**8,915**	8,039	876	10.90
Subtotal	**32,947**	28,331	4,616	16.29%
Business tax and surcharges	**7,488**	6,648	840	12.64%
Total operating expenses	**40,435**	34,979	5,456	15.60%
Cost-to-income ratio	**38.58%**	38.99%	down 0.41 percentage point	
Cost-to-income ratio (deducting business tax and surcharges)	**31.43%**	31.58%	down 0.15 percentage point	

Income Tax Analysis

During the reporting period, the Group's income tax expense was RMB12.832 billion, up RMB2.608 billion or 25.51% over the previous year. The Group's effective tax rate stood at 24.42%, down 0.15 percentage point over the previous year.

Balance Sheet Analysis

As at the end of the reporting period, total assets of the Group reached RMB3,641.193 billion, up 23.02% over the end of the previous year, mainly due to increase in the Group's loans and advances to customers, receivables investment and amounts under resale agreements; and total liabilities of the Group reached RMB3,410.468 billion, up 23.71% over the end of the previous year, mainly the result of increase in deposits from customers and deposits and placement from banks and non-bank financial institutions.

Unit: RMB million

	31 December 2013		31 December 2012	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customers	**1,899,921**	**52.2**	1,627,576	55.0
Receivables investment	**300,158**	**8.2**	56,435	1.9
Investment in debt securities and equity instruments [(1)]	**346,003**	**9.5**	346,282	11.7
Cash and deposits with the Central Bank	**496,476**	**13.6**	428,167	14.5
Net amount of deposits and placements with banks and non-bank financial institutions	**254,025**	**7.0**	388,394	13.1
Amounts under resale agreements	**286,767**	**7.9**	69,082	2.3
Others [(2)]	**57,843**	**1.6**	44,003	1.5
Total assets	**3,641,193**	**100.0**	2,959,939	100.0
Deposits from customers	**2,651,678**	**77.8**	2,255,141	81.8
Deposits and placement from banks and non-bank financial institutions	**601,619**	**17.6**	388,002	14.1
Amounts under repurchase agreements	**7,949**	**0.2**	11,732	0.4
Debt certificates issued	**76,869**	**2.3**	56,402	2.0
Others [(3)]	**72,353**	**2.1**	45,576	1.7
Total liabilities	**3,410,468**	**100.0**	2,756,853	100.0

Notes: (1) Including trading investments, available-for-sale investments, held-to-maturity investments and long-term equity investments.

(2) Including interest receivables, fixed assets, intangible assets, investment property, goodwill, deferred income tax assets, derivative financial assets and other assets.

(3) Including trading financial liabilities, derivative financial liabilities, staff remuneration payable, tax and fee payables, interest payables, estimated liabilities, other liabilities and so on.

Loan Business

As at the end of the reporting period, total loans and advances of the Group reached RMB1,941.175 billion, up 16.73% over the end of the previous year; loans and advances accounted for 52.2% of total assets, down 2.8 percentage points over the end of the previous year.

The Group

Unit: RMB million

	31 December 2013		31 December 2012	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,435,853**	**74.0**	1,253,260	75.4
Discounted bills	**64,769**	**3.3**	74,994	4.5
Personal loans	**440,553**	**22.7**	334,647	20.1
Total loans and advances to customers	**1,941,175**	**100.0**	1,662,901	100.0
Impairment provision for loans and advances to customers	(41,254)		(35,325)	
Net loans and advances to customers	**1,899,921**		1,627,576	

As at the end of the reporting period, loans and advances of the Bank totalled RMB1,839.844 billion, up 16.70% over the end of the previous year.

The Bank

Unit: RMB million

	31 December 2013		31 December 2012	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,356,527**	**73.7**	1,188,415	75.4
Discounted bills	**57,188**	**3.1**	68,166	4.3
Personal loans	**426,129**	**23.2**	320,044	20.3
Total loans and advances to customers	**1,839,844**	**100.0**	1,576,625	100.0
Impairment provision for loans and advances to customers	(40,861)		(34,877)	
Net loans and advances to customers	**1,798,983**		1,541,748	

Please refer to "Risk Management" section of this Report for risk analysis of the loan business.

Investment in Debt Securities and Equity Instruments

The Group's investment in debt securities and equity instruments includes investment in debt securities, investment funds, equity investments and certificates of deposit. As at the end of the reporting period, the Group's investment in debt securities and equity instruments registered RMB346.003 billion, down RMB279 million or 0.08% over the end of the previous year.

Portfolio Analysis of Investment in Debt Securities and Equity Instruments

Unit: RMB million

	31 December 2013		31 December 2012	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
Debt securities investment				
Held-to-maturity debt securities	**154,897**	**44.7**	135,144	39.0
Available-for-sale debt securities	**172,472**	**49.8**	192,340	55.5
Debt securities measured at fair value through profit or loss	**11,016**	**3.2**	12,283	3.5
Total debt securities	**338,385**	**97.7**	339,767	98.0
Investment funds				
Available-for-sale investment funds	**610**	**0.2**	684	0.2
Investment funds measured at fair value through profit or loss	**2**	**—**	2	—
Total investment funds	**612**	**0.2**	686	0.2
Equity investments				
Available-for-sale equity investments	**207**	**0.1**	187	0.1
Investment in associates	**2,176**	**0.6**	2,134	0.6
Total equity investments	**2,383**	**0.7**	2,321	0.7
Certificates of deposit				
Available-for-sale financial assets-certificates of deposit	**4,828**	**1.4**	3,787	1.1
Total investment in debt securities and equity instruments	**346,208**	**100.0**	346,561	100.0
Impairment provision for investment in debt securities and equity instruments	**(205)**		(279)	
Net investment in debt securities and equity instruments	**346,003**		346,282	
Market value of listed securities in held-to-maturity debt securities	**741**		848	

As at the end of the reporting period, the Group's investment in debt securities reached RMB338.385 billion, a decrease of RMB1.382 billion or 0.41% over the end of the previous year, primarily because the Group made proactive adjustments to the scale and structure of its debt securities investment based on liquidity management requirements and its pre-judgment of market interest rates.

Classification of Debt Securities Investment

Unit: RMB million

Item	31 December 2013 Value	31 December 2013 Proportion (%)	31 December 2012 Value	31 December 2012 Proportion (%)
Banks and non-bank financial institutions	115,964	34.3	103,498	30.4
Government	83,815	24.7	73,759	21.7
Policy banks	47,296	14.0	44,720	13.2
PBC	—	—	11,533	3.4
Public entities	25	—	39	—
Others (Note)	91,285	27.0	106,218	31.3
Total debt securities	**338,385**	**100.0**	339,767	100.0

Note: Primarily corporate bonds.

Debt Securities Investment at Home and Abroad

Unit: RMB million

	31 December 2013 Value	31 December 2013 Proportion (%)	31 December 2012 Value	31 December 2012 Proportion (%)	31 December 2011 Value	31 December 2011 Proportion (%)
Domestic	328,529	97.1	328,059	96.6	224,976	92.2
Overseas	9,856	2.9	11,708	3.4	18,995	7.8
Total debt securities	338,385	100.0	339,767	100.0	243,971	100.0

Foreign Currency Denominated Debt Securities Held

As at the end of the reporting period, the Group held a total of USD2.945 billion worth of foreign currency denominated debt securities (equivalent to RMB17.957 billion), of which the Bank held USD1.275 billion, accounting for 43.3% of the total. The Group's impairment provision for foreign currency denominated debt securities investment was USD28 million (equivalent to RMB172 million), all being impairment provision for debt securities held by the Bank.

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 31 December 2013.

Unit: RMB million

Name of Debt Securities	Book value	Maturity Date	Annual interest rate (%)	Provision for impairment
Debt Securities 1	4,000	28/02/2017	4.20%	—
Debt Securities 2	3,059	23/04/2017	4.11%	—
Debt Securities 3	2,954	20/02/2015	3.76%	—
Debt Securities 4	2,623	23/04/2015	3.93%	—
Debt Securities 5	2,537	26/07/2017	3.97%	—
Debt Securities 6	2,522	23/04/2019	4.32%	—
Debt Securities 7	2,520	07/12/2015	4.84%-5.22%	—
Debt Securities 8	2,171	06/05/2017	3.33%	—
Debt Securities 9	2,018	17/01/2018	4.12%	—
Debt Securities 10	2,000	14/03/2017	3.95%	—
Total debt securities	26,404			

Changes in Provisions for Investment Impairment Losses

Unit: RMB million

Item	As at 31 December 2013	As at 31 December 2012
Beginning balance	279	440
Accruals during the year (1)	(74)	(16)
Write-offs	—	—
Transfer in/(out) (2)	—	(145)
Ending balance	205	279

Notes: (1) Equal to the net provision for impairment losses recognized in the consolidated profit and loss account of the Group.

(2) Transfer in/out includes the amount transferred from the provisions for impairment losses on investment in overdue debt securities to the provisions for bad debt, the transfer of sale of impaired investments to impairment provisions and impacts due to changes in exchange rate.

Classification of Derivatives and Fair Value Analysis

Unit: RMB million

Item	31 December 2013			31 December 2012		
	Nominal principal	Fair value Assets	Fair value Liabilities	Nominal principal	Fair value Assets	Fair value Liabilities
Interest rate derivatives	207,698	1,504	1,316	223,773	1,269	902
Currency derivatives	899,683	6,245	5,535	550,812	2,891	2,495
Other derivatives	63,255	—	2	21,584	—	15
Total	1,170,636	7,749	6,853	796,169	4,160	3,412

On-Balance Sheet Interest Receivables

Unit: RMB million

Item	31 December 2012	Increase during the current period	Collected during the current period	31 December 2013
Loan interest receivable	4,414	113,001	(111,364)	6,051
Interest receivable for debt securities	6,009	13,754	(13,624)	6,139
Other interest receivables	2,859	36,580	(35,396)	4,043
Total	13,282	163,335	(160,384)	16,233
Allowances for impairment losses on interest receivables	(242)	(619)	173	(688)
Net interest receivable	13,040	162,716	(160,211)	15,545

Repossessed Assets

Unit: RMB million

Item	31 December 2013	31 December 2012
Original value of repossessed assets		
— Land, premises and constructions	350	421
— Others	23	23
Provisions for impairment of repossessed assets		
— Land, premises and constructions	(82)	(144)
— Others	(23)	(23)
Total book value of repossessed assets	**268**	277

Deposits from Customers

The Group

As at the end of the reporting period, deposits from customers of the Group totalled RMB2,651.678 billion, an increase of RMB396.537 billion or 17.58% over the end of the previous year; and deposits from customers accounted for 77.8% of total liabilities, down 4 percentage points over the end of the previous year.

Unit: RMB million

	31 December 2013		31 December 2012		31 December 2011	
Item	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits						
Demand deposits	938,894	35.4	851,951	37.8	787,052	40.0
Time deposits	1,198,043	45.2	990,759	43.9	835,035	42.4
Including: negotiated deposits	99,205	3.7	100,108	4.4	69,866	3.6
Subtotal	**2,136,937**	**80.6**	1,842,710	81.7	1,622,087	82.4
Personal deposits						
Demand deposits	127,430	4.8	102,120	4.5	91,762	4.7
Time deposits	387,311	14.6	310,311	13.8	254,202	12.9
Subtotal	**514,741**	**19.4**	412,431	18.3	345,964	17.6
Total deposits from customers	**2,651,678**	**100.0**	2,255,141	100.0	1,968,051	100.0

The Bank

As at the end of the reporting period, the Bank's deposits from customers totalled RMB2,529.488 billion, an increase of RMB380.906 billion or 17.73% over the end of the previous year.

Unit: RMB million

Item	31 December 2013 Balance	31 December 2013 Proportion (%)	31 December 2012 Balance	31 December 2012 Proportion (%)	31 December 2011 Balance	31 December 2011 Proportion (%)
Corporate deposits						
Demand deposits	919,663	36.4	833,520	38.8	770,384	41.3
Time deposits	1,143,519	45.2	948,090	44.1	787,775	42.2
Including: negotiated deposits	98,340	3.9	99,340	4.6	69,240	3.7
Subtotal	2,063,182	81.6	1,781,610	82.9	1,558,159	83.5
Personal deposits						
Demand deposits	113,377	4.4	86,953	4.1	79,753	4.3
Time deposits	352,929	14.0	280,019	13.0	227,309	12.2
Subtotal	466,306	18.4	366,972	17.1	307,062	16.5
Total deposits from customers	2,529,488	100.0	2,148,582	100.0	1,865,221	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

Item	31 December 2013 Balance	31 December 2013 Proportion (%)	31 December 2012 Balance	31 December 2012 Proportion (%)
RMB	2,411,528	90.9	2,053,129	91.0
Foreign currencies	240,150	9.1	202,012	9.0
Total	2,651,678	100.0	2,255,141	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

Item	31 December 2013 Balance	31 December 2013 Proportion (%)	31 December 2012 Balance	31 December 2012 Proportion (%)
Bohai Rim *(Note)*	697,913	26.3	617,682	27.5
Yangtze River Delta	638,334	24.1	566,851	25.1
Pearl River Delta and West Strait	386,531	14.6	309,896	13.7
Central region	373,731	14.1	308,383	13.7
Western region	348,232	13.1	275,718	12.2
Northeastern region	85,365	3.2	70,641	3.1
Overseas	121,572	4.6	105,970	4.7
Total deposits from customers	2,651,678	100.0	2,255,141	100.0

Note: Including the Head Office.

Breakdown of Deposits by Remaining Maturity

The Group

Unit: RMB million

Item	Repayable-on-demand Amount	Repayable-on-demand Proportion (%)	Within 3 months Amount	Within 3 months Proportion (%)	Within 3-12 months Amount	Within 3-12 months Proportion (%)	Within 1-5 years Amount	Within 1-5 years Proportion (%)	After 5 years Amount	After 5 years Proportion (%)	Total Amount	Total Proportion (%)
Corporate deposits	1,006,950	38.0	479,818	18.1	430,870	16.2	217,106	8.2	2,193	0.1	2,136,937	80.6
Personal deposits	198,834	7.5	131,924	5.0	150,584	5.7	33,333	1.2	66	—	514,741	19.4
Total	1,205,784	45.5	611,742	23.1	581,454	21.9	250,439	9.4	2,259	0.1	2,651,678	100.0

The Bank

Unit: RMB million

Item	Repayable-on-demand Amount	Repayable-on-demand Proportion (%)	Within3 months Amount	Within3 months Proportion (%)	Within 3-12 months Amount	Within 3-12 months Proportion (%)	Within 1-5 years Amount	Within 1-5 years Proportion (%)	After5 years Amount	After5 years Proportion (%)	Total Amount	Total Proportion (%)
Corporate deposits	987,716	39.0	437,140	17.3	421,693	16.7	214,440	8.5	2,193	0.1	2,063,182	81.6
Personal deposits	184,777	7.3	105,464	4.2	142,953	5.7	33,046	1.2	66	0.0	466,306	18.4
Total	1,172,493	46.3	542,604	21.5	564,646	22.4	247,486	9.7	2,259	0.1	2,529,488	100.0

Shareholders' Equity

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

Unit: RMB million

	2013						
Item	Share Capital	Capital Reserve	Surplus Reserve and General Risk Provision	Undistributed Profit	Translation Gap of Foreign Currency Statements	Minority Shareholders' Equity	Total Shareholders' Equity
31 Dec. 2012	46,787	49,303	47,035	57,351	(2,120)	4,730	203,086
Change of accounting policy	—	18	—	(18)	—	—	—
1 Jan. 2013	46,787	49,321	47,035	57,333	(2,120)	4,730	203,086
1. Net profit	—	—	—	39,175	—	542	39,717
2. Other comprehensive income	—	(4,587)	—	—	(325)	(148)	(5,060)
3. Profit distribution	—	—	12,800	(19,818)	—	—	(7,018)
31 Dec. 2013	46,787	44,734	59,835	76,690	(2,445)	5,124	230,725

Major Off-Balance Sheet Items

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

Unit: RMB million

Item	31 December 2013	31 December 2012
Credit commitments		
– Banker's acceptance bills	695,944	666,007
– Letters of guarantee issued	114,950	89,554
– Letters of credit issued	199,762	166,268
– Irrevocable loan commitments	137,331	115,246
– Credit card commitments	95,217	80,452
Subtotal	**1,243,204**	1,117,527
Operating leasing commitments	14,775	9,997
Capital commitments	2,727	681
Pledged assets	7,819	11,795
Total	**1,268,525**	1,140,000

Supplementary Financial Indicators

		Data of the Bank (%)		
Major Indicators [(1)]	**Standard** (%)	**31 December 2013**	31 December 2012	31 December 2011
Liquidity ratio (both RMB and Foreign currency)	≥25	**46.40**	52.20	60.89
Including: RMB	≥25	**43.45**	48.85	58.97
Foreign currencies	≥25	**106.78**	86.48	96.55
Loan-to-deposit ratio (both RMB and Foreign currency) [(2)]	≤75	**72.79**	73.59	72.97
Including: RMB	≤75	**72.35**	74.12	73.26
Foreign currencies	≤75	**79.83**	64.12	65.44

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

(2) Discounted bills are included in loans.

Capital Adequacy Ratio

The Group calculates and discloses its capital adequacy ratios according to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC (implemented as of 1 January 2013). During the reporting period, the Group's capital adequacy ratios at all levels complied with regulatory requirements of the new measures. As at the end of the reporting period, the Group recorded 8.78% core tier-one capital adequacy ratio, down 0.51 percentage point over the end of the previous year, 8.78% tier-one capital adequacy ratio, down 0.51 percentage point over the end of the previous year, and 11.24% capital adequacy ratio, down 1.18 percentage points over the end of the previous year.

Unit: RMB million

Item	31 December 2013	31 December 2012	Increase/ decrease over the end of the previous year (%)
Net core tier-one capital	**228,311**	202,521	12.73
Net tier-one capital	**228,380**	202,574	12.74
Net capital	**292,212**	270,839	7.89
Risk-weighted assets	**2,600,494**	2,180,062	19.29
Core tier-one capital adequacy ratio	**8.78%**	9.29%	(0.51)
Tier-one capital adequacy ratio	**8.78%**	9.29%	(0.51)
Capital adequacy ratio	**11.24%**	12.42%	(1.18)

Major Accounting Estimates and Assumptions

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

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

Measurement of Fair Value

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

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

Segment Report

Business Segments

Major business segments of the Group cover corporate banking, retail banking and financial market business. To further optimize resource distribution and reinforce management of business lines, the Group shifted small enterprise business from corporate banking segment to retail banking segment in 2013.

Due to the difficulty in data tracing, no adjustment was made to year-on-year data comparison.

Unit: RMB million

	2013				2012			
Business Segment	Segment Operating Income	Proportion (%)	Segment Profit before taxation	Proportion (%)	Segment Operating Income	Proportion (%)	Segment Profit before taxation	Proportion (%)
Corporate banking	68,116	65.0	36,674	69.7	63,190	70.4	32,101	77.2
Retail banking	20,470	19.5	1,732	3.3	15,228	17.0	1,390	3.3
Financial market business	13,184	12.6	12,325	23.5	10,997	12.3	9,379	22.5
Other business	3,043	2.9	1,818	3.5	296	0.3	(1,261)	(3.0)
Total	104,813	100.0	52,549	100.0	89,711	100.0	41,609	100.0

Geographical Segments

Due to impacts of the macroscopic operating environment, operating profit in the Yangtze River Delta recorded slight decline while that in the Pearl River Delta and West Strait, the Bohai Rim, the central region and the western region continued to grow in a steady manner.

Unit: RMB million

	31 December 2013				2013	
	Total assets (Note)		Total liabilities		Profit before taxation	
Geographical Segments	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**
Yangtze River Delta	771,024	21.3	767,235	22.5	4,911	9.3
Pearl River Delta and West Strait	549,279	15.1	542,146	15.9	6,916	13.2
Bohai Rim	851,490	23.4	839,582	24.6	11,474	21.8
Central region	455,064	12.5	447,303	13.1	7,989	15.2
Western region	446,164	12.3	438,613	12.9	7,083	13.5
Northeastern region	99,848	2.7	97,957	2.9	1,568	3.0
Head Office	1,114,858	30.7	949,745	27.8	10,507	20.0
Hong Kong	171,057	4.7	153,933	4.5	2,101	4.0
Inter-segment adjustment	(826,025)	(22.7)	(826,046)	(24.2)	—	—
Total	**3,632,759**	**100.0**	**3,410,468**	**100.0**	**52,549**	**100.0**

Note: Excluding deferred income tax assets.

Unit: RMB million

	31 December 2012				2012	
	Total assets (Note)		Total liabilities		Profit before taxation	
Geographical Segments	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta	720,231	24.3	709,635	25.7	8,290	19.8
Pearl River Delta and West Strait	438,698	14.9	431,981	15.7	4,159	10.0
Bohai Rim	727,706	24.6	715,812	26.0	9,805	23.6
Central region	351,283	11.9	344,631	12.5	5,607	13.5
Western region	356,213	12.1	349,718	12.7	4,942	11.9
Northeastern region	77,278	2.6	75,502	2.7	1,287	3.1
Head Office	962,733	32.6	825,654	29.9	6,146	14.8
Hong Kong	146,268	5.0	130,482	4.7	1,373	3.3
Inter-segment adjustment	(826,562)	(28.0)	(826,562)	(29.9)	—	—
Total	2,953,848	100.0	2,756,853	100.0	41,609	100.0

Note: Excluding deferred income tax assets.

Business Overview

Corporate Finance Business

Business Overview

In 2013, facing operational challenges such as market diversification, financial disintermediation, interest rate liberalization and internet finance, the Bank accelerated transformation of its corporate finance segment, worked hard to set up a capital-efficient development model, and reinforced restructuring of both products and customers leveraging on its traditional advantages in corporate banking. As a result, the Bank achieved sustained, rapid and coordinated growth of corporate finance business.

Focusing on strategic priorities including stratified operation of customers and modern service sector, the Bank adjusted and optimized the organizational structure of corporate finance business, actively constructed the system for concentrated operation and management of large customers, entered into modern service sector in an all-round manner, vigorously expanded high-quality small and medium customer groups, achieved key breakthroughs in emerging business areas and paced up transformation of corporate business structure. During the reporting period, the Bank realized RMB66.264 billion operating income from corporate finance business, accounting for 65.73% of total operating income, which included RMB10.063 billion non-interest income from corporate finance, accounting for 56.38% of the Bank's total non-interest income.

The Bank made proactive efforts to transform the growth model of corporate liabilities business, i.e., expanded diversified source channels of corporate deposits, and reinforced growth of low-cost stable deposits, strengthened uniform planning, refined management and systematic marketing of institutional business to support and drive forward corporate liabilities business with products such as cash management, supply chain finance, investment banking and international business, and enhanced innovation of deposit products. Consequently, the Bank achieved rapid stable growth of corporate deposits. As at the end of the reporting period, the number of corporate deposit customers amounted to 342,100, up by 10.46% over the end of the previous year, and corporate deposit balance of the Bank reached RMB2,063.182 billion, up by 15.80% over the end of the previous year. Of its incremental corporate deposits, the share of core deposits (mainly including settlement deposits and deposits from institutional customers) went up substantially.

The Bank enthusiastically optimized the business structure of its corporate asset business and optimized the allocation of its credit resources. Focus was placed on expanding the channels for assets allocation, i.e., facilitating steady growth of high-yield asset business while expanding finance channels for customers and meeting customer's financing needs. In addition, the Bank enhanced innovation and application of key competitive business areas such as supply chain finance and cash management business, and made active efforts to construct the business cooperation platform among the subsidiaries of CITIC Group, resulting in greater sustainability of corporate finance business. As at the end of the reporting period, the Bank's corporate loan balance registered RMB1,413.715 billion, up by 12.5% over the end of the previous year, and the balance for corporate general loans registered RMB1,356.527 billion, a growth of RMB168.112 billion over the end of the previous year.

Customer Mix of Corporate Banking

During the reporting period, to drive the focus of corporate business upward, the Bank set up the Group Client Banking Department at the Head Office, defining the direction and model of bank-wide concentrated operation of large customers, setting up the practice of respectively name listing customers to be directly managed by the Head Office and customers to be operated by branches, and producing the first list of customers under direct management of the Head Office and that of customers operated by the branches. Meanwhile, the Bank offered financial solutions for priority industries including automobile, electricity, aviation, pharmaceuticals and construction engineering, and concluded new head-office-to-head-office strategic cooperation agreements with 41 strategic customers, achieving breakthroughs in key marketing projects in cash management, debt issuance, bill pool and project finance, etc. During the reporting period, daily average balance of deposits from strategic customers of the Bank stood at RMB772.636 billion, an increase of RMB131.182 billion over the previous year, taking up 41.86% of the Bank's daily incremental corporate deposits; non-interest business income from strategic customers reached RMB2.552 billion, an increase of RMB284 million or 12.50% over the previous year, accounting for 25.36% of the total non-interest income from corporate finance business.

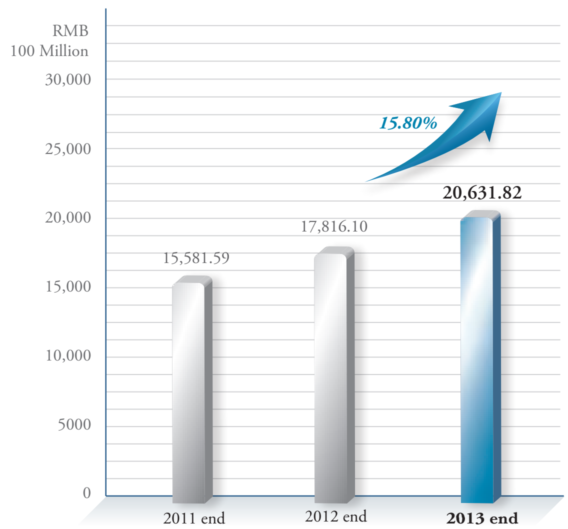
As required by the model of small and medium customer marketing and management, i.e., “guidance from the Head Office, dominance by branches and operation by sub-branches”, the Bank reinforced operation and management of small and medium customers, and carried out cluster development via transaction banking services on multiple platforms such as government, industrial park and e-commerce. As at the end of the reporting period, the proportions of loans to medium, small and micro businesses to corporate loans increased by 1.03 percentage points, 2.36 percentage points and 0.51 percentage point over the end of the previous year, respectively. The Bank effectively enhanced its refined management of customers and quality of professional services via the financial service model of “commercial banking + investment banking” for large customers and that of “traditional credit grant + transaction banking” for small and medium customers.

International Business

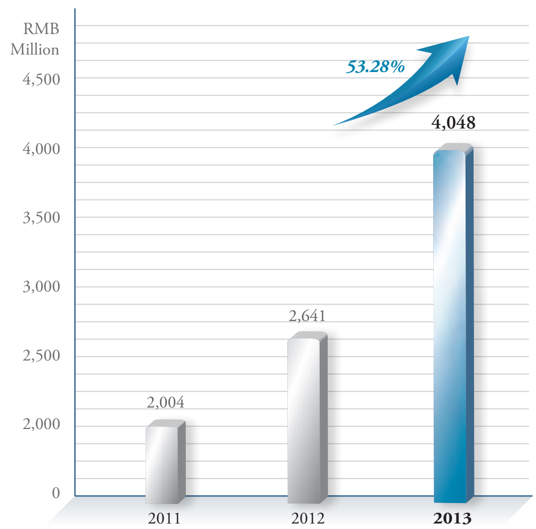
Cross selling and joint marketing were actively practiced in international business of the Bank. The “operation + management” business model was practiced via focused marketing targeting specific customer groups to develop differentiated branding of the Bank’s international business. Intermediary business income registered steady growth, thanks to the Bank’s efforts in enhancing service value of traditional trade finance business, promoting entry of trade finance into the modern service sector, launch of new products such as “Huanhui Bao” and “Carefree Interest Rate”, research and development of sea freight finance products, and extension of “Enterprise-Bank Partnership” convenience services. The Bank took the lead among peers to conduct electronic bill delivery business, innovated new business items such as cross-border Renminbi loans in Qianhai District, Shenzhen, personal cross-border business in Yiwu, Zhejiang Province and third-party payment business in Guangzhou, gaining early opportunities for market development with full use of electronic channels.

During the reporting period, the Bank achieved USD320.095 billion in import & export foreign exchange receipts and payments, up 33.56% over the previous year, securing a market share of 4.76% (according to rankings indicated in the statement on statistics of international receipts and payments prepared by the State Administration of Foreign Exchange, similarly hereinafter in this paragraph); and realized agency foreign exchange settlement and sales of USD134.891billion, up 20.55% over the previous year, achieving a market share of 3.78%; and cross-border Renminbi receipts and payments realized by the Bank totalled RMB254.963 billion, a growth of 66.59% over the previous year, constituting a market share of 5.51%. In terms of the scales of all the above three lines of international business, the Bank ranked No.6 among all national commercial banks and No.1 among all joint-stock banks. During the reporting period, the Bank realized RMB3.041 billion intermediary income in international business, up by 17.87% over the previous year.

Balance of Corporate Deposits



Net Non-Interest Income of Investment Banking



Investment Banking Business

Focusing on profitability enhancement, the Bank made great efforts to build up market adaptability of its investment banking business. During the reporting period, the Bank successfully underwrote the first batch of Commercial Papers (CPs) issued by securities companies, took the lead in the banking sector to submit the application of Perpetual Bond in China, and completed the first case of cross-border financing and advisory services to the listing of a Chinese enterprise in Hong Kong Stock Exchange after its delisting from the Singapore Exchange. During the reporting period, the Bank's investment banking business recorded RMB494.488 billion cumulative financing for customer, up by 35.02% over the previous year; and realized RMB4.048 billion net non-interest income, up by 53.28% over the previous year.

During the reporting period, the number of debt financing instruments underwritten by the Bank in 2013 took the third place in the Chinese banking sector (as per Wind Info rankings of aggregate numbers of bond underwriting in 2013). Meanwhile, the Bank maintained its first place among the leading small and medium-sized joint-stock banks for syndicated loans in mainland China (as per Bloomberg Press ranking).

Institutional Banking Business

During the reporting period, the Bank established the Institutional Banking Department at the Head Office to holistically drive forward marketing of its institutional banking business, highlighting the "construction of a marketing platform, priority development of key business and promotion of professional marketing". The Bank conducted cooperation with local governments at all levels, successively concluding strategic cooperation agreements with 17 local governments including Hunan Province, Anhui Province, Inner Mongolia Autonomous Region, the Municipality of Chongqing, and the cities of Guangzhou, Taiyuan, Wuxi and Wuhan. A strategic partnership between the Bank and local governments featuring "resource reciprocity and win-win cooperation" gradually came into being. In addition, the Bank placed more emphasis on business related to public finance. With business cooperation covering priority areas of institutional banking such as social security, housing and construction, health and tobacco, and "Head Office to Head Office" partnership agreements concluded with key customers such as the China Tobacco Corporation, the Bank created a professional marketing service model for institutional banking from the three perspectives of product, program and ICT development.

As at the end of the reporting period, the Bank recorded approximately 20,000 institutional customers in all types, and received in aggregate 336 agency qualifications for finance business at all levels of central and local governments, covering 28 provinces, autonomous regions and municipalities; the Bank recorded RMB609.260 billion balance of deposits from institutional customers, a growth of RMB141.371 billion over the end of the previous year, accounting for 30% of total corporate deposits and exceeding the average growth rate of corporate deposits bank-wide.

Supply Chain Finance Business

The Bank actively drove forward product innovation and industrial expansion of its supply chain finance business. Innovative products such as closed financing, portfolio financing and standard inventory bill financing were developed. With the launch of e-supply chain financial services that provided brand new online service channels for customers, supply-chain financial services were extended to industries including clothing, modern logistics and healthcare. During the reporting period, by constructing a preliminary platform for concentrated management of supply chain finance business, covering customer access, post-lending management and logistics regulation, the Bank strengthened its business risk management and control. As at the end of the reporting period, the number of customers with credit facility in the Bank's supply chain finance business reached 8,035 accounts, an increase of 952 accounts or 13.44% over the end of the previous year; financing balance reached RMB216.557 billion, an increase of RMB15.068 billion or 7.48% over the end of the previous year; and daily average deposits cumulated to RMB142.069 billion, an increase of RMB25.358 billion or 21.73% over the previous year.

Cash Management

The Bank made vigorous efforts to push forward product innovation of its cash management. Particulars include online operation of Cash Management Version 5.3 and Bank-Enterprise Direct Link Version 3.2, addition of functionalities such as intelligent depositing, bill pool business, agency receipts and payments and online sales of corporate wealth management products. The Bank further promoted construction of the cloud service platform for multi-bank fund management, and the business system for integration of wealth and asset management, and launched the online financing product for B2B e-commerce using the "delivery after payment" pledge model. Following the wave of internet finance development, the Bank online operated the Depositary System for Excess Reserves from Payment-institution Customers version 1.0 and the monetary supervision system for fund sales and settlement, and became the exclusive supervisory and custodian bank of Yu'E Bao, substantially upgrading comprehensive service capacity and market influence of its cash management business.

As at the end of the reporting period, the Bank recorded 3,400 projects and 18,830 accounts of group cash management, respectively, representing an increase of 1,058 projects and 3,682 accounts over the end of the previous year, respectively, and realized RMB16.9 trillion transaction value of group cash management, up by RMB3.1 trillion or 22.56% year-on-year.

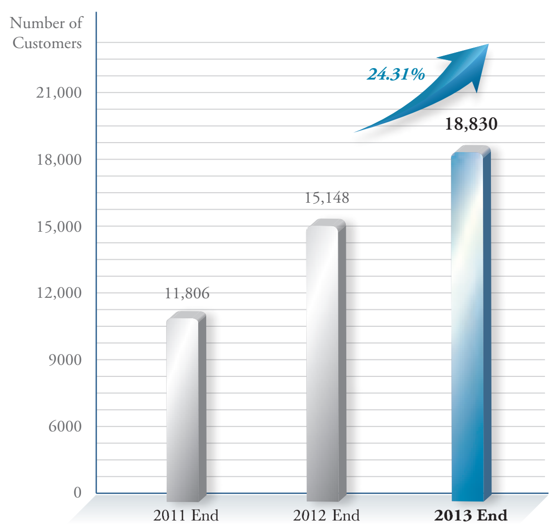
Retail Finance Business

Business Overview

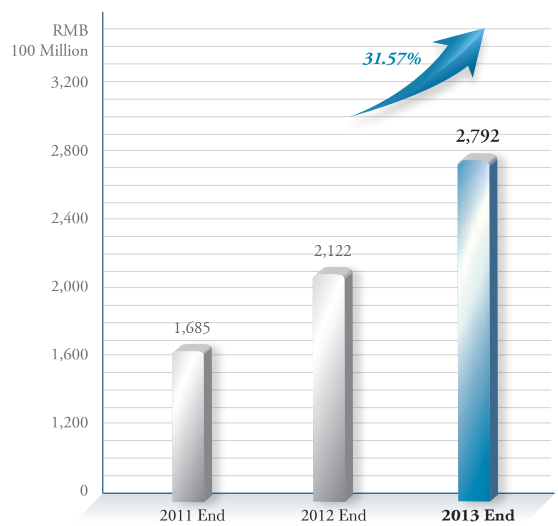
The Bank continued to practice strategic transformation of retail finance business. Focusing on "actual managers of household wealth", the Bank developed unique products such as Fragrant Card, Happy Elderly Card and Going-abroad Finance, and developed product portfolios based on property secured loans, to help customers create their family wealth management systems. For the goal of "driving the focus of retail business downward", the Bank intensified its efforts to construct retail channels and develop itself into a full-function retail bank, improving both sales capacity and customer operation capability of its outlets.

As at the end of the reporting period, the number of personal customers of the Bank reached 38.4768 million, up by 16.99% over the end of the previous year; the Bank's balances of personal deposits and personal loans recorded RMB466.306 billion and RMB426.129 billion, respectively, up by 27.07% and 33.15% over the end of the previous year, respectively. The Bank recorded AUM of personal customers of RMB732.430 billion, up by 36.41% over the end of the previous year. The Bank issued in aggregate 37.6604 million debit cards, up by 19.33% over the end of last year. During the reporting period, agency sales of wealth management products totalled RMB890.865 billion, up by 45.80% over the previous year; agency fund sales of the Bank reached RMB47.909 billion, up by 19.75% over the previous year; and insurance sales on agency basis amounted to RMB4.279 billion, up by 18.60% over the previous year. The Bank achieved RMB19.230 billion operating income and RMB6.483 billion non-interest income from retail finance, respectively, accounting for 19.07% of total operating income and 36.32% of total non-interest income, respectively. Commissions for agency fund and agency insurance increased by 75.88% and 66.01%, respectively, compared to last year, forming gradually an important source of growth for the retail intermediary business.

Number of Cash Management Customers



Balance of Small & Micro Enterprise Loans



Consumer Finance

The Bank focused on providing financial services to personal consumption (including but not limited to housing, automobile, decoration, tourism, education, healthcare and commodities) and batch acquired end customers via indirect channels such as real estate developers, intermediaries, distributors, agents, traders, tourism companies and hospitals, and acquired customers via direct channels such as online banking, telephone banking and physical outlets.

During the reporting period, the Bank set up its Consumer Finance Department at the Head Office to take overall charge of marketing management and channel development of consumer finance business bank-wide, comb and integrate product systems, and defined product positioning. The launch of "comprehensive credit grant based on property collateral, an innovative family consumption finance product, satisfied consumer finance needs in family life including but not limited to mortgage purchase of homes, automobiles, indoor decoration, education, medical care and tourism. Providing customers with all-round financial credit support and refinance solutions, the product increased customer viscosity to the Bank who aims at becoming a major bank in individual and family wealth management.

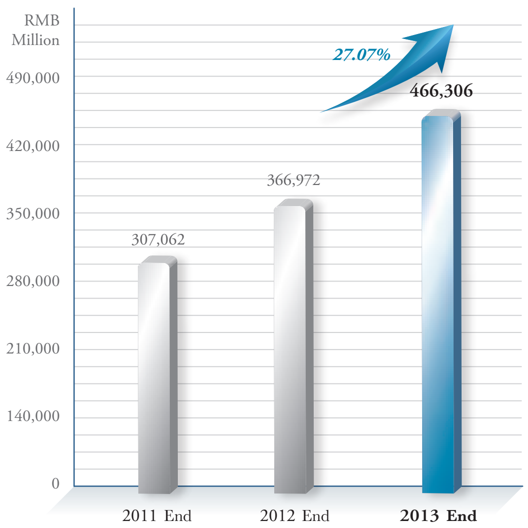
As at the end of the reporting period, the Bank recorded RMB265.598 billion loan balance for consumer finance, up by RMB47.654 billion or 21.87% over the end of the previous year. Incremental consumer finance loans of the reporting period stood at RMB105.443 billion, up by 63.63% over the previous year.

Wealth Management

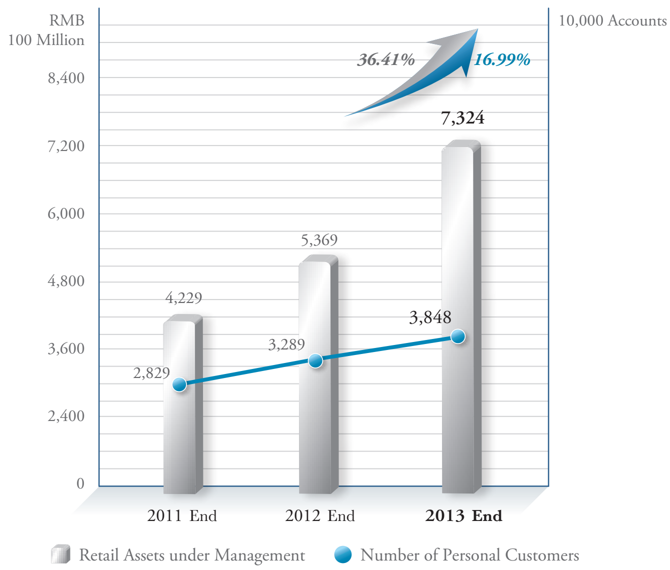
Following the development strategy of transforming retail finance business, the Bank promoted the construction of a wealth management system targeting medium to high-end customers. The Bank made continuous efforts to improve its differentiated unique product and service systems, and further promoted refined management and optimization of systems and processes. Development and cultivation of human resources for wealth management was intensified to upgrade their professional quality and capacity of customer operation and management.

As at the end of the reporting period, 292,071 customers held VIP accounts at the Bank each with over RMB500,000 AUM, representing an increase of 77,820 accounts or 36.32% over the end of the previous year; AUM balance of VIP customers reached RMB496.612 billion, up by RMB143.892 billion or 40.79% over the end of the previous year. Private banking customers each with more than RMB6 million AUM at the Bank numbered 11,483 accounts, representing an increase of 3,841 accounts or 50.26% over the end of the previous year; and AUM balance of private banking customers stood at RMB161.305 billion, representing an increase of RMB54.351 billion or 50.82% over the end of the previous year.

Balance of Personal Deposits



Retail Assets under Management/ Number of Personal Customers



Credit Card

The Bank made proactive efforts to explore new operation models of credit card business in the mobile internet and big data era, promoted product innovation, optimized user experience and expanded influence of its credit card brand.

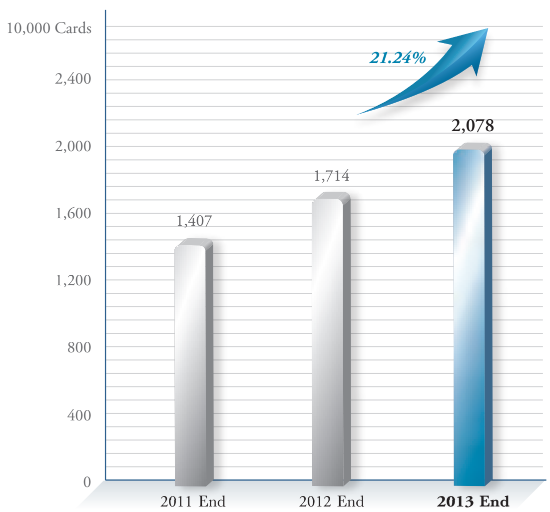
During the reporting period, the Bank upgraded the rights and interests and service system of its Limitless Card, enriched its card product system by officially launching the CNCB-IHG® co-brand IHG Rewards Club credit card, the CNCB-Carrefour co-brand credit card, and the CNCBI-Air China double-currency credit card, and released unique installment products such as Suijiejin, Xinjinbao (for property owners), Xinyinbao and Xinyuanmengjin, all enjoying positive market response. The Bank kept enhancing mobile/internet-based innovation, vigorously promoted internet issuance of cards, and initiated a series of innovative applications such as mobile seat selection, film watching with QR code instead of tickets, sharing of rights and interests, WE bills and WeChat shopping, benefiting customers with more convenient consumer experiences.

As at the end of the reporting period, the Bank issued a cumulative number of 20.7795 million credit cards, up by 21.24% over the end of the previous year; the official WeChat fans for our credit card exceeded three million, while the card-binding WeChat fans exceeded two million. Duing the reporting period, the Bank registered RMB459.036 billion credit card transaction value, up by 68.09% over the end of the previous year; and realized RMB8.882 billion income from its credit card business, representing a growth of 49.85% over the end of the previous year.

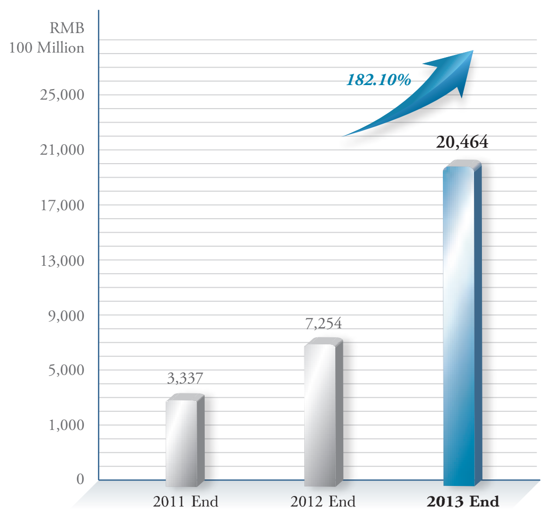
Small Enterprise Finance

During the reporting period, to speed up institutional and system development of its small enterprise finance business, the Bank shifted small enterprise finance from corporate finance to retail finance, incorporated personal business loans into the line of small enterprise finance for better management. In implementing the Big Retail strategy and the development requirements of "orienting towards small and micro enterprises and the retail sector", the Bank upheld "small and micro orientation of customer positioning". Specifically, the Bank prioritized the development of finance for small enterprises with less than RMB5 million loan each, locked the target market segments, and focused on small and micro customers doing business in general consumption areas such as "food, clothing, housing and transport", in transaction of daily necessities, and in trade and commercial communities, and upper/lower streams of core enterprises. Service capacity and product functions for small enterprise customers were built up through multiple means, including but not limited to the innovation of unique specialized sub-branch operation of small and micro enterprises, construction of retail-oriented marking channels including trade fairs and supermarkets at shopping centers, development of specialized teams for small and micro enterprises, R&D of "standard products", and release of four product categories, namely, "CITIC Express Loan", "Seed Loan", "Trader Loan" and "POS Loan". The Bank has also further improved its pricing mechanism for small and micro customers, and built up a business model capable of differentiated pricing in accordance with comprehensive customer contribution and loan risk factors.

Accumulative Issuance of Credit Cards



Assets under Custody



As at the end of the reporting period, the Bank registered 27,621 accounts of small enterprise customers, representing an increase of 8,211 accounts or 42.30% over the end of the previous year; and RMB117.153 billion balance of loans to small enterprises, an increase of RMB40.572 billion or 52.98% over the end of the previous year. Incremental loans to small enterprises for the reporting period recorded a total value of RMB134.901 billion.

Financial Market Business

Business Overview

The Bank upheld the principles of "safety, profitability and liquidity" in its financial market business by maintaining reasonable duration of debt securities investment, controlling credit risk, and enhancing its grasp of business opportunities for foreign exchange and interest rate transactions. Meanwhile, the Bank performed its treasury functions to ensure orderly conduct of all business items bank-wide. During the reporting period, the Bank realized RMB12.388 billion operating income from financial market business, accounting for 12.29% of total operating income, and RMB1.245 billion net non-interest income thereof, accounting for 6.97% of total net non-interest income.

Financial Market Business

Benefiting from its continuous practice of the prudent fund management principle and strategy and effective conduct of money market transactions such as Renminbi inter-bank borrowings and bond repos, the Bank was able to further consolidate and expand its business channels and achieve steady growth in transaction volume. When supply and demand of market funds change and interest rate fluctuates significantly, money market business, as a major tool for liquidity management, plays a significant role in increasing sources of liquid funds and improving returns on short-term funds operation. Due to its emphasis on innovation of treasury business, the Bank successfully issued the first-ever Renminbi inter-bank certificates of deposit at China's Inter-Bank Market, actively invested in and traded such certificates of deposit, stringently followed the self-regulating mechanism for market pricing of interest rates, and improved loan prime rate pricing and the publication thereof, against the backdrop of accelerating interest rate liberalization.

As an active response to market changes, the Bank continued to enhance product design and market risk management in its foreign exchange market-making business to satisfy customer needs for exchange risk hedging and added value of investment, and endeavored to improve autonomous product pricing and trading capacity to create value for customers. Developing agency business in pursuance of prudent strategy, the Bank focused on standard simple foreign-currency derivatives business to satisfy customer need for value appreciation and risk avoidance.

The Bank steadily pushed forward its Renminbi denominated bond market making business and group subscription business, made hard efforts to build up its capability for market pricing and trend judgment, gained an appropriate grasp of market rhythm, actively adjusted its asset structure and mitigated downside risk of the market. In addition, the Bank actively developed its Renminbi denominated interest rate derivatives market making business, and expanded trading scale on behalf of clients based on real demand, and optimized the profitability model.

Regarding wealth management based on asset portfolios as a business focus, the Bank launched asset-portfolio and structured wealth management products that were of low risk and stable yields, covering multiple product categories, i.e., daily open, regular open and closed, etc. With intensified market analysis and pre-judgment, and rational adoption of investment strategies such as short duration, the Bank effectively increased return on asset and realized high growth of asset scale and profit level while placing risk under control, respectively.

The Bank adopted a prudent investment strategy regarding Renminbi denominated debt securities. Due to its timely adjustment to duration through an appropriate grasp of market rhythm and optimization of asset structure that went hand in hand with close attention to return on asset and market risk, the Bank successfully handled the challenges brought along by rising market interest rate. In terms of investment in foreign currency denominated debt securities, the Bank was able to improve stability of overall return on asset and resilience to risks due to its effective control of overall duration and emphasis on the selection of debt securities that were of controllable risk and higher returns.

Always bearing in mind the strategic goal of "mainstreaming non-mainstream business", the Bank paced up development of its precious metal business via stronger market research, more intensive product design for precious metal business, and priority promotion of precious-metal leasing. As a result, the Bank served the real economy and satisfied practical customer needs.

Interbank Business

In its interbank business, the Bank continued to regard 8 categories of customers as the core focus of its operation, namely, banks, securities companies, financial companies, fund companies, trust companies, insurance companies, financial leasing companies and futures companies. Optimization of the marketing system and enriching of interbank products and services enabled the Bank to basically realize full coverage of mainstream interbank products and enhance the width and depth of cooperation with other banks and non-bank financial institutions.

As at the end of the reporting period, the Bank's balance of domestic and foreign currency denominated deposits from financial institutions reached RMB571.234 billion, an increase of RMB187.741 billion or 48.96% over the end of the previous year; while its balance of domestic and foreign currency denominated assets from financial institutions registered RMB510.090 billion, an increase of RMB76.482 billion or 17.64% over the end of the previous year. During the reporting period, the Bank signed strategic cooperation agreements with 30 interbank business customers, third-party depositary agreements with 89 securities companies (cumulative) and agreements on margin financing and securities lending with 22 securities companies. With its successful qualification with the China Financial Futures Exchange (CFFEX) as a futures margin depositary bank, the Bank was included in the first list of joint-stock banks designated by CFFEX to offer futures margin depositary service.

Special Business Area: Asset Custody Business

In terms of asset custody business, the Bank followed the strategic requirements of "speeding up development of intermediary business and capital-efficient business". Accelerating mainstreaming of asset custody business enabled the Bank to register a new record in custody scale and rapid growth in custody income. The Bank successfully provided custody services to Tianhong Zenglibao Money Market Fund (the underlying fund of Yu'E Bao), the first-ever innovative securities investment fund directly sold via the e-commerce platform. As at the end of the reporting period, at a scale of RMB185.3 billion, the fund became the largest public fund in China. In addition, the Bank successfully acquired the qualification to custody enterprise annuity accounts and won the bids for numerous large annuity schemes. Other custody business such as asset custody for securities companies and custody of insurance funds all achieved more than 300% growth.

As at the end of the reporting period, assets under the Bank's custody reached RMB2,046.429 billion, an increase of 182.10% over the end of the previous year, of which the scale of pension under contract totalled RMB45.670 billion, including an incremental amount of RMB17.767 billion, or an increase of 63.67% over the end of the previous year. During the reporting period, the Bank realized commission of RMB776 million from custody and other entrusted business, an increase of 60.66% over the previous year. As per the statistics of the China Banking Association (CBA) about the domestic custody industry, of all the joint-stock banks the Bank went up from No.6 to No.2 in terms of asset custody scale and ranked No.5 in terms of asset custody income, up 4 rankings and 1 ranking respectively from the end of the previous year, and was listed among the top three in the whole banking sector in terms of growth rate of online-operated annuity for four consecutive years, ranking No. 1, up two rankings from the previous year.

Online Banking

In pursuant of the strategic vision of "creating another CITIC Bank online", the Bank accelerated its efforts to develop online banking from two perspectives, namely, internet-based financial business and finance-based internet business, harvesting marked enhancement of both branding and market influence. During the reporting period, the Bank realized RMB774 million[1] fee-based income from online banking, up by 141.11% over the previous year.

Internet-based Financial Business

The Bank exerted enthusiastic efforts to promote internet-based financial business, guiding customers to buy financial products, carry out financial transactions and access financial services via the internet so as to improve efficiency of customer service provision and save customer transaction cost. As at the end of the reporting period, personal internet banking customers of the Bank numbered 10.3114 million accounts, representing an increase of 2.7449 million accounts or 36.28% over the end of the previous year; mobile banking customers of the Bank numbered 3.4188 million accounts, an increase of 2.1531 million accounts or 170.11% over the end of the previous year; and corporate internet banking customers[2] numbered 215.1 thousand accounts, an increase of 31.5 thousand accounts or 17.19% over the end of the previous year.

1 The Bank's data of fee-based income for online banking applies the definition of management accounting, which is slightly different from that used in the 2013 Interim Report, mainly because the Bank improved accuracy of statistics from the channel of online banking.

2 Corporate e-banking includes corporate internet banking, bank-enterprise direct link, gateway, mobile banking, telephone banking, text message banking etc.

Through a series of marketing activities conducted in names such as “E-Loving: A Passionate Summer”, “E-Reward: Summer Carnival” and “Online Banking: Season of Reward”, the Bank improved customer enthusiasm and activity in the use of internet banking and raised transaction substitution rate. During the reporting period, the substitution rate of personal internet banking transaction number reached 91.62%, up by 5.75 percentage points over the previous year. The value of personal internet banking transactions stood at RMB5.36 trillion, up by 58.95% over the previous year; the value of personal mobile banking business recorded RMB16.918 billion, up by 920% over the pervious year; the substitution rate of corporate internet banking transaction number reached 68.50%, up by 18.64 percentage points over the previous year; and corporate internet banking transaction amount recorded RMB28.28 trillion, up by 32.89% over the previous year.

During the reporting period, the Bank launched its online financial mall with open-shelf display of products and simultaneously the function of online account opening at the mall, realizing 7×24 provision of online financial services. For personal internet banking, the Bank online launched its precious metal business, benefiting customers with the experience of safe, convenient, express and flexible online transaction services.

Finance-based Internet Business

In terms of online payment, the Bank built up its Cyber Payment brand, successively released sub-products such as QR code payment, NFC mobile payment and cross-bank bill-collection business, became a member of the first group of commercial banks to cooperate with China Mobile, China Unicom, China Telecom and China Unionpay in full product range including e-cash, e-debit card and e-credit card, and stood out as the first commercial bank to practice all-channel bill-collection business. Further, with its Cyber Payment mobile application integrating unique functions such as purchase of film tickets, C2C money transfer, selling of discount coupons, use of O2O QR code, inquiry/payment of fees and charging up of electronic money cards, and cross-bank bill-collection business, and supporting payment with the use of most domestic debit cards and credit cards, the Bank continuously enhanced its brand influence in mobile payment.

For online financing, the Bank officially launched its online lending products in cooperation with Tencent, successfully disbursing its first online loan. The “online lending to traders, a product between the Bank and CHINAUMS, established a multi-dimensional review and verification system based on the big-data analysis technology and through analysis of goodwill and transaction information of the traders in combination with collected customer credit information, scientifically assessed customer credit with the use of credit information collection system and scoring models, and granted loans based on such assessment results. It features simple formalities, easy access, efficient approval, high quota and low interest. As at the end of the reporting period, online loans disbursed cumulatively to traders reached RMB1,578 million.

During the reporting period, the Bank acquired 224 cooperative e-commerce customers, including 38 non-financial payment institutions and 186 directly-linked traders, with cumulative number of cooperative customers going up to 390 accounts.

Special Business Area: Wealth Management Business

In line with the principle of “unified management, unified accounting, unified sales and unified branding”, the Bank built a standard management system for its wealth management business, and improved the product mix with CNCB characteristics and with moderate risk, and a variety of product lines. In its consistent efforts to reconstruct the business process of wealth management, the Bank implemented the CBRC regulatory requirements vis-à-vis commercial banks’ investment operation, information registration and reporting of wealth management business, actively promoted product research and development, explored model and structure of standard innovative wealth management products. During the reporting period, the Bank earned RMB2.768 billion intermediary business income from wealth management, up 124% over the previous year.

During the reporting period, the Bank’s accumulative sales of wealth management products in all definitions reached RMB1,282.168 billion, up by 38.36% over the previous year, of which wealth management products developed and sold by the Bank amounted to RMB1,218.137 billion; agency sales of public funds and products from securities companies amounted to RMB49.723 billion; agency recommendation of trust plans amounted to RMB6.911 billion; agency sales of insurance products resulted in insurance premium of RMB7.392 billion; and agency financing of limited-partnership wealth management products recorded a cumulative amount of RMB5 million.

As at the end of the reporting period, existing wealth management products of the Bank in all definitions totalled RMB426.841 billion, representing an increase of RMB148.390 billion or 53.29% over the end of the previous year, of which ongoing wealth management products developed and sold by the Bank amounted to RMB387.833 billion; agency sale of existing wealth management products including public funds and products from securities companies amounted to RMB24.533 billion; agency recommendation of existing trust plans amounted to RMB13.069 billion; and agency financing of existing limited-partnership wealth management products totalled RMB1.406 billion.

Service Quality Management

During the reporting period, the Banked developed the Standard Manual of CITIC Bank for Marketing at Lobbies of Outlets (Version 1.0), and Measures of CITIC Bank for Inspection of Marketing Services at Outlets (Version 1.0), and re-amended the revised version of the Standard Manual of CITIC Bank on Service Quality (2014). All these further improved the Bank's service management system. At the "Knowledge Competition of Bank Practitioners regarding Protection of Consumers' Rights and Interests" jointly organized by the CBRC and CBA, the Bank won the "National Award for Best Practice of Financial Institution" thanks to its effective organization of and enthusiastic participation in the event.

Integrated Financial Service Platform of CITIC Group

CITIC Group has numerous financial subsidiaries that are engaged in business areas including banking, securities, insurance, fund, trust and futures, most of which are leaders in their respective sectors. The Bank has formed its unique competitive advantages in compliance with laws and regulations via the integrated financial service platform of CITIC Group.

— Sharing of channel resources: Through agency product sales at physical outlets and via online banking channels, the Bank cooperated with subsidiaries of CITIC Group such as CITIC Securities, CITIC-Prudential Insurance, Tianan Insurance, CITIC-Prudential Fund Management, CITIC Real Estate, CITIC Tourism and CITIC Press for sharing of channel resources.

During the reporting period, via its physical outlets and online banking channels, the Bank sold on a commission basis 21 products of CITIC Securities totalling RMB3.055 billion in value, 37 products of CITIC-Prudential Insurance and Tianan Insurance valued at RMB1.266 billion in total, 26 products of CITIC-Prudential Fund Management totaling RMB3.951 billion in value, and 37 products of China AMC valued at RMB1.004 billion in total. In addition, CITIC Securities, CITIC-Prudential Insurance, CITIC Futures, CITIC-Prudential Fund Management, CITIC Real Estate, CITIC Tourism and CITIC Press also shared their institutional and outlet resources with the Bank by means of personnel dispatching, joint organization of marketing events and display of marketing materials.

— Product cooperation and joint marketing: The Bank carried out extensive cooperation with financial subsidiaries of CITIC Group in areas including wealth management products, third-party depositary services, custody, bond underwriting, enterprise annuity and co-brand cards and thereby provided customers with differentiated integrated financial services.

R&D of wealth management products: The Bank researched and developed 281 wealth management products and realized RMB140.746 billion sales revenue thereof in cooperation with CITIC Securities, CITIC Trust, China Securities and CITIC-Prudential Asset Management.

Third-party depositary business: The Bank shared 6,494 institutional customers and 429,575 personal customers in third-party depositary business with CITIC Securities, CITIC Securities (Zhejiang), CITIC Wantong Securities and China Securities.

Custody business: The custody scale of PE and trust schemes jointly launched by the Bank and CITIC Trust reached RMB36.053 billion; the custody scale of PE and asset management schemes jointly launched by the Bank and CITIC Securities totalled RMB102.530 billion; investment funds jointly launched by the Bank and CITIC-Prudential Fund registered RMB1.713 billion; and insurance funds jointly launched by the Bank and CITIC-Prudential Insurance reached RMB6.526 billion.

Bond underwriting: The Bank and CITIC Securities jointly underwrote RMB16.8 billion debt financing tools for customers through underwriting of short-term commercial papers, medium-term notes and PPN.

Enterprise annuity: Enterprise annuity business with CITIC Securities, CITIC Trust and China AMC as trustee and CITIC Bank as custodian totalled RMB646 million, RMB83 million and RMB927 million, respectively, while enterprise annuity cooperated with CITIC Securities and China AMC, collectively, as well as CITIC Securities and CITIC Trust, collectively, registered RMB5.347 billion and RMB4.199 billion, respectively.

Co-brand credit cards: The Bank issued a cumulative number of 15,362 and 2,719 "Co-Brand Cards" in cooperation with CITIC-Prudential Insurance and Tianan Insurance, respectively.

Information Technology

Quicker transformation of IT enabled the Bank to benefit its business with proactive services. Active innovation and intensified management and control in IT supported business development and ensured normal business operation of the Bank.

The Bank developed and officially initiated a new three-year IT plan. During the reporting period, the construction of the new-generation core business system of the Bank progressed steadily, e.g., entry into the testing stage after completion of design and coding; completion of implementation planning and technical verification vis-à-vis database and big-data application; successful launch of online operation of the renovated new system of business items, enriching accounting information, optimizing the account system and improving customer experience. To "create another CITIC Bank online", the Bank developed and launched mobile payment products such as online lending, mobile QR code and NFC payment and online financial mall, efficiently responded to business innovation requirements including fund supervision of Alipay, pensions, supply chain finance, centralized treasury payment of local public finance, B2B online financing, etc., and thereby enriched its channels for business expansion. With the operation of its platforms for collateral management, operation risk management and internal control, and systems for measurement of risk assets and management of liquidity risk, the Bank further upgraded automation of its risk management techniques.

Further, the Bank reinforced refined intensive management of information technology, vigorously promoted overall transformation of IT work, strengthened structural management and control of the whole bank as an entity, improved integration of demands and systems, facilitated data management and control, practiced project cluster management and executed and delivered strategic targets. Meanwhile, efforts were made to intensify development, test and operation of internal control and risk management, conduct risk combing and screening of important IT systems, push forward rectification of problematic areas and system optimization, smooth out and enhance relevant regulations, refine management process for development and testing, optimize work flows of change and emergency management, and organize emergency-response drills. All these ensured safe, stable and efficient operation of IT systems bank-wide.

Domestic Distribution Channels

Branches

During the reporting period, for implementation of the development strategy on quicker construction of outlets, the Bank set up 189 new outlets, up 68.75% over the previous year. These new outlets include two tier-one branches located in Xining and Yinchuan, respectively, 13 tier-two branches located in Zhoushan, Yancheng, Qianhai District of Shenzhen, Cangzhou, Ningde, Shiyan, Xinxiang, Mudanjiang, Jilin, Jiujiang, Changzhi, Zunyi and Chifeng, respectively, and 174 sub-branches. Meanwhile, the Bank upgraded four tier-two branches located in Wuxi, Wenzhou, Foshan and Quanzhou, respectively, to direct management by the Head Office. As at the end of the reporting period, the Bank had 1,073 outlets in 116 large and medium cities in mainland China, including 42 tier-one branches (directly managed by the Head Office), 69 tier-two branches and 962 sub-branches.

Self-Service Outlets and Self-Service Terminals

During the reporting period, in parallel with further efforts to reinforce risk prevention of self-service banking transactions, the Bank also expanded the distribution network of self-service banks and terminals and raised the substitution rate of self-service terminals in transactions. As at the end of the reporting period, the Bank had established 2,360 self-service banks and installed 8,433 self-service terminals (ATM, CDM and CRS) in mainland China, up 50.00% and 59.00%, respectively over the end of the previous year.

Online Banking Platform

Please refer to "Management Discussion and Analysis — Online Banking" of this Report.

Telephone Banking Platform

The telephone customer service center of the Bank provides customers with telephone banking services. During the reporting period, the Customer Service Center of the Bank received 49.06 million incoming calls, including 42.83 million automated phone answering service calls and 6.23 million manual service calls, achieving a 20-second response rate of 90.05%, a customer satisfaction rate of 98.81% in general, and a customer satisfaction rate of 98.1% in terms of handling of customer complaints. By actively making outgoing calls to customers totaling 3.3651 million person-times for the reporting period, the Bank's Customer Service Center proactively provided customer care, telephone notice, and etc.

Subsidiary Business

CITIC International Financial Holdings Limited (CIFH)

CIFH, a controlled subsidiary of the Bank, is an investment holding company incorporated in Hong Kong in 2002. CITIC Bank and BBVA hold 70.32% and 29.68% equity interest in CIFH, respectively. CIFH specializes in commercial banking business and non-banking financial services with its commercial banking business conducted mainly via CNCBI, its wholly-owned subsidiary. CNCBI is a licensed bank incorporated and registered in Hong Kong. As at the end of the reporting period, CNCBI has set up overseas branches in New York, Los Angeles and Singapore in addition to its branches in mainland China, Hong Kong and Macau. In terms of non-banking financial services, CIFH holds 40% equity interest in CIAM, and 20.03% in CITIC Capital. CIAM is primarily engaged in asset management and direct investment business, while CITIC Capital focuses on investment management and consulting business at the Chinese mainland market.

During the reporting period, economic growth in Hong Kong paced up somewhat, thanks to rapid development in tourism which stimulated growth in consumption, and marked growth of both business and personal loans. Offshore Renminbi business maintained its momentum of sound development in Hong Kong, becoming one of the major growth drivers of banking business in Hong Kong. Cross-border Renminbi business kept maturing after years' development, with Renminbi deposit exceeding RMB800 billion in Hong Kong.

As at the end of the reporting period, CIFH had total assets of HKD215.857 billion, an increase of 20.53% over the end of the previous year. For the reporting period, CIFH realized a net profit of HKD2.256 billion, up by 55.15% over the previous year.

— CNCBI: Seizing the opportunity presented by rapid development of offshore Renminbi business in Hong Kong, CNCBI conducted close cooperation with the Bank and launched diversified Renminbi products and services, benefiting customers with effective solutions for value preservation and appreciation of their investments and resulting in sustained growth of non-interest income and overall earnings. As at the end of the reporting period, CNCBI had Renminbi deposit was equivalent to HKD39.131 billion, an increase of 75.04% over the end of the previous year, including personal Renminbi deposit equivalent to HKD8.704 billion, an increase of 178.08% over the previous year, achieving a leap forward in its Renminbi deposit. For the reporting period, CNCBI achieved an operating income of HKD4.747 billion, a growth of 27.77% year-on-year, and profit before provision of HKD2.658 billion, an increase of 39.38% year-on-year.

— CIAM: Guided by its green investment strategy, CIAM implemented major trading projects in both new energy application and energy management and thereby markedly optimized its investment portfolio. During the reporting period, the listing platform under CIAM invested in a project for development of electrical vehicles, while another CIAM energy management project, WeldTech, became the preferred target of acquisition by a Hong Kong listing platform after significant improvement of business operation.

— CITIC Capital: CITIC Capital specializes in investment management and consulting business. During the reporting period, CITIC Capital and its fund products completed investment in multiple new projects including SF Express, Focus Media and AsiaInfo Linkage, and successfully completed final financing for its two fund products, namely, China Real Estate Investment Fund IV and Start-up Business Investment Fund. As at the end of the reporting period, total assets managed by CITIC Capital was approximately USD4.4 billion.

— Risk Management: CIFH continuously enhanced its risk management structure, enriched risk management tools and improved its risk resilience. CNCBI refined its comprehensive risk indicators to measure its overall risk profile, including credit risk, market risk, operation risk, current fund risk, interest rate risk, strategic risk and reputation risk. Meanwhile, CNCBI developed a set of comprehensive stress tests covering the whole bank and implemented liquidity management tools to comply with regulatory requirements in Hong Kong. Further, CNCBI worked with the Bank and BBVA to promote cooperation in risk management and made joint effort to build a more advanced risk management model and better codes of operation.

— Business coordination within the Group: Against the backdrop where Chinese companies turned to overseas financing due to development of cross-border business, CNCBI, as the Bank's overseas service platform, provided its customers with tailor-made overseas financing services to satisfy diversified customer financing needs. During the reporting period, CNCBI significantly increased financing quotas for the Bank's corporate customers and their overseas presences, together with more diversified forms of financing such as loans backed by standby L/C, overseas agency payment, risk participation, forfeiting and L/C negotiation, and expanded financing coverage from trade account to capital account. At the same time, the Bank and CNCBI extended their cross-border Renminbi business cooperation geographically, from Pearl River Delta and Yangtze River Delta to inland cities such as Wuhan and Chongqing.

China Investment and Finance Limited (CIFL)

CIFL is a subsidiary controlled by the Bank established in 1984 and located in Hong Kong with a registered capital of HKD25 million. The Bank holds 95% and CNCBI holds the rest 5% equity interest in CIFL. CIFL is engaged in lending and investment business (mainly fund investment, bond investment and equity investment, etc). Mr. Zhang Qiang serves as the chairman of CIFL.

During the reporting period, CIFL was fully incorporated into the Bank's investment banking business system. With active efforts to construct an overseas investment banking platform for the Bank, promote cross-border finance and accelerate return-journey investment, CIFL enjoyed steady growth of loan scale and continuous improvement of profitability. Prudent in its overall investment strategy, CIFL practiced close monitoring and screening of project risks, and stringently complied with relevant risk management measures, resulting in solid asset quality and limited overall risk.

As at the end of the reporting period, CIFL had total assets of USD225.28 million, up by 31% over the end of the previous year, and net assets of USD40.25 million, up by 19% over the end of the previous year. For the reporting period, CIFL realized profit before tax of USD7.07 million, a growth of 71% over the previous year.

Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, located in Lin'an, Zhejiang Province, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. Lin'an CITIC Rural Bank is mainly engaged in general commercial banking business.

As at the end of the reporting period, Lin'an CITIC Rural Bank recorded a deposit balance of RMB648.10 million, up by RMB37.14 million or 6% over the end of the previous year; daily average deposit balance of RMB518.25 million, an increase of RMB107.16 million or 26.1% over the previous year; a capital adequacy ratio of 37.83%, a provision coverage ratio of 235.95%, and a provision to loan ratio of 3.62%, all of which are in compliance with regulatory requirements. During the reporting period, the rural bank realized a net profit of RMB10.98 million.

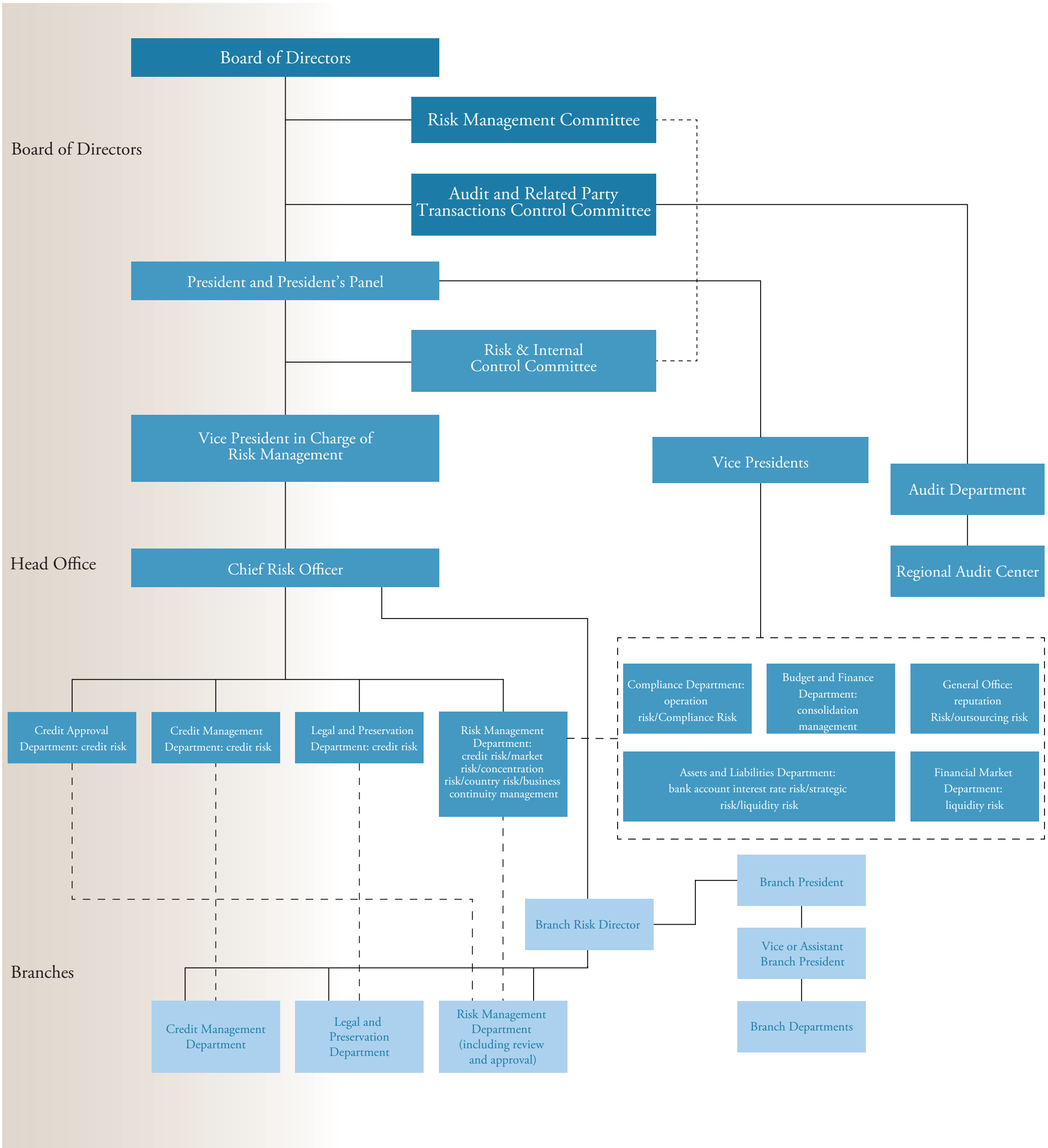
Increasing Shareholders' Value

The Bank abides by the principles of "safety, liquidity and profitability", operates on counter-cyclicality basis, emphasizes on capital-efficient business structure, and controls business sale with low credit leverage. The bank remarkably improved profitability, realizing RMB39.175 billion profit attributable to shareholders for the year.


中信銀行

Risk Management

Risk Management Structure



Note: (1) For liquidity risk, the Assets and Liabilities Department takes the lead to develop policies and conduct analysis while the Financial Market Department is responsible for implementation thereof.

(2) For concentration risk, the Risk Management Department takes the lead to develop policies and conduct analysis while the Corporate Banking Department is responsible for implementation thereof.

Risk Management System and Techniques

In 2013 the Bank remained committed to building a comprehensive, uniform and independent risk management system. To improve the organizational structure of risk management, the Bank set up Chief Risk Officer at the Head Office to take charge of overall risk management. Moreover, the Bank optimized division of duties for management of different risk types, defined leading management departments of different risks, and fully incorporated risk management of wealth management, bond underwriting and retail credit into its bank-wide uniform risk management and control system. To reinforce vertical management of risks, the Bank set up Risk Directors at branches who report to the Chief Risk Officer and are managed under the mechanism of double-line reporting and double-line evaluation.

In line with the status quo and existing gap vis-à-vis implementation of the New Basel Capital Accord, the Bank re-planned the application targets and compliance road map for implementation of the New Basel Capital Accord, and systematically combed the follow-up projects for such implementation. At the moment, the Bank is optimizing the corporate customer credit risk rating model and the retail credit risk rating model. Meanwhile, the market risk internal model approach project is in orderly progress, and the market risk management system, with continuous improvement achieved in Phase I, has completed project establishment of Phase II. Outcomes of Phase I such as risk value and stress test are already in preliminary application.

Credit Risk Management

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

Credit Risk Management of Corporate Business

During the reporting period, facing the joint impacts of macroscopic economic slowdown, more intensive government attempts at economic restructuring, de-capacity and de-leveraging, the Bank tightened credit-granting criteria for key credit risk areas of corporate business to prevent credit risk in a proactive manner.

— Local government financing vehicle (LGFV) loans: The Bank implemented strict total quantity control of LGFV finance, and practiced comprehensive risk management of on-and off-balance sheet limits, so as to reinforce uniform credit granting to LGFVs in all definitions; and rigorously controlled incremental LGFV loans in accordance with regulatory policies and actively optimized the structure of LGFV finance on the principle of "classified management and differentiated treatment".

— Property finance: The Bank paid close attention to the implementation of the government's macroscopic readjustment policy against the property market, was highly concerned with the latest trends of risk changes in the property sector, practiced stringent total quantity control of finance for the property sector, and adopted total management of on- and off-balance sheet limits. The Bank persistently provided credit support primarily to general residential projects for satisfaction of real demands, strictly controlled loans to price-inflated projects, insisted upon security for loan projects and closed management of projects, and actively adjusted loan structure to encourage granting of credit to regional projects supporting stable rigid demands.

— Finance for industries with overcapacity: Against the backdrop of domestic and international economic slowdown, insufficient downstream demands, more stringent environmental regulation, and economic transformation, overcapacity industries such as iron and steel, non-ferrous metals, ship building and PV have sped up their de-capacity process, resulting in greater operation risk. While controlling total credit granted to the over-capacity industries, the Bank focused its efforts on optimizing customer mix, reinforcing conditions of guarantee, compressing credit-receiving customers that were backward in capacity, poor in market competitiveness and unsatisfactory in operation results, optimizing the mix of upper and lower stream customers that were closely related to over-capacity industries, intensifying truthfulness review of trade backgrounds, and strengthening management of credit risk. For customers suffering from severe overcapacity and very uncertain future development, the Bank reinforced, restructuring, active compression and exit policies.

— Credit risk of bond underwriting and wealth management: The Bank insisted upon stringent risk control of these business areas. During the reporting period, the Bank reinforced total process of risk management, investigated, reviewed and approved wealth management business according to criteria no inferior to those applied to its self-operated credit grant to toughen risk control, took total quantity of business with the same customer into overall consideration, and placed overall financing scale and total risk quantity under uniform control.

Risk Management of Small Enterprises

During the reporting period, the Bank remained committed to capacity building for better risk management of small enterprise business.

— Emphasized the business model of "Planning first, marketing in batches": The Bank reinforced market planning, conducted all-round analysis of competitive industrial clusters in combination with regional economic features and industry policies, made accession rules for relevant industries, markets and clusters, developed clusters centering on industries of the real economy that served daily life of the people, i.e., "food, clothing, housing and transport", and embedded customer access management into its credit granting process to control access of batch customers from the sources.

— Constructed a specialized system for management of small enterprise business and improved tools for risk management and control thereof: In accordance with its uniform program for institutional adjustment of risk management bank-wide, the Bank continued to smooth out the process for risk management of small enterprises and improve techniques and tools such as small enterprise risk scorecard. As per the customer positioning of "focusing on small and micro enterprises, retail enterprises and batches of enterprises", the Bank incorporated personal business loans into its small enterprise business for uniform management, and constructed an independent small enterprise business management system, enhancing the professional level of risk control over small enterprise finance.

— Designed small-enterprise product portfolios that are "close to market, close to customers and strict in risk control": On the basis of in-depth market surveys and analysis, the Bank launched a series of standard products for small enterprises, and strictly controlled risks in all operation details throughout the process of product design, due diligence investigation, review and approval of credit grant, and post-lending management.

— Reinforced risk monitoring and inspection of credit grants to small businesses: The Bank set up a mechanism for monitoring and analysis of credit risk of small businesses whereby regular analysis and assessment is conducted in terms of the risks of credit granting to small businesses from multiple perspectives including geographic region, industry, product and guarantee. Meanwhile, the Bank reinforced special risk monitoring and inspection of special business areas and intensified efforts to manage and dispose non-performing assets.

Risk Management of Consumer Finance

During the reporting period, the Bank responded to changes in the macroscopic economic situation and regulatory requirements by making corresponding adjustments to its credit policy for consumer finance, intensified risk control of consumer finance, and upheld the "embedded" review and approval system via the construction of standard processes. These measures, while ensuring independent risk control, also improved efficiency of retail credit review and approval.

— In response to changes in the macro-economic situation and regulatory requirements, the Bank strictly implemented the government's macroscopic control policy to ensure operational compliance and risk controllability.

— The Bank optimized its product mix, vigorously promoted market launch of various types of consumer finance loan products, researched and developed innovative products such as comprehensive credit grant based on property mortgaging, and built up professional quality and risk awareness of its human resources.

— The Bank strengthened pre-lending review and post-lending supervision, ensured healthy compliant growth of its consumer finance business via ear-marked inspections and systematic monitoring, and prevented operation risk by means of system improvement and process development targeting problems identified in both internal and external inspections.

— The Bank regularly monitored and announced asset quality of its loan assets, and safeguarded safety of credit assets by incorporating risk management of consumer credit into its bank-wide uniform risk management and control.

Risk Management of Credit Card Business

During the reporting period, the Bank continued to improve systematic development of its whole-process comprehensive risk management in credit card business, practiced the active albeit prudent policy thinking and risk preference, strictly guarded its risk bottom line, and actively adjusted credit structure, thereby maintaining sound asset quality and achieving steady balance between risk and profit.

— Consolidated and enhanced the whole-process comprehensive risk management system: The Bank continued to improve the risk management structure and hierarchical management authorization system for credit card business, and enhanced the total risk monitoring system that covered credit risk, market risk and operation risk. In accordance with its overall credit policy, risk management targets and business development goals, the Bank timely adjusted and implemented the policy system for business review and approval, credit line adjustment, post-lending management and debt collection, and created a risk prevention and control system that covered the entire process of front-end sales, credit approval, post-lending management, collection of overdue loans and write-off of bad debts.

— Effectively implemented the active albeit prudent credit policy and deepened structural adjustment: The Bank planned and managed the structure of its credit card customer groups based on its risk preference and strategic development requirements. Highlighting regional differences in terms of economic environment, risk and profit, the Bank made adjustments to differentiate regional structures of customer groups. Credit resources were planned and allocated in a rational manner while tools such as credit products and credit line management were used comprehensively to regulate granting of credit resources in a differentiated and refined manner and to improve the efficiency of resource allocation.

— Simultaneous use of multiple channels and measures to improve recovery of non-performing assets: The Bank kept constructing and improving its debt collection system before, during and after credit grant and improved loan recovery efficiency by differentiated means, and reinforced write-off of bad debts with equal attention paid to loan recovery and NPL disposal. Keeping records for written-off bad debts, setting up case-by-case filings for special items, making continuous demand for loan repayment and trying all possible means to recover loans, the Bank carried out orderly compliant handling of non-performing assets and improved proceeds from disposal of non-performing assets.

— Further application of credit card risk measurement tools in both approach and extent to enhance professional management capability: The Bank consolidated scientific tools such as risk measurement, and continuously furthered the approach and extent of applying measurement tools in credit card loan business, based on the existing risk measurement tools that covered risk, profit and interest generation. Thanks to the Bank's devotion to increasingly combined use of internal and external scorings of credit cards and expansion & innovation of their business applications, such scoring tools have fully covered each and every component of the entire life cycle of customer credit, providing the basis for designing differentiated risk management and control strategies and products.

Risk Management of Treasury Business

During the reporting period, the Bank prudently conducted its negotiable securities investment business and provided customers with risk-avoiding value-adding services. With regard to Renminbi denominated bond investment, the Bank focused on premium enterprises in relevant sectors as key credit investment targets. With regard to foreign currency denominated bond investment, the Bank adopted relevant measures to adjust its asset structure as a precautionary measure against the adverse externality of potential overseas sovereign debt crisis.

Loan Monitoring and Post-Lending Management

2013 was a year of enormous challenges to the Bank's credit asset quality. As an active response to the severe economic and financial situations, the Bank made great efforts to promote construction of a total risk management system, kept upgrading the level of credit management and further consolidated the foundation of credit management. During the reporting period, the Bank mainly covered the following aspects in terms of credit management:

— Implemented reform of the risk management system to promote "full-process all-staff total" credit management;

— Standardized loan disbursement operation to prevent operation risk thereof;

— Promoted development of an early warning mechanism for effective detection and disclosure of credit risk;

— Promoted active exit to timely dissolve credit risk;

— Promoted management of matured loans to ensure timely full-amount recovery of loans;

— Promoted the construction of a collaterals management system to reinforce value monitoring and management of collaterals bank-wide;

— Promoted classified risk management to improve truthfulness of credit asset quality;

— Promoted system development to advance IT management means;

— Promoted data quality management to enhance statistical analysis;

— Promoted training and evaluation to build up management capacity.

Credit Risk Analysis

Distribution of Loans

Concentration of Loans by Geographic Region

During the reporting period, the Group developed differentiated credit policy in line with regional economic characteristics and maximized profits by differentiated resource distribution, including priority support to business development in the three major economic regions of Yangtze River Delta, Pearl River Delta and Bohai Rim; and focused on provincial capitals and core cities in central and western regions to expand corporate and retail credit business.

As at the end of the reporting period, the Group's total loan balance was RMB1,941.175 billion, an increase of RMB278.274 billion or 16.73% over the end of the previous year. The Group's loans to the Bohai Rim, the Yangtze River Delta and the Pearl River Delta regions ranked the top three, recording RMB513.609 billion, RMB476.101 billion and RMB278.425 billion, respectively, accounting for 26.46%, 24.53% and 14.34% of the Group's total loans respectively. In terms of increment, the Pearl River Delta, the western region and the central region recorded the highest growth, reaching 22.66%, 19.67% and 19.31%, respectively, all being higher than the Group's average loan growth rate.

The Group

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	476,101	24.53	427,019	25.68
Bohai Rim [(1)]	513,609	26.46	436,743	26.26
Pearl River Delta and West Strait	278,425	14.34	226,989	13.65
Central region	266,342	13.72	223,232	13.43
Western region	255,620	13.17	213,609	12.85
Northeastern region	57,920	2.98	53,108	3.19
Overseas	93,158	4.80	82,201	4.94
Total Loans	**1,941,175**	**100.00**	1,662,901	100.00

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	472,973	25.71	424,908	26.95
Bohai Rim [(1)]	511,075	27.77	435,620	27.63
Pearl River Delta and West Strait	275,914	15.00	226,148	14.34
Central region	266,342	14.48	223,232	14.16
Western region	255,620	13.89	213,609	13.55
Northeastern region	57,920	3.15	53,108	3.37
Total Loans	**1,839,844**	**100.00**	1,576,625	100.00

Note: (1) Including the Head Office.

Concentration of Loans by Product

As at the end of the reporting period, the Group's corporate loan balance (excluding discounted bills) registered a stable growth, amounting to RMB1,435.853 billion, up RMB182.593 billion or 14.57% over the end of the previous year; personal loans grew at a fast pace with balance proportion going up to 22.69%, an increase of RMB105.906 billion or 31.65% over the end of the previous year, 14.92 percentage points above the average growth rate; and balance of discounted bills decreased by RMB10.225 billion or 13.63% over the end of the previous year.

During the reporting period, the Group pushed forward the Big Retail strategy on all fronts while continuing to maintain its traditional advantages in corporate credit business. With quicker development of personal loans business and consequent higher proportion of personal loans in total loans, the Group enjoyed preliminary achievements of its strategic transformation.

The Group

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,435,853	73.97	1,253,260	75.37
Personal loans	440,553	22.69	334,647	20.12
Discounted bills	64,769	3.34	74,994	4.51
Total loans	**1,941,175**	**100.00**	1,662,901	100.00

The Bank

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,356,527	73.73	1,188,415	75.38
Personal loans	426,129	23.16	320,044	20.30
Discounted bills	57,188	3.11	68,166	4.32
Total loans	**1,839,844**	**100.00**	1,576,625	100.00

Concentration of Loans by Sector

As at the end of the reporting period, corporate loan balances of three sectors, namely, manufacturing, wholesale and retail, and transportation, warehousing and postal service ranked the top three of the Group's total corporate loan balance, accounted aggregately for 59.02% of the Group's total balance, and amounted to RMB412.819 billion, RMB298.847 billion and RMB135.778 billion respectively. In terms of the breakdown of increment, the wholesale and retail sector scored the fastest growth, followed by manufacturing, and the construction sector took the third place. The incremental amounts and growth rates of the three sectors were RMB66.595 billion or 28.67%, RMB56.194 billion or 15.76%, and RMB18.220 billion or 28.62%, respectively.

As at the end of the reporting period, the loan balances of the three sectors, namely, real estate, production and supply of power, gas and water, and public and social organizations declined by RMB4.997 billion, RMB2.512 billion and RMB731 million, respectively, or down 3.73%, 4.23% and 4.12%, respectively over the end of the previous year.

Noticing the adhesion of industrial loan portfolios to economic cycles, the Group gradually invested its credit resources into the modern service sector and the like through its grasp of new growth points available in consumption, a driver of economic development.

The Group

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**412,819**	**28.75**	356,625	28.46
Transportation, warehousing and postal service	**135,778**	**9.46**	135,952	10.85
Production and supply of power, gas, water	**56,817**	**3.96**	59,329	4.73
Wholesale and retail	**298,847**	**20.81**	232,252	18.53
Real estate	**128,930**	**8.98**	133,927	10.69
Water conservancy, environment and public utilities management	**71,853**	**5.01**	62,897	5.02
Leasing and commercial services	**67,657**	**4.71**	53,886	4.30
Construction	**81,873**	**5.70**	63,653	5.08
Public and social organizations	**16,992**	**1.18**	17,723	1.41
Others	**164,287**	**11.44**	137,016	10.93
Total corporate loans	**1,435,853**	**100.00**	1,253,260	100.00

The Bank

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**406,726**	**29.98**	352,782	29.68
Transportation, warehousing and postal service	**134,002**	**9.88**	133,782	11.26
Production and supply of power, gas, water	**56,419**	**4.16**	59,017	4.97
Wholesale and retail	**287,087**	**21.16**	220,334	18.54
Real estate	**116,735**	**8.61**	127,183	10.70
Water conservancy, environment and public utilities management	**71,722**	**5.29**	62,897	5.29
Leasing and commercial services	**67,428**	**4.97**	53,710	4.52
Construction	**81,048**	**5.97**	63,403	5.34
Public and social organizations	**16,992**	**1.25**	17,723	1.49
Others	**118,368**	**8.73**	97,584	8.21
Total corporate loans	**1,356,527**	**100.00**	1,188,415	100.00

Breakdown of Loans by Type of Guarantee

The Group maintained a stable loan guarantee structure and built up its capacity for risk mitigation. As at the end of the reporting period, the balance of the Group's collateral and pledged loans stood at RMB976.821 billion, up RMB136.660 billion or 16.27% over the end of the previous year, and their proportion in total loans reached 50.32%, remaining unchanged compared with the end of the previous year; and the balance of unsecured and guaranteed loans amounted to RMB899.585 billion, up RMB151.839 billion over the end of the previous year, accounting for 46.34% of total loans, basically remaining unchanged compared with the end of the previous year.

The Group

Unit: RMB million

	31 December 2013		31 December 2012	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**399,860**	**20.60**	329,704	19.83
Guaranteed loans	**499,725**	**25.74**	418,042	25.14
Collateral loans	**740,650**	**38.15**	630,393	37.91
Pledged loans	**236,171**	**12.17**	209,768	12.61
Subtotal	**1,876,406**	**96.66**	1,587,907	95.49
Discounted bills	**64,769**	**3.34**	74,994	4.51
Total loans	**1,941,175**	**100.00**	1,662,901	100.00

The Bank

Unit: RMB million

	31 December 2013		31 December 2012	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion(%)
Unsecured loans	**382,075**	**20.77**	317,351	20.13
Guaranteed loans	**463,191**	**25.17**	390,625	24.78
Collateral loans	**705,499**	**38.35**	595,688	37.78
Pledged loans	**231,891**	**12.60**	204,795	12.99
Subtotal	**1,782,656**	**96.89**	1,508,459	95.68
Discounted bills	**57,188**	**3.11**	68,166	4.32
Total loans	**1,839,844**	**100.00**	1,576,625	100.00

Concentration of Borrowers of Corporate Loans

The Group focused its attention on risk control over the concentration of borrowers of its corporate loans. During the reporting period, the Group complied with the applicable regulatory requirements related to concentration of borrowers. Since a single borrower is defined by the Group as a specified legal entity, one borrower can be the related party of another borrower.

The Group

Major regulatory indicator	Regulatory Standard	31 December 2013	31 December 2012	31 December 2011
Percentage of loans to the largest single customer (%) [(1)]	≤10	3.41	3.80	3.78
Percentage of loans to the top 10 customers (%) [(2)]	≤50	14.68	20.98	22.12

Notes: (1) Percentage of loans to the largest single customer = balance of loans to the larges single customer/net capital.

(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.

The Group

Unit: RMB million

		31 December 2013		
	Sector	Amount	Percentage in total loans (%)	Percentage in regulated capital (%)
Borrower A	Public and social organizations	9,978	0.51	3.41
Borrower B	Manufacturing	6,152	0.32	2.11
Borrower C	Transportation, warehousing and postal service	3,943	0.20	1.35
Borrower D	Transportation, warehousing and postal service	3,854	0.20	1.32
Borrower E	Transportation, warehousing and postal service	3,743	0.19	1.28
Borrower F	Transportation, warehousing and postal service	3,485	0.18	1.19
Borrower G	Transportation, warehousing and postal service	3,380	0.17	1.16
Borrower H	Manufacturing	3,032	0.16	1.04
Borrower I	Manufacturing	2,789	0.14	0.95
Borrower J	Water conservancy, environment and public utilities management	2,544	0.13	0.87
Total loans		42,900	2.20	14.68

As at the end of the reporting period, total balance of loans from the Group to the top 10 corporate customers amounted to RMB42.9 billion, accounting for 2.20% of its total loans and 14.68% of its net capital, down 6.3 percentage points over the end of the previous year.

Loan Quality Analysis

Five-Class Loan Classification

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

During the reporting period, the Bank continued to reinforce centralized management of classified loans and enhance the system for classified management of credit asset risks. While adhering to the core criteria, i.e., "safety of loan collection", the Bank treated different classes of loans with different risk management measures after taking into full consideration various factors that may impact the quality of credit assets.

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

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

The Group

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Normal	**1,898,053**	**97.78**	1,631,235	98.09
Special mention	**23,156**	**1.19**	19,411	1.17
Sub-standard	**11,680**	**0.60**	6,448	0.39
Doubtful	**6,310**	**0.33**	4,778	0.29
Loss	**1,976**	**0.10**	1,029	0.06
Total Loans	**1,941,175**	**100.00**	1,662,901	100.00
Performing loans	**1,921,209**	**98.97**	1,650,646	99.26
Non-performing loans	**19,966**	**1.03**	12,255	0.74

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

The Bank

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,797,573	97.70	1,546,363	98.08
Special mention	22,632	1.23	18,393	1.17
Sub-standard	11,643	0.63	6,403	0.41
Doubtful	6,041	0.33	4,459	0.28
Loss	1,955	0.11	1,007	0.06
Total Loans	1,839,844	100.00	1,576,625	100.00
Performing loans	1,820,205	98.93	1,564,756	99.25
Non-performing loans	19,639	1.07	11,869	0.75

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

As at the end of the reporting period, the balance of normal loans of the Group increased by RMB266.818 billion over the end of the previous year, accounting for 97.78% of the total loans, and representing a drop of 0.31 percentage point over the end of the previous year. The balance of special-mention loans rose by RMB3.745 billion, accounting for 1.19% of the total loans, up 0.02 percentage point over the end of the previous year. The rise in both balance and proportion of special-mention loans was mainly because: (1) The Group used stringent and prudent criteria to classify risks, whereby loans with factors adversely affecting recovery would be identified as special mention unless otherwise identified for special reasons; (2) Large groups of SMEs engaged in manufacturing and trade and located in economically developed areas encountered business deterioration and tight fund chain due to macro-economic impacts, resulting in worse credit risk and rise in special-mention loans.

As at the end of the reporting period, the balance of the Group's NPLs, recognized in accordance with the regulatory risk classification standard, stood at RMB19.966 billion, up RMB7.711 billion over the end of the previous year; and its NPL ratio was 1.03%, up 0.29 percentage point over the end of the previous year. In terms of the composition of NPLs, the balance of sub-standard loans went up by RMB5.232 billion over the end of the previous year, representing an increase of 0.21 percentage point in terms of their proportion in total loans, which mainly resulted from the appearance of credit risk and the consequent NPLs among private SMEs (especially those engaged in steel trade) in the economically developed areas including the Yangtze River Delta, the Pearl River Delta and the Bohai Rim, where they faced operation difficulties and breakage of cash flow due to impacts of the macro-economy.

The Group made great efforts to improve loan quality and reinforced disposal of non-performing assets in 2013. During the reporting period, the Group digested RMB10.47 billion NPL principal by means of collection and write-off, etc.

During the reporting period, the Group witnessed "dual rise" trend of NPL balance and NPL ratio, which was consistent with the marked economic slowdown in China since 2013. At the beginning of 2013, the Group already made its preliminary judgment and response preparation regarding potential decline of loan quality. Thanks to such pertinent measures for risk prevention and dissolution, the Group was able to control changes in NPLs within its expected scope.

Migration of Loans

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

The Bank

	31 December 2013	31 December 2012	31 December 2011
Migration ratio from normal loans (%)	**1.51**	1.16	1.06
Migration ratio from special mention loans (%)	**27.20**	6.35	6.37
Migration ratio from sub-standard loans (%)	**45.98**	24.06	8.22
Migration ratio from doubtful loans (%)	**17.94**	5.70	2.27
Migration ratio from performing loans to non-performing loans (%)	**0.67**	0.36	0.21

As at the end of the reporting period, the migration ratio from normal loans of the Bank increased by 0.31 percentage point over the end of the previous year. The main underlying reason was increasing credit risk on the part of the borrowers due to the impacts of multiple factors including slowdown of macro-economic growth, accelerated transformation of industrial structure, and insufficient domestic and overseas demands, which led to more loans migrating from normal to non-performing.

In addition, the migration ratio from normal to both sub-standard and doubtful loans also went up significantly compared with the end of the previous year, mainly because the Group reinforced its write-off of NPLs. For the reporting period, the Group wrote off RMB5.3 billion NPLs, eight times that of the previous year.

Loans Overdue

The Group

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,905,586**	**98.17**	1,641,416	98.71
Loans overdue [(1)]				
1-90 days	**15,424**	**0.79**	11,703	0.70
91-180 days	**3,872**	**0.20**	2,992	0.18
181 days or above	**16,293**	**0.84**	6,790	0.41
Subtotal	**35,589**	**1.83**	21,485	1.29
Total loans	**1,941,175**	**100.00**	1,662,901	100.00
Loans overdue for 91 days or above	**20,165**	**1.04**	9,782	0.59
Restructured loans [(2)]	**6,176**	**0.32**	4,775	0.29

Notes: (1) Loans overdue refer to loans with principals or interests overdue for one day or above.

(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

The Bank

Unit: RMB million

	31 December 2013		31 December 2012	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,805,447**	**98.13**	1,555,889	98.68
Loans overdue [(1)]				
1-90 days	**14,524**	**0.79**	11,297	0.72
91-180 days	**3,837**	**0.21**	2,987	0.19
181 days or above	**16,036**	**0.87**	6,452	0.41
Subtotal	**34,397**	**1.87**	20,736	1.32
Total loans	**1,839,844**	**100.00**	1,576,625	100.00
Loans overdue for 91 days or above	**19,873**	**1.08**	9,439	0.60
Restructured loans [(2)]	**5,603**	**0.30**	4,056	0.26

Notes: (1) Loans overdue refer to loans with principals or interests overdue for one day or above.

(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

During the reporting period, the Group saw larger incremental amount of overdue loans than the previous year due to impact of the macro-economic situation. As at the end of the reporting period, the proportion of overdue loans in total loans increased by 0.54 percentage point over the end of the previous year, of which 43% were short-term and temporary overdue loans with a maturity of less than 3 months. These loans were overdue because the borrowers suffered tight fund chains or even break of fund chains as a result of longer cycle of cash recovery, greater difficulty in obtaining bank finance or reduction of bank loans.

The fact that the Group's balance of NPLs basically equaled that of loans overdue for more than 90 days proves the Group's stringent compliance with the CBRC Guidelines on the Classification of Loan Risks, i.e., identifying loans overdue for more than 90 days as non-performing.

Thanks to its efforts in reinforcing collection and management of matured loans, monthly monitoring of overdue loans at branches, and urging branches to accelerate the dissolution of overdue loan risk, the Group maintained a basically stable higher-than-98% recovery ratio of loans upon maturity.

Breakdown of NPLs by Product

The Group

Unit: RMB million

	31 December 2013			31 December 2012		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**16,406**	**82.17**	**1.14**	10,963	89.45	0.87
Personal loans	**3,560**	**17.83**	**0.81**	1,284	10.48	0.38
Discounted bills	**—**	**—**	**—**	8	0.07	0.01
Total	**19,966**	**100.00**	**1.03**	12,255	100.00	0.74

The Bank

Unit: RMB million

	31 December 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	16,091	81.93	1.19	10,588	89.20	0.89
Personal loans	3,548	18.07	0.83	1,273	10.73	0.40
Discounted bills	—	—	—	8	0.07	0.01
Total	19,639	100.00	1.07	11,869	100.00	0.75

As at the end of the reporting period, the Group saw evident "dual rise" of both corporate and personal NPLs compared with the previous year. The balance and ratio of corporate NPLs increased by RMB5.443 billion and 0.27 percentage point respectively; while the balance and ratio of personal NPLs grew by RMB2.276 billion and 0.43 percentage point respectively, mainly due to the significant increase in credit risk of private SMEs and sole proprietorships engaged in manufacturing and steel trade. For the reporting period, quality of the Group's discounted bill business remained excellent, with an NPL ratio of zero.

Breakdown of NPLs by Geographic Location

The Group

Unit: RMB million

	31 December 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	10,567	52.93	2.22	5,275	43.04	1.24
Bohai Rim	3,995	20.01	0.78	2,581	21.06	0.59
Pearl River Delta and West Strait	2,311	11.57	0.83	2,244	18.31	0.99
Central region	1,126	5.64	0.42	625	5.10	0.28
Western region	976	4.89	0.38	492	4.01	0.23
Northeastern region	759	3.80	1.31	715	5.84	1.35
Overseas	232	1.16	0.25	323	2.64	0.39
Total	19,966	100.00	1.03	12,255	100.00	0.74

The Bank

Unit: RMB million

	31 December 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	10,559	53.77	2.23	5,257	44.29	1.24
Bohai Rim	3,950	20.11	0.77	2,536	21.37	0.58
Pearl River Delta and West Strait	2,268	11.55	0.82	2,244	18.91	0.99
Central region	1,126	5.73	0.42	625	5.26	0.28
Western region	977	4.98	0.38	492	4.15	0.23
Northeastern region	759	3.86	1.31	715	6.02	1.35
Total	19,639	100.00	1.07	11,869	100.00	0.75

As at the end of the reporting period, NPLs in the Yangtze River Delta rose most evidently, with the balance and ratio of NPL increasing by RMB5.292 billion and 0.98 percentage point over the end of the previous year, respectively. The decrease of loan quality in the Yangtze River Delta was mainly due to the impact of multiple factors including slowdown of macro-economic growth, accelerated transformation of industrial structure, insufficient domestic and overseas demands, and price drop of raw materials such as iron and steel. Some SMEs engaged in manufacturing and steel trade suffered business stagnation and break of fund chains, which triggered credit risk and led to decline in quality of loans granted to this region.

In addition, because credit risk exhibited the feature of spreading from upper to lower stream of the industrial chain and from the east to the central and western regions, the Group recorded rise of NPL ratio in the Bohai Rim and the central and western regions to different extents as well.

Breakdown of Corporate NPLs by Sector

The Group

Unit: RMB million

	31 December 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	6,454	39.34	1.56	4,272	38.96	1.20
Transportation, warehousing and postal service	175	1.07	0.13	207	1.89	0.15
Production and supply of power, gas and water	94	0.57	0.17	188	1.72	0.32
Wholesale and retail	8,059	49.12	2.70	4,765	43.46	2.05
Real estate	306	1.87	0.24	353	3.22	0.26
Leasing and commercial services	118	0.72	0.16	270	2.46	0.50
Water conservancy, environment and public utilities management	75	0.46	0.11	85	0.78	0.13
Construction	576	3.51	0.70	241	2.20	0.38
Public and social organizations	—	—	—	—	—	—
Others	549	3.34	0.33	582	5.31	0.43
Total	16,406	100.00	1.14	10,963	100.00	0.87

The Bank

Unit: RMB million

	31 December 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	6,319	39.27	1.55	4,189	39.56	1.19
Transportation, warehousing and postal service	175	1.09	0.13	204	1.93	0.15
Production and supply of power, gas and water	95	0.59	0.17	188	1.78	0.32
Wholesale and retail	8,055	50.06	2.81	4,740	44.76	2.15
Real estate	305	1.89	0.26	335	3.16	0.26
Leasing and commercial services	118	0.73	0.16	270	2.55	0.50
Water conservancy, environment and public utilities management	75	0.47	0.11	85	0.80	0.13
Construction	576	3.58	0.71	241	2.28	0.38
Public and social organizations	—	—	—	—	—	—
Others	373	2.32	0.32	336	3.18	0.35
Total	16,091	100.00	1.19	10,588	100.00	0.89

As at the end of the reporting period, the Group's NPL balances of wholesale/retail and manufacturing increased by RMB3.294 billion and RMB2.182 billion respectively over the end of the previous year, and the NPL ratios of the two sectors increased by 0.65 and 0.36 percentage point respectively over the end of the previous year. Major underlying reasons are the following: (1) Economic slowdown plus accelerated transformation of industrial structure in China; (2) Drastic demand shrinkage at domestic and overseas markets plus insufficient incremental demand, leading to higher inventory pressure; (3) Price drop of raw materials such as iron and steel and rising cost of labor; (4) Lower liquidity and more fund occupation of businesses, resulting in worse credit risk, more NPLs and higher NPL ratios in manufacturing industries including steel, steel trade, ship building, PV, building materials, and raw material production, and in the related wholesale and retail industries.

As at the end of the reporting period, except for manufacturing, wholesale/retail and construction, NPLs of other sectors as recorded by the Group all declined in different degrees, of which NPL balances of leasing and commercial services, production and supply of power, gas and water and real estate went down by RMB152 million, RMB94 million and RMB47 million respectively over the end of the previous year, with the corresponding NPL ratios going down 0.34, 0.15 and 0.02 percentage point respectively.

Analysis of Provision for Loan Impairment

Changes in Provision for Loan Impairment

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

The Group

Unit: RMB million

	As of 31 December 2013	As of 31 December 2012
Beginning balance	35,325	23,258
Accruals during the year [(1)]	11,327	12,804
Reversal of impairment allowances [(2)]	(275)	(206)
Transfer out [(3)]	(42)	(54)
Write-offs	(5,305)	(742)
Recoveries of loans and advances written off in previous years	224	265
Ending balance	**41,254**	35,325

Notes: (1) Equivalent to the net loan impairment recognized in the consolidated income statement of the Group.

(2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Group recognized as interest income.

(3) Including the provision for loan impairment released from loans converted to repossessed assets.

The Bank

Unit: RMB million

	As of 31 December 2013	As of 31 December 2012
Beginning balance	**34,877**	22,818
Accruals during the year [(1)]	**11,245**	12,733
Reversal of impairment allowances [(2)]	**(271)**	(202)
Transfer out [(3)]	**(30)**	(54)
Write-offs	**(5,169)**	(659)
Recoveries of loans and advances written off in previous years	**209**	241
Ending balance	**40,861**	34,877

Notes: (1) Equivalent to the net loan impairment recognized in the consolidated income statement of the Group.

(2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Group recognized as interest income.

(3) Including the provision for loan impairment released from loans converted to repossessed assets.

As at the end of the reporting period, the Group's balance of provision for loan impairment registered RMB41.254 billion, representing an increase of RMB5.929 billion over the end of the previous year. The Group's ratio of balance of provision for loan impairment to NPL balance (i.e., provision coverage ratio) was 206.62%, down 81.63 percentage points over the end of the previous year, mainly because the Group increased write-off to improve loan quality. With the written-off amount for the reporting period exceeding the sum of those in previous years, the Group used up a large amount of provisions. The Group's ratio of balance of provision for loan impairment to total loans (i.e., provision to loan ratio) was 2.13% as at the end of the reporting period, up 0.01 percentage point over the end of the previous year, indicating stronger capacity of the Group to hedge loan risk.

Management of Market Risk

Market risk refers to the risk of on- and off-balance sheet business of a bank incurring losses due to unfavorable changes in market prices (including interest rate, exchange rate, stock price and commodity price). The main market risk confronting the Bank includes interest rate risk and exchange rate risk. The Bank has established a market risk management system covering risk identification, measurement, monitoring and control, which manages market risk by exercising product access approval and risk limit management, thereby controlling potential losses arising from market risk below the acceptable level.

2013 was a year of marked acceleration of interest rate liberalization and continuous emergence of innovative products at the financial market. In response to such market changes, the Bank implemented the guiding principle of bank-wide strategic transformation, efficiently and prudently conducted market risk authorization and approval, integrated departmental structures and responsibilities related to market risk monitoring, strengthened independence and comprehensiveness of risk monitoring and reporting, enhanced institutional development of market risk policies and optimized the corresponding procedures and processes. Through reasonable risk control and proactive management of market risk, the Bank effectively ensured healthy development of related business areas with overall risk placed under control.

Management of Interest Rate Risk

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

During the reporting period, due to the impacts of the domestic and overseas economic and financial situations, domestic market interest rates fluctuated further, exposing interest rate risk management of financial institutions to greater challenges. The Bank closely tracked changes in macro economic situations and its internal business structure, made timely adjustments to its loan re-pricing lifecycle management policy, took the initiative to manage sensitive gaps of interest rate, and prevented excessive concentration of interest rate risk. During the reporting period, the Bank optimized its deposit maturity structure and adjusted its loan re-pricing lifecycle with the use of active management means such as FTP, controlling interest rate risk of the whole Bank at a reasonable level and ensuring healthy business development.

As at the end of the reporting period, details of interest rate gaps of the Bank are set out as follows:

The Group

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	68,007	2,080,037	1,137,364	288,547	67,238
Total liabilities	84,858	2,205,149	761,232	313,481	45,748
Interest rate gap	(16,851)	(125,112)	376,132	(24,934)	21,490

The Bank

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	70,190	1,958,427	1,115,855	281,579	66,926
Total liabilities	73,902	2,112,849	733,509	308,630	40,731
Interest rate gap	(3,712)	(154,422)	382,346	(27,051)	26,195

Management of Exchange Rate Risk

Exchange rate risk refers to the risk of on- and off-balance sheet business of a bank incurring losses due to unfavorable changes of exchange rate. The Bank measures exchange rate risk mainly through the analysis of foreign exchange exposures that consists of trading and non-trading exposures. Trading exposure mainly results from the position in foreign exchange trading, while non-trading exposure mainly arises from foreign currency capital and foreign currency profit. The Bank manages exchange rate risk by conducting foreign exchange spot and forward trading and matching foreign currency denominated assets with corresponding foreign currency denominated liabilities. Meanwhile, the Bank makes appropriate use of derivatives, mainly foreign exchange swap, to manage foreign currency assets and liabilities portfolios.

Exchange rate risk of the Bank is mainly impacted by the fluctuations of Renminbi exchange rate against the US dollar. During the reporting period, Renminbi kept appreciating against the US dollar, appreciating about 3% for the whole year. Thanks to its strict control of market risk exposure of related foreign exchange business and intensive monitoring, analysis and reporting of daily risks, the Bank was able to control its exchange rate risk within the acceptable level.

The Bank's foreign exchange exposures as at the end of the reporting period are set out as follows:

The Group

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	25,448	(14,680)	(24,220)	(13,452)
Net off-balance sheet position	(37,716)	27,712	23,540	13,536
Total	(12,268)	13,032	(680)	84

The Bank

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	(874)	(6,721)	(13,627)	(21,222)
Net off-balance sheet position	(13,709)	6,390	13,010	5,691
Total	(14,583)	(331)	(617)	(15,531)

Liquidity Risk Management

Liquidity risk refers to the risk that the Bank is unable to obtain adequate capital in a timely manner or at reasonable costs to meet customer need for withdrawing matured liabilities, making other payments, and its own need for regular business.

The objective of liquidity risk management of the Bank is to monitor, identify and measure liquidity risk, control liquidity risk below the tolerable level, and thereby ensure normal and sound operation of all business lines through the establishment of an effective liquidity risk management mechanism and by following the set targets of assets and liabilities management and regulatory requirements about liquidity risk.

The Bank pursues an unified liquidity risk management model. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and its legal-person institutions, and managing liquidity risk at the legal-person institution level in a centralized manner. Domestic branches of the Bank, in accordance with requirements of the Head Office, are responsible for fund management within their respective jurisdictions in accordance with their authorized mandates. All domestic and overseas affiliates of the Bank are responsible for developing their own strategies and procedures for liquidity risk management and implementing such strategies and procedures in accordance with the requirements of regulatory authorities and within the Group's master policy framework of liquidity risk management.

During the reporting period, the Bank made active efforts to promote and intensify liquidity risk management, kept improving its organizational structure for liquidity risk management, optimized its liquidity risk management system, and enhanced liquidity risk management from multiple perspectives including but not limited to total quantity arrangement of assets and liabilities, structural layout, emergency response planning and stress test.

Liquidity gaps of the Bank as at the end of the reporting period are set out as follows:

The Group

Unit: RMB million

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
(1,165,222)	(76,929)	351,069	312,575	344,669	464,563	230,725

The Bank

Unit: RMB million

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
(1,140,976)	(50,500)	329,695	282,556	332,974	469,607	223,356

Operation Risk Management and Anti-Money Laundering

Operation Risk Management

Operation risk refers to the risk of losses resulting from imperfect or deficient internal procedures, employees and IT systems and external incidents, including legal risk but excluding strategic risk and reputation risk. The Bank identifies, assesses, monitors, controls, mitigates and reports operation risk via the construction of an operation risk management framework, and adopts risk management and control measures to reduce losses arising from operation risk, promotes development of an operation risk management system and refines the operation risk management mechanism for dynamic management and continuous improvement.

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

For the reporting period, the Bank was free of material loss incidents resulting from operation risk, and its overall operation risk profile was assessed at medium to low level.

Anti-Money Laundering

During the reporting period, in line with the Law of the People's Republic of China on Anti-Money Laundering and relevant regulatory stipulations on anti-money laundering, the Bank diligently fulfilled its anti-money laundering obligations and conducted anti-money laundering risk management on all fronts.

— Improved the anti-money laundering internal control system: Following the PBC "risk-centered" mindset of anti-money laundering risk management, the Bank shifted its internal anti-money laundering function from the accounting department to the compliance department and defined a work mechanism of stratified management at both the Head Office and the branches;

— Reinforced institutional development for anti-money laundering management: The Bank formulated the Basic Regulations of CITIC Bank on Management of Anti-money Laundering and Anti-terrorist Financing and the Measures of CITIC Bank on Management of Reporting Large-Sum and Suspicious Transactions, and started to implement the Work Program of CITIC Bank on Risk Evaluation and Classified Customer Management regarding Money Laundering and Terrorist Financing.

— Strictly monitored anti-money laundering risk: The Bank intensified Customer Identification and classified management of different levels of customer risks, paid attention to potential anti-money laundering risks inherent in new online financial business such as online financing platforms, seriously carried out information analysis and money-laundy category reporting of suspicious large-sum transactions, and closely monitored money flow and usage of suspicious transaction funds that might involve money laundry and terrorist financing.

— Optimized anti-money laundering system functions in a continuous manner: The Bank incorporated the construction of an anti-money laundering risk management system into its three-year IT plan to reinforce improvement, optimization and upgrading of system functions such as building the AML analytical data model to monitor Large-Sum and Suspicious Transactions, customer identification, investigation, analysis, name-list management and follow-up monitoring, and risk evaluation of customer money laundry.

— Organized training on anti-money laundering management: The Bank invited experts from its Head Office to provide specialized trainings on anti-money laundering situations, relevant regulatory requirements and practical operation, to deepen the grasp of policies and regulations. In addition, the Bank participated in job-access trainings for anti-money laundering positions in the financial industry so as to improve overall quality of anti-money laundering managers at all levels.

Capital Management

The Bank practiced total capital management, covering regulatory capital, economic capital and book capital, including but not limited to capital adequacy ratio management, capital planning management, capital financing management and economic capital management.

Capital adequacy ratio is at the core of the Bank's capital management, reflecting capacity of the Bank for prudent operation and risk prevention. The Bank calculates, manages and discloses its capital adequacy ratios according to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC in June 2012. The Group ensures that capital adequacy ratios at all levels of both the Group and the Bank continue to meet regulatory requirements and internal management needs, prevent potential risks and support healthy sustainable development of all business lines, through timely monitoring, analysis and reporting of the levels of capital adequacy ratios, and by adopting various measures such as asset growth rate control, asset structure adjustment, higher accumulation of internal capital, and capital replenishment from outside. At the moment, the Group completely complies with all regulatory requirements on capital adequacy ratios.

In terms of capital planning management, the Group estimates future capital supply and demand in a forward-looking manner, determines potential capital gap in the future and develops measures for internal and external capital replenishment according to relevant regulatory requirements and the Group's development strategy and risk appetite.

In terms of capital raising management, the Group makes reasonable choice of requisite capital instruments to raise capital mainly in line with its capital planning and the market environment, both to ensure that the Group meets external regulatory requirements and attain internal capital management targets, and to facilitate the Group's optimization of total capital amount and overall capital structure.

Economic capital management is an important measure for the Group to conduct capital management of its internal business units. It aims at guiding the whole bank to reinforce awareness of capital constraint and optimizing its on- and off- balance sheet capital structure in a continuous manner. The Group applies economic capital management indicators with "economic profit" and "return on risk capital" as the core, and promotes optimal allocation of economic capital in various institutions, products and sectors and improves capital efficiency through its internal branch rating system.

Management of Financial Statement Consolidation

During the reporting period, for the purpose of further implementing its own development strategy and meeting the CBRC regulatory requirements on financial statement consolidation, the Bank managed such consolidation in an orderly manner, and continued to strengthen management of the consolidated subsidiaries. Comprehensive management of the subsidiaries covered all risk types, i.e., liquidity risk, market risk, credit risk, compliance risk, legal risk, operation risk and reputation risk, and other areas such as capital adequacy ratios, large risk exposure, insider trading and corporate governance. On the basis of better and more standard institutional framework and information systems, the Bank endeavored to establish and improve its overall structure for management of financial statement consolidation and gradually construct a normal management mechanism.

Profit and Dividends Distribution

To give investors reasonable return on investment and help investors develop steady expectation of investment returns, relevant provisions of the Articles of Association lay down explicit requirements vis-a-vis dividend policies such as the base, principle, interval, method and condition and online voting of profit distribution, provide for the minimum proportion of profit distribution made in cash under general circumstances, and offer shareholders an online voting platform for participation in voting for the proposals on distribution plans. As such, the Bank fully protects legitimate rights and interests of its minority investors.

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

Unit: RMB million

Year for which dividends are distributed	Cash dividends every ten shares (RMB yuan) (pre-tax)	Total amount of cash dividends (pre-tax)	Net profit attributable to shareholders of the Bank as indicated in consolidated statements	Distribution ratio (%) *(Note)*
2009	0.880	3,435	14,320	23.99%
Interim of 2011	0.550	2,573	15,024	17.13%
2011	1.450	6,784	30,819	22.01%
2012	1.500	7,018	31,032	22.62%

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

After-tax profit as shown on the Bank's audited 2013 financial statements prepared in accordance with PRC GAAP and IFRS, respectively, were both RMB37.863 billion.

The Bank transferred 10% of its after-tax profit as shown on the financial statements prepared in accordance with PRC GAAP to the statutory surplus reserve, which is RMB3.786 billion. The Bank allocated the general reserve of RMB9 billion. No discretionary reserve was allocated.

The Bank proposed to distribute final dividends for the year 2013 with a total amount of RMB11.790 billion, which accounts for 31.14% of the net profit of the Bank and 30.10% of the net profit attributable to the shareholders of the Bank, and shall be denominated and declared in Renminbi and paid to A-share holders in Renminbi and to H-share holders in Hong Kong dollar. Based on the total share capital of A-shares and H-shares, the final cash dividends will be RMB2.52 (pre-tax) for every 10 shares. The dividends for H-share holders shall be paid in Hong Kong dollar, with the amount to be calculated in accordance with the average benchmark exchange rate of Renminbi to Hong Kong dollar as released by the PBC one week prior to the convening of the shareholders' general meeting (inclusive of the date of the shareholders' general meeting). No scheme for transfer of capital reserve to share capital will be applied for the current year. Retained profit after dividends payment shall be carried forward to the following year. The aforesaid profit distribution plan shall be submitted to the 2013 Annual Shareholders' General Meeting for approval and implementation thereafter.

Shareholdings in Other Listed Companies and Financial Enterprises

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

Unit: RMB

No.	Stock code	Stock name	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in shareholder's equity during the reporting period	Accounting item	Source of investment
1	00762	China Unicom (HK)	7,020,000.00	—	3,648,201.81	—	4,125,467.49	(477,265.68)	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,509,605.39	—	68,698,961.41	203,626.86	47,957,141.51	20,741,819.90	Available-for-sale financial assets	Gift/Bonus share
3	MA	Mastercard International	201,629.69	—	3,860,489.40	10,380.98	2,340,846.04	1,519,643.36	Available-for-sale financial assets	Bonus share
Total			14,731,235.08		76,207,652.62	214,007.84	54,423,455.04	21,784,197.58		

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

Unit: RMB

Name of Company	Initial investment amount	Number of shares held (share)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Changes in shareholder's equity during the reporting period	Accounting item	Source of investment
China Union Pay Co. Ltd.	113,750,000.00	87,500,000	2.99%	113,750,000.00	3,500,000.00	—	Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	22	—	497,696.49	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,049,975.74	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	12,737,256.27	—	—	Available-for-sale financial assets	Bonus share
Total	132,710,234.79			131,034,928.50	3,500,000.00	—		

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with a net value of RMB290 million as at the end of the reporting period.

Changes in Accounting Policies and Accounting Estimation or Correction of Significant Accounting Errors

MOF Issued following accounting standards for enterprises in January and February of 2014, and required all the enterprises that should comply with the accounting standards to execute from 1 July 2014, while encouraging Chinese companies listed overseas to execute in advance. Those accounting standards include Accounting Standards for Enterprises No. 9 – Employee Compensation (Revised), Accounting Standards for Enterprises No. 30 – List of Financial Statements (Revised), Accounting Standards for Enterprises No. 33 – Consolidated Financial Statements (Revised), Accounting Standards for Enterprises No. 39 – Measurement of Fair Value, and Accounting Standards for Enterprises No. 40 – Arrangement of Joint Operation.

The Group, as a listed company issued A-shares and H-shares concurrently, adopted in advance the accounting standards that could influence the Group while drafting the 2013 financial statement. The aforementioned changes in accounting policies had no significant impact on the financial statements of year 2012 and year 2013.

During the reporting period, there is no occurrence of significant accounting mistakes within the Group.

Outlook

Outlook of the Operating Environment

Domestic and International Macro – Economic Development Trends

In 2014, the world economy will linger in slow recovery while instability and uncertainties persist amid the absence of clear new growth dynamics. Uncertainties are seen in monetary policies of major powers, in trade and investment patterns and in changing directions of commodity prices. Growth of the US economy will pace up somewhat. Exit of the US quantitative easing policy and debt ceiling of the US government will become the greatest uncertainties affecting global economic and financial stability. Economic growth in Europe is expected to turn from negative to positive against the backdrop of continuing hard recovery in the general sense. Emerging market economies and some developing countries will continue to enjoy relatively rapid growth rates but suffer from universal issues such as weak external demand, insufficient drivers for endogenous growth and rising pressure of inflation. According to the forecast of the International Monetary Fund (IMF), the global economy will register a growth rate of 3.7% in 2014, with 2.2% for advanced economies, and 5.1% for emerging and developing economies.

The year 2014 is the beginning year for China to fully implement the spirit of the Third Plenary Session of the 18th Congress of the Communist Party and to deepen reform in an all-round manner. The 2013 Central Economic Work Conference laid down the overall work tone of continuously pursuing "progress amid stability", i.e., implement reform in each and every area and component of socioeconomic development, improve macroscopic control with the spirit, mentality and methodology of reform, scientifically grasp the policy framework of macroscopic control, and ensure policy continuity and stability. In its economic work, the government will continue with a proactive fiscal policy and a prudent monetary policy. The fiscal policy will improve structural tax cut and expand the pilot business-tax-to-VAT reform to more industries. The monetary policy will maintain rational growth of monetary credit and non-government finance, and promote interest rate liberalization and reform of the Renminbi exchange rate formation mechanism. The Chinese economy is expected to keep the momentum of steady growth in 2014.

Changes in Market Demand

With strategic opportunities still available for economic development and continuous release of reform dividends in China, the aforementioned new changes will bring along new development opportunities for growth of commercial banks.

The service sector has become a new engine of economic growth. Compared with developed economies, the modern service industry in China still has substantial room for growth, and will gradually become an important force driving forward the development of manufacturing and other industries, and thereby take the entire service sector towards a dominant position in the three major industries. Vigorous expansion of the modern service sector will benefit commercial banks with large numbers of base customer groups and new business opportunities.

Urbanization creates extensive space for future economic development in China. Urbanization rate in China was 52.6% in 2012 and is expected to reach around 60% by 2020. An important strategic measure of the new government is to address the urban and rural dichotomy, improve the quality of urbanization and help the national economy attain sustainable healthy development by accelerating new-style urbanization. Tier-two and tier-three cities, in particular, will markedly speed up their urbanization process, bringing new business opportunities to branches of commercial banks nationwide.

Strategic emerging industries will enter a golden period of development. The State Council has made it clear that it will release a package of fiscal, taxation and financial policies in the coming years to prioritize the cultivation and development of strategic emerging industries including but not limited to energy conservation and environmental protection, new-generation information technology, biology, high-end equipment and manufacturing, new energy, new materials and new-energy automobiles. Extraordinary growth momentum of such government planned emerging industries provides opportunities for commercial banks to enhance their allocation of credit resources, reform their service models and innovate their business.

With reform releasing the vitality of non-public economy, rapid development of SMEs will become an inevitable trend. SMEs constitute an important microscopic foundation of the market economy. A direction of China's deepening reform efforts is to distribute resources through the market and open more areas to private entities, which, while undoubtedly increasing opportunities and expanding space for SME development, will also benefit commercial banks vis-a-vis development of their small and micro enterprise business.

Significant Risks and Countermeasures

At present, the banking industry is at a critical stage of reform and transformation. With the external operating environment exposed to enormous challenges of policy adjustment and technological reform, banks are confronted by great challenges in their operation.

— As a definite trend of reform, the process of interest rate liberalization will pace up. The Third Plenary Session of the 18th Congress resolved to have the market play a decisive role in resource distribution. The key to realize the decisive role of the market in the financial sector lies in market pricing of financial factors and improving operational efficiency of the financial system via market mechanisms. Acceleration of interest rate liberalization intensifies cost pressure of banks at the liabilities end. Continuous tightening of market liquidity does not favor growth in deposits. Upward shift of base fund price increases operating cost. Meanwhile, means of payment is in constant progress, weakening transaction demand of currency as a result. In general, banks are under the pressure of narrowing net interest margins (NIMs).

— Diversification of bank capital markedly increases market competition. With the government encouraging private capital to initiate the establishment of self-risk-assuming financial institutions such as private banks, finance lease companies and consumer finance companies, banks are driven towards capital diversification. Such gradual participation of private capital will increasingly diversify the capital structure of banks, giving rise to various governance structures, with the difference thereof in turn to bring along different competitive edges. In particular, with stronger vitality, private financial institutions will enable more open markets and fuller competition.

— Profound changes in the non-government financing structure lead to more evident financial disintermediation. Simultaneous promotion of financial disintermediation from the perspectives of both assets and liabilities impacts on traditional banking business, reducing demand for bank loans on the one hand and diverting funds of premium bank customers on the other. In the future, financial disintermediation of non-government funds may well intensify.

— Increasing risk of economic fluctuation exposes pro-cyclical bank business to the test of risks. The Chinese economy is caught in the hard transformation period of changing growth rate, in the labor pains of restructuring and in the digestion of previous stimulation policies. The pro-cyclical nature of banking business exposes banks to substantial pressures of managing and controlling non-performing assets when the economy goes on the downward slope. As such, banks need to stand the test of accelerating credit structure adjustment in their operation and management.

— Amid faster technological disintermediation, the internet has weakened payment and financing functions of banks. Internet finance has somewhat replaced traditional banking business through emerging financial models in financing, payment and information intermediation, and credit intermediation, via the use of internet technology and mobile communication technology, etc.

Facing such changes in the operating environment, the Bank will stick to the principles of "safety, liquidity and profitability" in its operation and return to the traditional, standard and prudent pattern of business. The core is to follow the direction of market-oriented reform, and balance risk and profit via holistic accurate analysis of the environment, sound development strategies, effective organizational and governance structures, scientific and rational business processes, effective risk management systems and a reasonable asset-liability structure. Specifically, the Bank will respond to market challenges by "strengthening strategic implementation, promoting rapid development, enhancing operational capability and specifying basic management".

— Strengthen strategic implementation: The Bank will set targets and define responsibilities for its strategic tasks, link strategic implementation with performance evaluation and work assessment. In performance evaluation, in particular, strategic tasks such as those related to the modern service sector, online banking, non-mainstream business, upgrading of effective customers, improvement of outlet capacity, and speed-up of outlet construction need be transmitted to the business frontlines so that work targets could be translated into work efficiency and effectiveness.

— Promote rapid development: The Bank will speed up efforts to raise its market status, temper market-oriented human resources and smooth out the relationship between resource distribution and process management with focus placed on development. Performance evaluation will highlight incremental evaluation and emphasize increase of market share. Resource distribution will maximize the mobilization, integration and utilization of resources, favoring branches that enjoy good operating performance, high development quality and strong management capacity with multiple resources including credit, fee, capital, human resources and outlets.

— Upgrade operational capability: The Bank will proactively promote various reforms for effective construction of market competitiveness, including: (1) better response to market changes, i.e., accurately study and judge market changes and adjust periodical operation strategies in a timely and flexible manner; (2) better profitability to increase return to shareholders, improve performance at the capital market, and maintain steady growth of market capitalization; (3) greater capacity for innovative development with the focus placed on filling up market gaps, creating new growth highlights and producing unique influential business areas and products; (4) better capacity for customer operation, i.e., enhance construction of the service system, improve basic operation capability, and improve product cross-selling and business cooperation and increase effective customers through stratified management of customers; (5) better risk management and control capability, i.e., ensure stability of asset quality by emphasizing truthfulness and controllability of asset quality, reinforce accountability for non-performing assets, and dispose non-performing assets by multiple means; and (6) better cost control capability, i.e., transform from "cost adequacy" to "cost control", strengthen total cost management and increase cost sensitivity.

— Specify basic management: The Bank will construct a modern commercial bank management system featuring ITC support, reasonable structure, optimum process, standard operation, advanced technology and high efficiency to enhance its basic management, i.e., (1) Strengthen ICT development, and promote the construction of core systems with full efforts to upgrade its data/information processing capacity, service capacity and decision-making support capacity; (2) Strengthen process-oriented construction and adapt to bank-wide adjustment of organizational structure and management model so as to realize data concentration, channel integration, unification of business standards and processes, and higher efficiency of operation and management; (3) Strengthen professional management, i.e., professional human resources will be developed to enhance the application of modern management tools and methods; (4) Strengthen refined management, i.e., more refined management will be practiced in areas including management of assets and liabilities, FTP management, pricing management, management of performance evaluation, credit rating of customers and management accounting systems; and (5) Strengthen the development of service systems to gradually transform CNCB from a credit bank to a service-oriented bank, i.e., construct a standard, professional and internationalized customer service system to improve customer experience.

Business Plan and Development Thoughts of the Bank for 2014

Business Plan

In 2014, proactive efforts will be made to adjust and optimize business structure, customer mix and profit composition of the Bank. The Bank plans for approximately 14% growth of aggregate deposit and steady increase of net profit.

Development Thoughts

In 2014, the Bank will resolutely execute its new development strategy and put into practice various strategic deployments with focuses placed on the following aspects:

— Effectively enhance liabilities marketing and strengthen management of liquidity risk: The Bank will prioritize efforts to stabilize and increase deposits, enlarge the share of core liabilities, and scale up savings deposit; proactively increase low-cost deposits such as institutional deposits and settlement deposits and strictly control high-cost negotiation deposits and structural deposits with the use of supply-chain finance, cash management, investment banking and custody; and reinforce the mechanism of constraining fund usage with fund sources via differentiated asset-liability ratio indicator management to achieve balanced development of cost and profit.

— Comprehensively consolidate customer base and promote rapid growth of effective customers: The Bank will continue with its efforts to deepen the construction of an operation system based on customer stratification, accelerate upward shift of the operation focus of corporate customers, vigorously promote concentrated operation of large customers, deepen the service model of "commercial bank + investment bank", and strengthen marketing efforts targeting key customers. Meanwhile, the Bank will extend its supply chain, cash chain and platform chain, optimize the "credit-grant service + transaction bank" service model for SME customers, and acquire small and medium-sized customers in the modern service sector in batches. Further, the Bank will stick to the "two cards one fund" (i.e., Fragrant Card, Happy Elderly Card and Going-abroad Finance) positioning of retail customers to expand product cross-selling, upgrade customer loyalty and reduce customer loss rate. Efforts will continue to develop the channel of "one chain, two circles and three clusters", innovate models of credit grant and batch acquire small and micro enterprises and consumer finance customers.

— Deepen structural adjustment of corporate business and realize the supporting role of transformation: The Bank will further optimize the business structure of its corporate assets, proactively mobilize existing assets, make better use of low-yield assets by means of asset securitization and wealth management, compress and dissolve loan risks of the "highly-polluting, high-energy-consuming and over-capacity" industries, ensure successful restructuring of mature-asset business and thereby squeeze room for high-yield business. Meanwhile, the Bank will optimize the arrangement of incremental assets, and increase credit grants to strategically important business areas such as the modern service sector, investment banking, SMEs and factoring.

— Accelerate release of retail capacity to improve contribution from the retail segment: Efforts will be made to speed up the construction of diversified retail channels, and prioritize improvement of outlet capacity. The Bank will brand itself as "Happy Wealth", vigorously develop consumer credit, and optimize consumer experience of credit card. At the same time, the Bank will intensify efforts to share data and analyze/explore consumer behavior. Interaction and coordination between the Head Office and branches, between the public and private sectors, and between online and offline will be reinforced to improve customer cross-selling ratio of the retail segment.

— Enhance business innovation at the financial market, and increase comprehensive contribution from inter-bank business: Taking advantage of the market opportunities in interest rate liberalization and Renminbi internationalization, the Bank will upgrade its overall risk preference of its financial market business to increase the yield of asset portfolios. Meanwhile, the Bank will enthusiastically promote active liabilities business such as inter-bank certificates of Renminbi deposits to enrich the product mix of its liquidity portfolio and improve its ability for fund acquisition and application. The Bank's advantage in concentrated specialized operation of bills will be fully tapped to enlarge the primary and secondary bill markets and increase profitability from bill business.

— Pace up efforts to cultivate CNCB business uniqueness and create new profit growth points: With emphasis placed on innovation of credit-granting products and E-products related to the modern service sector, the Bank will explore new risk control models to break through the bottleneck of "limited assets and weak guarantee" that characterizes customers from the service industry. Efforts will be accelerated to innovate online banking products to create the profit model of "gaining fee-based income from payment products and earning interest-margin income through development of online lending business". The priorities thereof will be placed on "non-mainstream" business related to supply-chain finance such as bill business, domestic L/C and factoring, and low-capital-consumption business related to asset management such as wealth management and custody.

— Reinforce risk prevention and control to stabilize asset quality: The Bank will reinforce risk management and control of key regions, key industries, key products and key customers, pay more attention to regional risks and risks of industries suffering from severe over capacity, and construct long-term risk early warning mechanisms. Further, efforts will be exerted to strengthen the development and utilization of risk management tools, steadily promote optimization of the corporate customer rating model, and enhance application of internal rating results in areas such as quota setting and economic capital estimation.

— Enhance development of the urbanized operation model to highlight features of regional development: More efforts will be made to conduct classified management of key branches, push forward branch-specific operation in line with economic features of different regions and explore business experiences related to interest rate liberalization, opening up of the capital account and off-shore financial business with full grasp of the opportunities available from reform pilots in the Shanghai Free Trade Area and Shenzhen Qianhai District.

— Quicken the construction of core systems to guarantee rapid business development: Efforts will be concentrated on speeding up the construction of core systems to prepare for overall switch of the new core in 2015. Meanwhile, the Bank will reinforce the construction, renovation, integration and upgrading of business systems, optimize the construction of management information systems including the management accounting system, risk asset measurement and pricing systems, performance evaluation program and the platform for reporting and submitting regulatory and statistical data.

— Intensify development of human resources to improve professional quality of employees: The Bank will accelerate the construction and development of a professional talent force consistent with requirements of its development strategy, pace up cultivation of reserve managers and young backbones, further enhance its competitive mechanism for selection and promotion of talents, improve pre-job training of medium to high-level managers and intensify training of frontline employees.

Management of Corporate Social Responsibility

The Bank has disclosed the 2013 Social Responsibility Report on the official website of SSE (www.sse.com.cn) as well as the website of the Bank (bank.ecitic.com). Please refer to the 2013 Social Responsibility Report for details of the social responsibility and public benefit activities of the Bank for the reporting period.

Significant Events

Principal Business

The Bank is engaged in banking and related financial services.

Major Customers

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

Material Litigations and Arbitrations

The Group has been involved in several litigation and arbitration cases during its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group to enforce loan repayment, and there were also litigations and arbitrations resulting from disputes with clients. As at the end of the reporting period, the Group was involved in 173 litigations and arbitrations with disputed amount exceeding RMB30 million each (either as plaintiff/claimant or defendant/respondent) and an aggregate disputed amount of RMB11.233 billion. There were 44 outstanding cases (regardless of the significance of disputed amounts) where the Group acted as defendant/respondent with an aggregate disputed amount of RMB358 million.

During the reporting period, the Bank was free of material issues questioned by the media.

Appropriation of Funds by the Controlling Shareholder and Other Related Parties

There is no appropriation of the Bank's funds by either the controlling shareholder or other related parties. The auditor has issued the Special Explanations for Non-recurring Fund Appropriation and Other Related Fund Transactions of China CITIC Bank Corporation Limited in 2013.

Material Acquisitions, Disposals or Restructurings of Assets

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

Material Related Party Transactions

When entering into related party transactions with related parties during its ordinary and usual course of business, the Bank sticks to normal commercial terms and executes the transactions with terms available to related parties being no more favorable than those available to independent third parties for similar transactions. Please refer to Note 63 to the Financial Statements herein for details.

Related Party Transactions involving Disposal and Acquisition of Assets

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

Credit Extension Related Party Transactions

The Bank attached great importance to the day-to-day monitoring and management of related party transactions involving credit extension, and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as process-oriented management, risk review and approval and post-lending management. As at the end of the reporting period, the balance of credit extended to related parties by the Bank totalled RMB9.05 billion, of which the credit balance extended to CITIC Group and its subsidiaries totalled RMB7.56 billion and that to BBVA and its subsidiaries totalled RMB1.49 billion. With sound underlying quality, all of the above-mentioned credit granted to related shareholders together with the risk exposures thereof were normal bank loans and therefore would not have material impact on the normal operation of the Bank in terms of transaction volume, structure and quality.

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

Non-Credit Extension Continuing Connected Transactions

The Bank continued to perform the framework agreements on continuing connected transactions that it concluded respectively with CITIC Group and its associates, BBVA and its associates, and CIFH and its subsidiaries, and conducted transactions with them within the respective annual caps of the year. According to the applicable provisions of Chapter 14A of the Listing Rules and Chapter 10 of the Rules of the Shanghai Stock Exchange for the Listing of Stocks, we hereby provide details on the above-mentioned continuing connected transactions as follows:

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

Third-Party Escrow Services

According to the Third-Party Escrow Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the third-party escrow services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2013, the annual cap for the transactions under the Third-Party Escrow Service Framework Agreement was RMB60 million while the actual amount incurred as at the end of the reporting period was RMB8 million.

Investment Product Agency Sales Service

According to the Investment Product Agency Sales Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the agency sales services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2013, the annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement was RMB2.0036 billion while the actual amount incurred as at the end of the reporting period was RMB95 million.

Asset Custody Services

According to the Asset Custody Services Framework Agreement renewed between the Bank and CITIC Group in August 2010, the asset custody services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The asset custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In October 2011, the Bank adjusted the annual cap for the transactions under the Asset Custody Service Framework Agreement. The new cap for such transactions in 2013 was RMB400 million while the actual amount incurred as at the end of the reporting period was RMB71 million.

Financial Consulting and Asset Management Services

According to the Financial Consulting and Asset Management Service Framework Agreement entered into between the Bank and CITIC Group in December 2012, the financial consulting and asset management services provided by the Bank to CITIC Group and its associates have no fixed prices or rates. The prices and rates applicable to a particular type of services shall be determined upon arm's length negotiations between the parties and on terms no more favorable than those available to independent third parties and be based on the market prices and rates applicable to independent counterparties for identical transactions. In 2013, the annual cap for transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB190 million while the actual amount incurred as at the end of the reporting period was RMB2 million.

Call Center Outsourcing Services

According to the Call Center Outsourcing Services Framework Agreement entered into between the Bank and CITIC Group in October 2011, CITIC Group and its associates shall provide call center outsourcing services (staff, premise, equipment and system all inclusive) to the Bank, such as customer calling services, telephone banking services, telephone sales, call reminders for payment collection, review and examination via calls, operation consulting, training, digital information service, marketing consulting, and interactive marketing, etc. The service fees payable by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined through arm's length negotiations between the parties and based on the market prices and rates applicable to independent counter-parties for identical transactions. In 2013, the annual cap for transactions under the Call Center Outsourcing Services Framework Agreement was RMB630 million, while actual amount incurred as at the end of the reporting period stood at RMB323 million.

Capital Transactions

According to the Capital Transactions Framework Agreement entered into between the Bank and CITIC Group in December 2012, the Bank and CITIC Group and its associates shall conduct capital transactions according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counter-parties for identical transactions. In 2013, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Capital Transactions Framework Agreement was RMB1.3100 billion respectively and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB4.21 billion each. As at the end of the reporting period, net gains and losses incurred under the master agreement was RMB-13.8 million, while fair value of financial derivatives recorded as assets was RMB31 million and that of financial derivatives recorded as liabilities was RMB24 million.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement renewed between the Bank and CITIC Group in August 2010 and approved by the third extraordinary shareholders' general meeting in 2010, the transactions of loan asset transfer to be conducted between the Bank and CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the loan assets minus appropriate discount to reflect the appropriate risks of the loan assets. In 2013, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was RMB53 billion while the actual amount incurred as at the end of the reporting period was RMB18.5 billion.

Wealth Management Services

According to the Wealth Management Service Framework Agreement entered into between the Bank and CITIC Group in December 2012, CITIC Group and its associates shall provide the Bank with back-end services (such as trust services) of wealth management, while the Bank shall provide CITIC Group and its associates with investment wealth management services including principal-guaranteed and non-principal-guaranteed wealth management, according to applicable general market practices and on normal commercial terms in their ordinary course of business. In 2013, the annual cap for period-end balance of principals of principal-guaranteed wealth management services under the Wealth Management Services Framework Agreement was RMB6.7 billion, the annual cap for proceeds generated therefrom was RMB150 million, and that of front-end and back-end service fees for wealth management services was RMB120 million. As at the end of the reporting period, the period-end balance of principals of principal-guaranteed wealth management services was RMB3.45 billion, proceeds generated therefrom recorded RMB62 million, and front-end and back-end service fees for wealth management services registered RMB2 million.

Property Lease

According to the Property Lease Framework Agreement entered into between the Bank and CITIC Group in December 2012, the Bank, CITIC Group and its associates shall conduct property lease transactions in their daily business according to applicable general market practices and on normal commercial terms with the rentals thereof to be determined upon arm's length negotiations between the parties and with reference to market prices of similar property lease transactions. In 2013, the annual cap for the transactions under the Property Lease Framework Agreement was RMB80 million while the actual amount incurred as at the end of the reporting period was RMB63 million.

Comprehensive Services

According to the Comprehensive Services Framework Agreement entered into between the Bank and CITIC Group in December 2012, CITIC Group and its associates shall provide the Bank with comprehensive services including technological service, supplementary medical insurance, enterprise annuity, conference service, outsourcing service, advertising service and merchandise purchase. The Bank, CITIC Group and its associates shall conduct transactions of comprehensive services in their daily business according to applicable general market practices and on normal commercial terms, with service fees to be determined upon arm's length negotiations between the parties and with reference to market prices of similar transactions. In 2013, the annual cap for the transactions under the Comprehensive Services Framework Agreement was RMB110 million while the actual amount incurred as at the end of the reporting period was RMB100 million.

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

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and BBVA in October 2011, loan asset transfer transactions conducted between the Bank and BBVA and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discount to reflect the appropriate risks of the loan assets. In 2013, the annual cap for transactions under the Loan Asset Transfer Framework Agreement was USD200 million. No actual related party transactions took place between the Bank and BBVA as at the end of the reporting period.

Capital Transactions

According to the Inter-bank Transactions Master Agreement entered into between the Bank and BBVA in December 2012, the Bank, BBVA and its associates shall conduct capital transactions in daily business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for these transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for similar transactions. In 2013, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of transactions under the Inter-bank Transactions Master Agreement was RMB650 million each, that for the fair value of derivative financial instruments recorded as assets was RMB1.3 billion, and that for the fair value of derivative financial instruments recorded as liabilities was RMB1.2 billion. As at the end of the reporting period, net gains and losses incurred under the master agreement recorded RMB136 million, while fair value of financial derivatives recorded as assets was RMB257 million and that of financial derivatives recorded as liabilities was RMB75 million.

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

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and CIFH in October 2011, transactions conducted between the Bank and CIFH and its subsidiaries shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discount to reflect the appropriate risks of the loan assets. In 2013, the annual cap for transactions under the Loan Asset Transfer Framework Agreement was USD500 million while the actual amount incurred as at the end of the reporting period was USD 33 million.

Capital Transactions

According to the Capital Transactions Framework Agreement entered into between the Bank and CIFH in December 2012, the Bank, CIFH and its subsidiaries shall conduct capital transactions in their daily business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for these transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for similar transactions. In 2013, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Capital Transactions Framework Agreement was RMB1 billion each and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB3.5 billion each. As at the end of the reporting period, net gains and losses incurred under the master agreement recorded RMB576 million, while fair value of financial derivatives recorded as assets was RMB0 billion and that of financial derivatives recorded as liabilities was also RMB0 billion.

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

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

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements governing them, on fair and rational terms and in the overall interests of the shareholders of the Bank.

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

(1) The disclosed continuing connected transactions have not been approved by the Board of Directors;

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

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

(4) With respect to the aggregate amount of each of the continuing connected transactions, the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 11 August 2010, 27 October 2011 and 27 December 2012 made by the Bank in respect of each of the disclosed continuing connected transactions.

Material Contracts and their Performance

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

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

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

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

Upon our verification, the guarantees offered by the Group to external parties are mainly letters of guarantee, which is one of the regular banking services within the approved business scope of the Group. As at the end of the reporting period, the value balance of letters of guarantee issued by the Group was equivalent to RMB114.950 billion.

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

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

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

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

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

On 23 September 2010, BBVA undertook that as a strategic investor of the Bank, BBVA shall take its investment in the Bank as long-term investment and that BBVA intends to hold its allotment from this rights issue for at least five years as of the date of delivery thereof, except for special situations (including but not limited to any requirements of the law or those imposed by any regulatory authorities or government bodies or stock exchanges that enjoy jurisdiction over the Bank, applying for, being applied for or being declared bankruptcy or becoming insolvent, occurrence of macroscopic economic events, *force majeure* or other objective situations having material adverse impacts on the operation or financial position of the Bank). In 2011, BBVA subscribed for 1,163,097,447 H shares in the Bank's H-share rights issue and the delivery was completed on 1 August 2011. The above undertakings by BBVA became effective on 1 August 2011.

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

Appointment and Dismissal of Accounting Firms

As approved at the 2012 Annual General Meeting, the Bank continued to employ KPMG Huazhen as its domestic auditor and KPMG as its overseas auditor for 2013. The Bank has engaged these two accounting firms as auditors since its IPO audit in 2006. The two accounting firms have provided audit services to the Bank for a duration of 7 and 8 consecutive years, respectively. Jin Naiwen and Wang Lipeng, signing CPAs for auditing of the Bank's A-share financial statements, have both served the Bank for one year.

As at the end of the reporting period, the Bank paid RMB9.7 million as audit service fees to KPMG and KMPG Huazhen for their auditing of its 2013 financial statements (excluding the audit performed for the financial statements of the Bank's overseas subsidiaries and the Bank's internal control); the Group's overseas subsidiaries paid HKD8.39 million as audit service fees to KPMG; and the Group's domestic subsidiaries paid RMB50,000 as audit service fees to KPMG Huazhen.

The Bank engaged KPMG Huazhen to audit its internal control in 2013 and paid RMB1.1 million as service fee for such audit in 2013.

Except for the above-mentioned audit assurance service fees, the Bank paid approximately RMB4.15 million to KPMG Huazhen as non-audit service fees during the reporting period.

Amendment of the Articles of Association

There was no amendment to the Articles of Association during the reporting period. Investors may check the Articles of Association on the Bank's official website and the websites as designated by the domestic and overseas stock exchanges where the Bank is listed.

Equity Incentive Scheme

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

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

All proceeds raised by the Bank were used in accordance with the purposes disclosed in the prospectuses for the IPO and the rights issue, namely, all the proceeds were used to replenish the capital of the Bank and to increase the capital adequacy ratios and risk resisting of the Bank.

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

Penalties and Remedial Actions of the Company and Relevant Parties

During the reporting period, the Bank, its directors, its supervisors, its senior managers, its shareholders holding more than 5% of the Bank's equity interest, its de facto controller or its acquirer had no record of being subject to investigation by competent authorities or coercive measures by judicial bodies or disciplinary bodies, transfer to judicial bodies or pursuit of criminal liabilities, investigation or administrative penalties by CSRC, ban of entry into securities markets, being identified as inappropriate candidate, punishment by other administrative authorities or public censure by any stock exchanges, or punishment by other regulators that may have any material impact on the business operation of the Bank.

Reserves

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

Distributable Reserves

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

Donations

The Bank's donation for the reporting period amounted to approximately RMB16.6160 million in total.

Fixed Assets

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

Retirement and Benefits

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

Public Float

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

Purchase, Sale or Redemption of Shares

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

Pre-emptive Rights

None of the Chinese laws, administrative regulations and departmental rules, or the Articles of Association contains any mandatory provisions on pre-emptive rights for purchase of shares of listed companies. According to the Articles of Association, the Bank may increase its registered capital by way of public offering or private offering, rights issue or bonus issue to the existing shareholders, common reserve capitalization, or other means permitted by laws and administrative regulations as approved by the relevant authorities.

Issuance of Shares

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

Interests of Substantial Shareholders

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

Tax Deduction and Exemption

Holders of A Shares

In accordance with the Notice on Issues Regarding the Implementation of Different Individual Income Tax Policies on Dividends and Bonus of Listed Companies (Cai shui [2012] No.85) issued jointly by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends obtained from listed companies by individual investors, if the date since the individual investor obtained the Company's share until the record date is more than one year, listed companies shall, in respect of their individual income tax, pay withholding tax at a rate of 5% of the dividends; if the date since the individual investor obtained the Company's share until the record date is less than one year (inclusive), listed companies shall, in respect of their individual income tax, pay withholding tax at a rate of 5% of the dividends, subject to adjustment to be made in accordance with the Notice at the time when the individual investors transferred their respective shares.

For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable by themselves.

For Qualified Foreign Institutional Investors (QFII), listed companies are required to withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No.47) issued by the State Administration of Taxation. Shareholders who are QFII and who wish to enjoy tax concessions shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they receive the dividends.

Holders of H Shares

Pursuant to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No.045 (Guo Shui Han [2011] No.348), the dividend received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents according to the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements to be entitled to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over withheld tax amounts will be refunded; (2) for citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividend (bonus), and are not obligated to fi le an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividend.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Nonresident Enterprises (Guo Shui Han [2008] No.897), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to H-share holders which are overseas non-resident enterprises, shall be subject to the enterprise income tax withheld at a uniform rate of 10%.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Bank.

Shareholders of the Bank are taxed and/or enjoy tax relief in accordance with the aforementioned regulations.

Material Environmental Protection or Other Social Safety Incidents

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

Other Significant Events

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

Creating Employees' Happiness

The Bank adheres to scientific and market-based human resources management, established reasonable compensation and benefits schemes, safeguards employees' rights and interests, strengthens KPI evaluation mechanism, and offers positive environment for their development.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Changes in share capital

Table on Changes of Shareholdings

Unit: share

	Before the change		Changes (+,-)					After the change	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	2,138,179,203	4.57				(2,138,179,203)	(2,138,179,203)	0	0
1. Shares held by the state									
2. Shares held by state-owned legal persons	213,835,341	0.46				(213,835,341)	(213,835,341)	0	0
3. Other shares held by domestic investors									
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons									
4. Foreign-held shares	1,924,343,862	4.11				(1,924,343,862)	(1,924,343,862)	0	0
Including: Shares held by overseas legal persons	1,924,343,862	4.11				(1,924,343,862)	(1,924,343,862)	0	0
Shares held by overseas natural persons									
Shares not subject to restrictions on sale:	44,649,147,831	95.43				2,138,179,203	2,138,179,203	46,787,327,034	100.00
1. Renminbi denominated ordinary shares	31,691,328,716	67.73				213,835,341	213,835,341	31,905,164,057	68.19
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares	12,957,819,115	27.70				1,924,343,862	1,924,343,862	14,882,162,977	31.81
4. Others									
Total shares	46,787,327,034	100.00				0	0	46,787,327,034	100.00

Changes in Shares Subject to Restrictions on Sale

Unit: share

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

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

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

Shares held by Shareholders Subject to Restrictions on Sale

As at the end of the reporting period, the Bank had neither shares nor shareholders subject to restrictions on sale.

Issuance and Listing of Securities

Issuance and Listing of Stocks

In 2006-2007, the Bank successfully completed its shareholding reform, established the China CITIC Bank Corporation Limited, introduced BBVA, an overseas strategic investor into the Bank, and successfully went public in Shanghai and Hong Kong concurrently. Please refer to the Bank's prospectus for IPO and annual reports between 2007-2012 (inclusive) for details of the shareholding reform, introduction of the strategic investor and the IPO.

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

Subordinated Debts

With approval from PBC and CBRC, the Bank issued RMB6 billion subordinated debts to institutional investors such as commercial banks, insurance companies and policy banks through public bidding in 2006, RMB16.5 billion subordinated debts to institutional investors such as insurance companies through public bidding in 2010, and RMB20 billion subordinated debts to institutional investors such as insurance companies through public bidding in 2012.

Please refer to the 2011 and 2012 Annual Report of the Bank for details regarding the Bank's issuance of subordinated debts in 2006, 2010, and 2012.

Internal Employee Shares

There are no internal employee shares issued by the Bank.

Information on Shareholders

Total Number of Shareholders

As at the end of the reporting period, the Bank had a total of 367,599 shareholders, including 328,150 A-share holders and 39,449 H-share holders. As at the end of the fifth trading day prior to the disclosure date of 2013 Annual Results of the Bank (i.e. 20 March 2014), the total number of shareholders of the Bank stood at 351,781, including 312,597 A-share holders and 39,184 H-share holders.

Shareholdings of the Top 10 Shareholders

Unit: share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of shares held	Shareholding percentage (%)	Balance of shares subject to restrictions on sale	Increase or decrease of shareholding during the reporting period	Shares pledged or frozen
1	CITIC Limited	State-owned legal persons	A-share, H-share	31,325,081,973	66.95	0	31,325,081,973	0
2	Hong Kong Securities Clearing Company Nominee Limited	Overseas legal persons	H-share	7,371,949,936	15.76	0	7,307,864	Unknown
3	BBVA	Overseas legal persons	H-share	4,631,945,376	9.90	0	2,386,153,679	0
4	NSSF [(2)]	State	A-share, H-share	338,513,209	0.72	0	0	Unknown
5	China Construction Bank	State-owned legal persons	H-share	168,599,268	0.36	0	0	Unknown
6	Mizuho Corporate Bank	Overseas legal persons	H-share	81,910,800	0.18	0	0	Unknown
7	Csop Asset Management Co., Ltd. – A50ETF	Other	A-share	42,643,092	0.09	0	10,945,264	Unknown
8	China Ship Building Investment & Development Co., Ltd.	State-owned legal persons	A-share	35,172,000	0.08	0	35,172,000	Unknown
9	China Credit Trust Co., Ltd. – China Credit Trust•Gold Valley Assembled Funds Trust No.1	Other	A-share	31,219,052	0.07	0	31,219,052	Unknown
10	Dongfeng Automobile Group Corporation Limited	State-owned legal persons	A-share	31,034,400	0.07	0	0	Unknown
10	Industrial and Commercial Bank of China Limited	State-owned legal persons	A-share	31,034,400	0.07	0	0	Unknown
10	Hebei Construction Investment (Group) Limited Liability Corporation	State-owned legal persons	A-share	31,034,400	0.07	0	0	Unknown
10	SINOCHEM Group	State-owned legal persons	A-share	31,034,400	0.07	0	0	Unknown

Note:
(1) The shareholdings of H-share holders is calculated based on the Bank's share register maintained with the H-share registrar of the Bank.
(2) NSSF holds both A shares and H shares of the Bank with an aggregate of 338,513,209 shares, including 213,835,341 A shares transferred from CITIC Group in 2009, 68,259,000 H shares held in the capacity of H-share cornerstone investor at the time of the Bank's IPO, and 42,767,068 A shares and 13,651,800 H shares subscribed during the A shares and H shares rights issues of the Bank in 2011.
(3) Note on connected relations or concerted actions of the above shareholders: as at the end of the reporting period, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.
(4) The five H-share cornerstone investors, Mizuho Corporate Bank, NSSF, PICC Property & Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Co., Ltd. undertook to give prior notice in writing to the Bank before selling any of their H shares subscribed under the cornerstone placing agreements after expiration of the lock-up period.

Shareholdings of the Top 10 Non-Restricted Shareholders

Unit: share

No.	Name of shareholder	Shares held not subject to restrictions on sale	Class of shares
1	CITIC Limited	31,325,081,973	A-share, H-share
2	Hong Kong Securities Clearing Company Nominee Limited	7,371,949,936	H-share
3	BBVA	4,631,945,376	H-share
4	NSSF	338,513,209	H-share
5	China Construction Bank	168,599,268	A-share, H-share
6	Mizuho Corporate Bank	81,910,800	H-share
7	Csop Asset Management Co., Ltd. — A50ETF	42,643,092	A-share
8	China Ship Building Investment & Development Co., Ltd.	35,172,000	A-share
9	China Credit Trust Co., Ltd. — China Credit Trust•Gold Valley Assembled Funds Trust No.1	31,219,052	A-share
10	Dongfeng Automobile Group Corporation Limited	31,034,400	A-share
10	Industrial and Commercial Bank of China Limited	31,034,400	A-share
10	Hebei Construction Investment (Group) Limited Liability Corporation	31,034,400	A-share
10	SINOCHEM Group	31,034,400	A-share

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

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

Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

Name	Number of shares held	Shareholding percentage of the issued share capital of the same class (%)	Class of shares
BBVA	9,604,699,386(L)	64.54(L)	H-share
	2,586,598,911(S)	17.38(S)	H-share
	24,329,608,919(L)	76.26(L)	A-share
CITIC Group	9,604,699,386(L)	64.54(L)	H-share
	710(S)	0.00(S)	H-share
	28,938,928,294(L)	90.70(L)	A-share
CITIC Limited	7,018,100,475(L)	47.16(L)	H-share
	710(S)	0.00(S)	H-share
	28,938,928,294(L)	90.70(L)	A-share
Lehman Brothers Asia Holdings Ltd.	732,821,000(L)	4.92(L)	H-share
	732,821,000(S)	4.92(S)	H-share
Lehman Brothers Asia Ltd.	732,821,000(L)	4.92(L)	H-share
	732,821,000(S)	4.92(S)	H-share
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000(L)	4.92(L)	H-share
	732,821,000(S)	4.92(S)	H-share
BBVA	9,604,699,386(L)	64.54(L)	H-share
	2,586,598,911(S)	17.38(S)	H-share

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

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

Controlling Shareholder and De Facto Controller of the Bank

As at the end of the reporting period, CITIC Limited is the controlling shareholder of the Bank, and CITIC Group is the de facto controller of the Bank. CITIC Limited directly owns 28,938,928,294 A shares and 2,386,153,679 H shares of the Bank, respectively, accounting for 61.85% and 5.10% of the total issued share capital of the Bank, respectively. In addition, CITIC Limited owns 710 H shares of the Bank through its wholly owned subsidiary GIL, representing less than 0.01% of the Bank's total issued share capital. In total, CITIC Limited holds 66.95% of the Bank's total issued outstanding shares.

CITIC Group is China's leading state-owned multinational conglomerate, focusing its investment in financial services, information technology, energy and heavy industries, with business operations in Hong Kong, US, Canada and Australia. Initiated by Mr. Deng Xiaoping, Chief Architect of China's reform and opening-up, and approved by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, former Vice President of China, as the first window corporation in China for reform and opening up. Its registered address and place of business are both in Beijing.

On 27 December 2011, as part of its restructuring, CITIC Group contributed, in alignment with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., the majority of its existing operating net assets to establish CITIC Limited, with CITIC Group and Beijing CITIC Enterprise Management Co., Ltd. holding 99.9% and 0.1% of CITIC Limited's equity interest, respectively. At the same time, CITIC Group was restructured into a wholly state-owned company as a whole and renamed as China CITIC Group Corporation, which inherited all business lines and assets from the former CITIC Group. To complete the afore-mentioned capital contribution, CITIC Group transferred its entire equity in the Bank to CITIC Limited as capital contribution, according to which CITIC Limited directly and indirectly holds 28,938,929,004 shares in the Bank, accounting for 61.85% of the Bank's total shares. On 25 February 2013, the relevant transfer procedures for the above-mentioned share transfer were officially completed with the approval from the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depositary and Clearing Corporation Limited.

In October 2013, BBVA transferred 2,386,153,679 H shares it held in the Bank to CITIC Limited, accounting for approximately 5.1% of the total share capital of the Bank, after which CITIC Limited increased its shareholding of the Bank to 66.95% while BBVA continued to hold 9.90% of the Bank's shares.

As at the end of the reporting period, CITIC Group had a registered capital of RMB183.970 billion with Chang Zhenming being its legal representative and 10168558-X being its organizational code. Its business scope covers: (1) licensed business items: internet information services (excluding press, publication, education, medical and health care, pharmaceuticals, and medical devices), and dispatch of required workers to overseas projects consistent with its resources, scale and performance; (2) general business items: investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; investment in energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, information infrastructure, basic telecommunications and value-added telecom services, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, publication, media, culture and sports, domestic and overseas project design, construction, contracting and sub-contracting, and industrial investment; project tendering, exploration, design, construction, supervision, contracting and sub-contracting and consulting services; asset management; capital operation; and import and export business.

As at 31 December 2012, CITIC Group recorded total assets of RMB3,565.7 billion, total liabilities of RMB3,185.1 billion, and net assets attributable to the parent company of RMB235.5 billion; realized operating income of RMB349.8 billion and net profit attributable to the parent company of RMB30.2 billion for the year 2012; and registered net operating cash outflow of RMB32.7 billion, net investment cash outflow of RMB149.7 billion, and net financing cash inflow of RMB52.0 billion for 2012.

As at the end of the reporting period, CITIC Limited had a registered capital of RMB128.0 billion with Chang Zhenming being its legal representative and 71783170-9 being its organizational code. Its business scope covers: (1) licensed business items: contracting overseas projects consistent with its resources, scale and performance, and dispatch of required workers to overseas projects consistent with its resources, scale and performance; (2) general business items: investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, futures, leases, funds and credit cards; investment in information infrastructure, basic telecommunications and value-added telecom services, energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, publication, media, culture and sports, domestic and overseas project design, construction, contracting and sub-contracting and consulting services; asset management, capital operation, and import and export business.

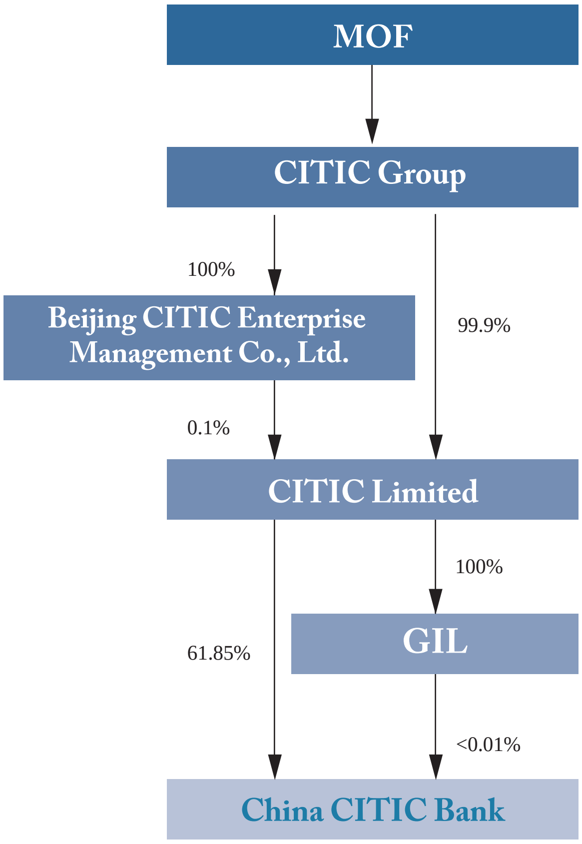
As at 31 December 2012, CITIC Limited recorded total assets of RMB3,470.8 billion, total liabilities of RMB3,109.9 billion, and net assets attributable to the parent company of RMB228.3 billion; realized operating income of RMB302.2 billion and net profit attributable to the parent company of RMB31.5 billion for the year 2012; and registered net operating cash outflow of RMB29.8 billion, net investment cash outflow of RMB136.7 billion, and net financing cash inflow of RMB35.7 billion for 2012.

CITIC Limited is one of the global leading comprehensive conglomerates and is one of the largest comprehensive conglomerates in China. Through an integrated business platform, the CITIC Limited exerts the comprehensive advantages and the overall synergic effect to provide clients with all-round services, and realizes a comprehensive, coordinated and sustainable development.

As at the end of the reporting period, other equity interests in domestic and overseas listed companies as held or controlled by CITIC Group are listed as follows:

No.	Name of listed company	Stock code of listed company	Shareholding Percentage
1	CITIC Securities Company Limited	SH.600030 HK.6030	20.88%
2	CITIC Pacific Limited	HK.0267	57.51%
3	CITIC Telecom International	HK.1883	59.81%
4	CITIC Resources Holdings Limited	HK.1205	59.41%
5	Asia Satellite Telecommunications Holdings Limited	HK.1135	37.59%
6	CITIC Dameng Mining Industries Ltd	HK.1091	49.26%
7	CITIC Heavy Industries Co., Ltd.	SH.601608	71.04%
8	CITIC Offshore Helicopter Corporation Limited	SZ.000099	42.18%
9	CITIC Guoan Information Industry Co., Ltd.	SZ.000839	41.42%
10	CITIC Guoan Wine Co., Ltd.	SH.600084	42.65%
11	CITIC 21CN Company Limited	HK.0241	21.73%

As at the end of the reporting period, the ownership structure and controlling relationship between the Bank and its de facto controller is illustrated as follows:



Other Legal-Person Shareholders Holding 10% or More Shares of the Bank

As at the end of the reporting period, there were no other legal-person shareholders holding 10% or more shares of the Bank except CITIC Limited.

Basic Information on Directors, Supervisors and Senior Management of the Bank (as at 27 March 2014)

Board of Directors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Chang Zhenming	Chairman, Non-executive Director	Male	Oct. 1956	Aug. 2013-May. 2015	0	0
Chen Xiaoxian	First Vice Chairman, non-executive director	Male	Jun. 1954	May. 2012-May. 2015	0	0
Zhu Xiaohuang	Executive Director, President	Male	Jul. 1956	Jan. 2013-May. 2015	0	0
Dou Jianzhong	Non-executive Director	Male	Feb. 1955	May. 2012-May. 2015	0	0
Li Qingping	Non-executive Director	Female	Oct. 1962	Mar. 2014-May. 2015	0	0
Guo Ketong	Non-executive Director	Male	Jun. 1954	May. 2012-May. 2015	0	0
Sun Deshun	Executive Director, Vice President	Male	Nov. 1958	Mar. 2014-May. 2015	0	0
Zhang Xiaowei	Non-executive Director	Male	Oct. 1957	Jan. 2013-May. 2015	0	0
Gonzalo José Toraño Vallina	Non-executive Director	Male	Nov. 1960	Jan. 2013-May. 2015	0	0
Li Zheping	Independent Non-executive Director	Male	Feb. 1965	May. 2012-Jan. 2015	0	0
Xing Tiancai	Independent Non-executive Director	Male	Aug. 1961	May. 2012-May. 2015	0	0
Liu Shulan	Independent Non-executive Director	Female	Nov. 1945	Oct. 2012-May. 2015	0	0
Wu Xiaoqing	Independent Non-executive Director	Female	Oct. 1953	Oct. 2012-May. 2015	0	0
Wong Luen Cheung Andrew	Independent Non-executive Director	Male	Aug. 1957	Nov. 2012-May. 2015	0	0

Board of Supervisors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Ou-Yang Qian	Chairman of the Board of Supervisors	Male	Sep. 1955	Nov. 2013-May. 2015	0	0
Zheng Xuexue	Supervisor	Male	Feb. 1955	May. 2012-May. 2015	0	0
Luo Xiaoyuan	External Supervisor	Female	Jan. 1954	May. 2012-May. 2015	0	0
Wang Xiuhong	External Supervisor	Female	Oct.1946	Jan. 2014-May. 2015	0	0
Li Gang	Employee Representative Supervisor	Male	Mar. 1969	May. 2012-May. 2015	0	0
Deng Yuewen	Employee Representative Supervisor	Male	Jan. 1964	May. 2012-May. 2015	0	0

Senior Management

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Zhu Xiaohuang	Executive Director, President	Male	Jul. 1956	Since Sep. 2012	0	0
Sun Deshun	Executive Director, Vice President	Male	Nov. 1958	Since May 2012	0	0
Su Guoxin	Vice President	Male	Feb. 1967	Since May 2012	0	0
Cao Guoqiang	Vice President in charge of finance function	Male	Dec. 1964	Since May 2012	0	0
Zhang Qiang	Vice President	Male	Apr. 1963	Since May 2012	0	0
Wang Lianfu	Secretary of the Committee for Disciplinary Inspection, Chairman of Trade Union	Male	Oct. 1954	Since Dec. 2006	0	0
Zhu Jialin	Member of the Party Committee	Male	Oct. 1964	Since Mar. 2013	0	0
Li Xin	Secretary to the Board of Directors	Male	Jan.1970	Since Aug. 2013	0	0

Non-incumbent Directors, Supervisors and Senior Management (From 1 January 2013 till 27 March 2014)

Name	Position prior to departure from office	Gender	Date of birth	Departure time	Year-beginning shareholding	Year-end shareholding
Tian Guoli	Chairman, Non-executive Director	Male	Dec. 1960	Apr. 2013	0	0
Ju Weimin	Non-executive Director	Male	Aug. 1963	Oct. 2013	0	0
Cao Tong	Executive Director, Vice President	Male	Jun. 1968	Sep. 2013		
Ángel Cano Fernández	Non-executive Director	Male	Aug. 1961	Nov. 2013	0	0
Zhuang Yumin	External Supervisor	Female	Jul. 1962	Jan. 2014	0	0
Cao Bin	Secretary of Committee for Disciplinary Inspection	Male	Jan. 1962	Mar. 2013	0	0
Lin Zhengyue	Secretary to the Board of Directors	Male	Jun. 1963	Aug. 2013	0	0

Changes in Shares Held by Directors, Supervisors and Senior Management

As at the end of the reporting period, none of the directors, supervisors and senior management of the Bank, either incumbent or non-incumbent during the reporting period, held any shares in the Bank.

Resumes of Directors, Supervisors and Senior Management

Directors

Mr Chang Zhenming

Chinese Nationality

Chairman and non-executive director of the Bank, joined the Bank's Board of Directors in August 2013. Mr. Chang has been Chairman of China CITIC Group Corporation Limited (formerly China CITIC Group Corporation) and China CITIC Limited since December 2011. Mr. Chang concurrently serves as Board Chairman of CITIC Pacific Limited (since April 2009), Chairman of CITIC (Hong Kong Group) Limited (since March 2011), Vice Chairman of CITIC International Financial Holdings Limited (since October 2006), and Vice Chairman of CITIC International Assets Management Limited (since October 2006). Mr. Chang was once Chairman of China CITIC Group Corporation between December 2010 and December 2011, Vice Chairman and concurrently General Manager of China CITIC Group Corporation between July 2006 and December 2010, Vice Chairman and non-executive director of CITIC Bank between December 2006 and May 2011, and non-executive director of CNCBI between November 2006 and March 2013. Other positions that Mr. Chang held include Vice Chairman of China Construction Bank Corporation Limited between July 2004 and July 2006, executive director and concurrently Vice President of China CITIC Group Corporation between August 1995 and July 2004, Assistant Vice President of China International Trust & Investment Corporation (CITIC) between January 1994 and August 1995, Vice President of CITIC Bank between September 1993 and January 1994, and Assistant President of the Bank between October 1992 and September 1993. Mr. Chang is a senior economist with a BA in Japanese language and literature from Beijing International Studies University and later an MBA from New York Insurance Institute.

Dr. Chen Xiaoxian

Chinese Nationality

First Vice Chairman and non-executive director of the Bank, joined the Bank in November 2004. Dr. Chen also serves as Chairman of CNCBI and non-executive director of CIFH. He is engaged by Dongbei University of Finance and Economics as professor and advisor of doctoral candidates and holds professorship at Renmin University of China at the same time. From November 2004 to September 2012, Dr. Chen was President of the Bank. Since December 2006, Dr. Chen has been director of the Bank. From December 2011 to August 2012, he was Vice President of CITIC Limited. From November 2004 to December 2011, Dr. Chen was executive director and Vice President of CITIC Group. Dr. Chen was director, Executive Vice President and Vice President of China Merchants Bank (CMB) from March 2000 to October 2004, prior to which, he was President of CMB Beijing Branch from December 1993 to March 2000. In addition, he served as division head, Assistant President and Vice President of PBC Beijing Branch from September 1982 to December 1993. Dr. Chen is a senior economist with 31 years' experience in the Chinese banking industry. He received a bachelor's degree in finance from Renmin University of China, a master's degree in finance from Southwestern University of Finance and Economics and a Ph.D. in finance from Dongbei University of Finance and Economics.

Dr. Chen was named "Top Ten Financial Figures of the Year in China" by The Chinese Banker magazine for 7 consecutive years from 2005 to 2011 and "Top Ten New Leaders in Finance of the Year" by the China International Finance Forum for two consecutive years between 2006 and 2007. In 2011, he was honored "2011 Most Valuable CEOs of Listed Companies in China" by *Moneyweek*.

Dr. Zhu Xiaohuang

Chinese Nationality

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

Mr. Dou Jianzhong

Chinese Nationality

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

Ms. Li Qingping

Chinese Nationality

Non-executive director of the Bank, joined the Bank's Board of Directors in March 2014. Ms. Li is concurrently Vice President and member of the CPC Committee of CITIC Limited. Prior to that, she served as staff, deputy division head, division head, Deputy General Manager and General Manager of the International Banking Department at the Head Office of Agricultural Bank of China (ABC) from August 1984 to January 2007, as Party Secretary and President of ABC Guangxi Branch from January 2007 to December 2008, as Director of Retail Banking and concurrently General Manager of Personal Banking and Personal Credit Department of ABC from January 2009 to May 2009, and as Director of Retail Banking and concurrently General Manager of Personal Finance Department at the Head Office of ABC from May 2009 to September 2013. Ms. Li is a senior economist with 29 years' professional experience in the Chinese banking industry and in-depth research about international banking and retail banking. She graduated from Nankai University in international finance with a master's degree in economics.

Mr. Guo Ketong

Chinese Nationality

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

Mr. Sun Deshun

Chinese Nationality

Executive director and Vice President of the Bank, joined the Bank as Vice President in October 2011, and was appointed as executive director in March 2014. Mr. Sun concurrently serves as director of CNCBI. Prior to that, Mr. Sun served the Bank of Communications of China (BoCom) as Vice President of BoCoM Beijing Management Department and concurrently President of BoCom Beijing Branch from January 2010 to October 2011, and as President of BoCom Beijing Branch from December 2005 to December 2009. He worked with Haidian Office, Haidian Sub-branch, Beijing Branch and Head Office Data Center (Beijing) of ICBC from May 1984 to November 2005, holding various positions including Assistant President and Vice President of ICBC Beijing Branch from December 1995 to November 2005, and General Manager of the ICBC Head Office Data Center (Beijing) from January 1999 to April 2004. Earlier, Mr. Sun was an employee of PBC from April 1981 to May 1984. Mr. Sun enjoys 32 years' experience in China's banking industry. He is a graduate of Dongbei University of Finance and Economics with a master's degree in economics.

Mr. Zhang Xiaowei

Chinese Nationality

Non-executive director of the Bank, joined the Bank's Board of Directors in January 2013. Mr. Zhang is now director and President of CNCBI. Before joining CNCBI, Mr. Zhang was executive director and General Manager of Wing Lung Bank Limited from January 2012 to September 2012, President of CMB Hong Kong Branch from 2002 till the end of 2011, and Chief Representative of CMB Hong Kong Office between 2000 and 2002 during which time he led the preparation for establishment of the CMB Hong Kong Branch. Ealier, he served as Vice President of the Hong Kong Branch of the Bank of Communications (BoCom) between 1995 and 2000, as Head of International Business and Vice President of BoCom Hainan Branch from 1991 to 1995, and as staff, deputy division head and division head at the Planning Department, the Office for Reform and Restructuring and the International Business Department at the Head Office of Agricultural Bank of China (ABC) between 1984 and 1991. Mr. Zhang enjoys 29 years' practicing experience in the banking industry in both Mainland China and Hong Kong. He graduated from the Graduate School of PBC with a master's degree in monetary banking.

Mr. Gonzalo José Toraño Vallina

Spanish Nationality

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

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

Mr. Li Zheping

Chinese Nationality

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

Dr. Xing Tiancai

Chinese Nationality

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

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

Ms. Liu Shulan

Chinese Nationality

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

Ms. Wu Xiaoqing

Chinese Nationality

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

Mr. Wong Luen Cheung Andrew

Chinese Nationality

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

Supervisors

Dr. Ou-Yang Qian
Chinese Nationality

Dr. Ou-Yang Qian has been working at the Bank since 1988. From August 2013 onward, Dr. Ou-Yang has been a supervisor of the Bank and chaired the Bank's Board of Supervisors since CBRC approval of his qualifications for office in November 2013. In January 1989, Dr. Ou-Yang started to work in the Treasury Department of the Bank where he was primarily engaged in foreign exchange transactions, bond transactions and gold trading and in September of the same year he began to participate in management of asset portfolio investment. In 1991, Dr. Ou-Yang was responsible for research and design of the Bank's internal risk control system. He was Assistant President of the Bank from April 1994 to July 1995 and Vice President of the Bank from July 1995 to June 2013 successively in charge of the Bank's treasury transaction and financial market business, international business, retail banking and credit card business, information technology and corporate banking. He was also President of CNCB Shenzhen Branch for a time. Prior to his nomination as a supervisor of the Bank, Dr. Ou-Yang was responsible for financial market business, international business and information technology of the Bank. His previous positions at the Bank include deputy head of the Risk Management Committee, head of the Marketing Committee and head of the Information Committee. From 1998 to January 2014, Dr. Ou-Yang concurrently serves as Chairman of CIFL.

Dr. Ou-Yang is a senior economist with a master's degree in hydraulic machinery from Tsinghua University and a doctoral degree in aeronautical engineering from the University of Manchester in the UK. His publications include *Fund Efficiency* (CITIC Press, 1999), *Guidelines for Currency Options* (a translation with Dr. Ou-Yang as its chief editor, China Economic Press, 1997) and *Financial Crisis and Systemic Risks* (China Finance Publishing House, 2009).

Mr. Zheng Xuexue
Chinese Nationality

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

Ms. Luo Xiaoyuan
Chinese Nationality

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

Ms. Wang Xiuhong

Chinese Nationality

External supervisor of the Bank. Since December 2003 and December 2008, respectively, Ms. Wang has been President of the Chinese Association of Female Judges and Vice President of the Chinese Association of Judges. She is an independent director of Jilin Bank from September 2011 onward. Prior to that, Ms. Wang held various positions at the PRC Supreme People's Court ("SPC"), including full-time vice-minister-level member of the SPC Trial Committee between October 2004 and December 2010, Chair of the SPC Administrative Court and member of the SPC Trial Committee between May 2003 and September 2004, and deputy head of the SPC Political Department. From February 1994 to January 1997, Ms. Wang was Executive Vice President and Deputy Party Chief of the Jilin Provincial People's High Court and Vice President of the Chinese Association of Female Judges. Earlier, she worked for Siping District Wood Company, Siping District Intermediary People's Court, Liaoyuan Municipal Intermediary People's Court and Jilin Municipal Intermediary People's Court in succession. Ms. Wang is a veteran of the Chinese court system with rich experience in legal affairs. She graduated from Beijing College of Political Science and Law (now China University of Political Science and Law).

Mr. Li Gang

Chinese Nationality

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

Mr. Deng Yuewen

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Deng has been Head of the Risk Management Division of the Business Department at the Bank's Head Office since July 2013. From February 2012 to July 2013, Mr. Li was Head of the Investment Bank Division of the Business Department at the Bank's Head Office. From October 2005 to February 2007 to February 2012, he headed the Risk Division of the Business Department at the Bank's Head Office and was deputy head of the division from February 2004 to October 2005. Prior to that, he worked in the Credit Management Department of the Bank, Retail Banking Department at the Bank's Head Office and the Credit Approval Department of the Bank's Shenzhen Branch in succession from April 1996 to February 2004. Mr. Deng's employment with the Bank dated back to April 1996. He graduated from Wuhan Technology Institute with a bachelor's degree and later obtained his master's degree in monetary banking from the Financial Research Institute of PBC.

Senior Management

Dr. Zhu Xiaohuang
Chinese Nationality

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

Mr. Sun Deshun
Chinese Nationality

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

Mr. Su Guoxin
Chinese Nationality

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

Mr. Cao Guoqiang

Chinese Nationality

Vice President of the Bank. Mr. Cao was Assistant President of the Bank from April 2006 to March 2010 and has been serving as director of CIFH and CNCBI since October 2009 and concurrently as director of CIFL since 2005. He was General Manager of the Budget and Finance Department of the Bank from April 2005 to April 2006. Prior to that, Mr. Cao served as Deputy General Manager and General Manager of the Planning and Treasury Department of CMB Head Office, General Manager of the Planning and Treasury Department of CMB Shenzhen Management Department, director and Deputy General Manager (person in charge) of China Merchant Bank Pawn Co., Ltd, director of Shenzhen Speed International Investment Co., Ltd, and Assistant General Manager of the Planning and Treasury Department of CMB. Mr. Cao also worked in the Planning and Treasury Division of the PBC Shaanxi Branch as senior staff member and deputy division head from July 1988 to June 1992. Mr. Cao is a senior economist with 25 years' experience in China's banking industry. He graduated from a full-time master's program. In addition, he has a bachelor's degree in monetary banking from Hunan College of Finance and Economics and a master's degree in monetary banking from Shaanxi College of Finance and Economics.

Mr. Zhang Qiang

Chinese Nationality

Vice President of the Bank. Mr. Zhang served as Assistant President of the Bank from April 2006 to March 2010. Prior to that, he was Deputy General Manager, Executive Deputy General Manager and General Manager of the Business Department at the Bank's Head Office from January 2000 to April 2006. From September 1990 to March 2000, he held various positions in the Bank's Credit Department, Jinan Branch and Qingdao Branch, including Deputy General Manager and General Manager of the Credit Department of the Head Office as well as vice president and president of branches. Mr. Zhang was Assistant President of the Bank and General Manager of the Corporate Banking Department of the Bank from April 2006 to March 2007. Mr. Zhang has been working at the Bank ever since he joined the Bank in September 1990, accumulating 26 years' experiences in the Chinese banking industry. Mr. Zhang has been in charge of operation and management of the Bank's corporate banking, investment banking, international business and SME finance business. He is a senior economist with a bachelor's degree in economics from Zhongnan University of Finance and Economics (now Zhongnan University of Finance, Economics and Law) and a master's degree in finance from Liaoning University.

Mr. Wang Lianfu

Chinese Nationality

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

Mr. Zhu Jialin

Chinese Nationality

Member of the CPC Committee of the Bank. Mr. Zhu joined the Bank in March 2013 as a member of the Bank's senior management and CPC Committee. Prior to that, Mr. Zhu worked for CITIC-Prudential Life Insurance at various positions, including director and Deputy CEO between 2005 and March 2013, Deputy Managing Director and COO between 2004 and 2005, and Deputy Managing Director between 2000 and 2004. He was Chief Collection Officer and concurrently General Manager of the Asset Preservation Department of the Bank between 1998 and 2000, headed the preparation team for establishment of CITIC Insurance Corporation between 1997 and 1998, worked and conducted research at Nippon Life Insurance and Sompo Japan Insurance Inc. between 1996 and 1997, worked as secretary to the President of CITIC Bank between 1990 and 1995, worked and conducted research at Nomura Securities between 1988 and 1989, and worked as deputy chief at the public relations section of the General Office of the Bank's Corporate Banking Department from 1986 to 1988.

Mr. Li Xin

Chinese Nationality

Board Secretary and Company Secretary of the Bank. Mr. Li is Head of the Bank's General Office and concurrently Head of the General Office of the CPC Committee at the CNCB Head Office. Prior to that, he headed the Bank's Changsha Branch between March 2010 and November 2012, was Deputy General Manager and General Manager of the Bank's Retail Banking Department between July 2005 and March 2010. Earlier, from April 1998 to June 2005, he worked for CITIC Industrial Bank (the predecessor of CNCB), holding various positions including Assistant General Manager of the Head Office Business Department, sub-branch general manager and deputy general manager, Deputy General Manager of Corporate Banking Department, deputy head and head of the Asset Preservation Division and staff member of the Credit Department. Mr. Li was a business manager at China Everbright Bank from December 1995 to April 1998, Liaison Director at ABN AMRO Beijing Office from May to December 1995, and was a staff member of China Rural Development Trust & Investment Corporation between July 1993 and December 1995. Mr. Lin Xin graduated from China Foreign Affairs University with a BA in foreign affairs and English language and later got an EMBA from CKGSB.

Appointment and Dismissal of Directors, Supervisors and Senior Management

In October 2012, the Second Extraordinary Shareholders' General Meeting of the Bank in 2012 adopted the resolution on electing Dr. Zhu Xiaohuang executive director of the Bank, and Mr. Zhang Xiaowei and Mr. Gonzalo José Toraño Vallina directors of the Bank. In January 2013, Dr. Zhu Xiaohuang assumed office as executive director of the Bank, Mr. Zhang Xiaowei and Mr. Gonzalo José Toraño Vallina assumed offices as directors of the Bank upon CBRC's approval of their qualifications, and Mr. Jose Andres Barreiro officially left his Board directorship and relevant positions at a Board committee of the Bank.

In March 2013, Mr. Cao Bin left his position as Secretary of the Disciplinary Committee of the Bank due to other work rearrangements.

In April 2013, Mr. Tian Guoli resigned his positions as Chairman, non-executive director and Chairman & member of the Strategic Development Committee of the Board of Directors as required by national financial work. His resignation came into effect upon the service of the resignation letter to the Board of Directors.

Mr. Chang Zhenming was nominated director candidate at the 11th Meeting of the Bank's Third Board of Directors held in April 2013. In May 2013, the 2012 Annual Shareholders' General Meeting elected Mr. Chang Zhenming director of the Bank. Mr. Chang Zhenming was elected Chairman of the Bank at the 13th Meeting of the Third Board of Directors and assumed office as Chairman and director of the Bank upon CBRC's approval of his qualifications for office in August 2013.

In May 2013, Mr. Lin Zhengyue resigned his position as Secretary to the Board of Directors due to internal work rearrangement, effective in August 2013 when the qualifications of the new Secretary to the Board of Directors were approved by the CBRC.

In May 2013, the 13th Meeting of the Bank's Third Board of Directors engaged Mr. Li Xin Secretary to the Board of Directors. In August 2013, Mr. Li Xin assumed office as Secretary to the Board of Directors upon CBRC's approval of his qualifications for office.

Dr. Ou-Yang Qian was nominated supervisor candidate at the 7th Meeting of the Bank's Third Board of Supervisors held in June 2013. In August 2013, the First Extraordinary General Meeting of the Bank in 2013 elected Dr. Ou-Yang Qian supervisor of the Bank, effective immediately. The 8th Meeting of the Bank's Third Board of Supervisors elected Dr. Ou-Yang Qian Chairman of the Board of Supervisors. In November 2013, Dr. Ou-Yang Qian assumed office as Chairman of the Board of Supervisors of the Bank upon CBRC approval of his qualifications for office.

In September 2013, Dr. Cao Tong resigned his positions as executive director, member of the Strategic Development Committee, member of the Risk Management Committee of the Board of Directors, and Vice President of the Bank due to work rearrangement. His resignation came into effect upon the service of the resignation letter to the Board of Directors.

In October 2013, Mr. Ju Weimin resigned his positions as non-executive director, member of the Strategic Development Committee, member of the Risk Management Committee and member of the Audit and Related Party Transactions Control Committee of the Board of Directors due to work requirements. His resignation came into effect upon the service of the resignation letter to the Board of Directors.

In October 2013, Mr. Gonzalo José Toraño Vallina resigned his position as Chairman of the Risk Management Committee of the Board of Directors due to rearrangement of his work delegated by BBVA as a result of the reduction of BBVA shareholding percentage in the Bank, effective as of 11 November 2013. Despite the aforementioned resignation, Mr. Gonzalo José Toraño Vallina remains a member of the Risk Management Committee of the Board of Directors.

In October 2013, Mr. Ángel Cano Fernández resigned his position as non-executive director of the Bank due to quantitative adjustment of BBVA representatives sitting at the Board of Directors as a result of the reduction of BBVA shareholding percentage in the Bank, effective as of 11 November 2013.

In October 2013, the 17th meeting of the Third Board of Directors adopted the resolution on nominating Ms. Li Qingping non-executive director of the Bank and Mr. Sun Deshun executive director of the Bank. In December 2013, the Third Extraordinary Shareholders' General Meeting of the Bank in 2013 elected Ms. Li Qingping non-executive director and Mr. Sun Deshun executive director of the Bank, whose qualifications for directorship were approved by CBRC in March 2014.

In December 2013, Dr. Zhuang Yumin resigned her positions as external supervisor, member and Chairman of the Nomination Committee and member of the Supervision Committee of the Board of Supervisors of the Bank upon expiry of her 6-year term of external supervisor-ship at the Bank. Her resignation officially took effect upon election of the external supervisor by the Bank's General Meeting in January 2014 to fill in her vacancy.

In December 2013, the 13th Meeting of the Bank's Third Board of Supervisors adopted the resolution on nominating Ms. Wang Xiuhong external supervisor of the Bank. In January 2014, the Bank's First Extraordinary General Meeting elected Ms. Wang Xiuhong external supervisor, effective immediately.

Remunerations of Directors, Supervisors and Senior Management

The scheme of remunerations for the Bank's directors, supervisors and senior management shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors and approved by the Board of Directors. An allowance system is implemented for independent non-executive directors and external supervisors. In accordance with applicable PRC laws, the Bank has participated in various types of statutory contribution and pension schemes organized by the Chinese government for the benefit of its executive directors, employee representative supervisors and staff including senior management. Actual pre-tax remunerations that all directors, supervisors and senior management members (both incumbent and non-incumbent) received from the Bank during the reporting period totalled RMB31.3165 million.

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

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

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

Name of director	Name of associated corporation	Nature of interests	Class/number of share interests held	Percentage in the issued share capital	Execution period
Chang Zhenming	CITIC Pacific Limited	Personal interests	600,000 share options (L)	0.01%	19 Nov. 2009—18 Nov. 2014
Dou Jianzhong	CIAM Group Limited	Personal interests	1,250,000 share options (L)	0.28%	9 Sep. 2011—8 Sep. 2014
			1,250,000 share options (L)	0.28%	15 Apr. 2014—14 Apr. 2016

Note: (L) — long position

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

Interests of Directors and Supervisors in Material Contracts

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

Service Contracts of Directrors and Supervisors

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

Relationships among Directors, Supervisors and Senior Management

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

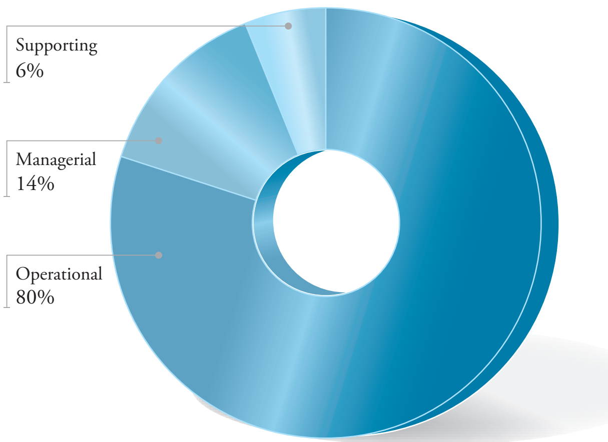
Interests of Directors in Business Competing with the Bank

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

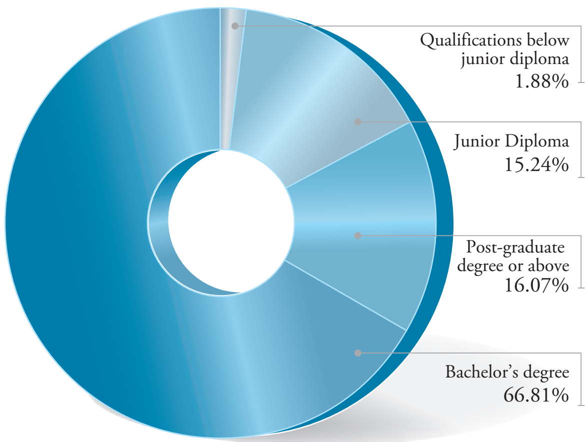
Human Resource Management and Staff Profile

As at the end of the reporting period, the Bank had 46,822 employees, including 38,803 under labor contracts with the Bank and 8,019 dispatched to the Bank or hired with letters of engagement by the Bank. Of all the employees, 6,527 served as managerial function, 37,436 served as technical function and 2,859 served as supporting function. 7,524 employees, 16.07% of the total, held post-graduate degrees or above; 31,281 employees, 66.81% of the total, held bachelor's degrees; 7,138 employees, 15.24% of the total, held junior diplomas, and 879 employees had qualifications below junior diploma level, accounting for 1.88% of the total. The Bank paid for a total number of 532 retirees.

Professional Composition



Educatin Level



In addition, as at the end of the reporting period, CIFH (including its affiliates), a subsidiary of the Bank, had 1,771 employees in total, of whom 174 served as managerial function, 950 served as technical function and 647 served as supporting function. 309 employees, 17.45% of the total, held post-graduate degrees or above; 675 employees, 38.11% of the total, held bachelor's degrees; 254 employees, 14.34% of the total, held junior diplomas, and 533 employees had qualifications below junior diploma level, accounting for 30.10% of the total.

Human Resources Management

The Bank kept on strengthening and improving its human resources management according to the principle of coordinating effective incentives and strict constraints. Great efforts were devoted to the development of management teams of branches and sub-branches at all levels, adjustment and improvement of the internal organizational structure, enhancement of relevant mechanisms, reasonable adjustment and staffing of the managerial teams at tier-one branches and the Head Office, continuous optimization of the management structure, promotion of cadre exchange and enhancement of the performance evaluation system. As a result, overall quality and management skills of the Bank's management teams were improved significantly.

The Bank adhered to its scientific market-oriented model of allocating human resources to optimize its personnel structure and enhance efficiency in allocation of specialized professionals. The Bank also exerted further efforts to adjust its internal structure, introduced various types of talents in a timely and effective manner and improved its labor relation management. An internal hierarchy based on different levels of positions was established along with a corresponding remuneration system to improve the distribution of performance-based salary, reflect difference in remuneration and performance evaluation for front, middle and back offices, and reasonably enlarge the income gap within the Bank. Impressive progress in remuneration management of the Bank included more guidance and supervision of branches and sub-branches, refinement of the remuneration structure, standardization and improvement of the welfare and insurance system, assurance of employee rights and interests and enhanced role of incentives.

In addition to more human resources exchanges between different business lines, the Bank also intensified technical trainings to improve service quality. More efforts were exerted to strengthen IT-based management, continue with extension of the e-HR system, and conduct system optimization and upgrading. All these provided express and accurate information of all types to operation and management of the whole bank.

Human Resources Cultivation and Development

The reporting period saw the Bank organize orderly training of managers and systematic training of employees. Altogether, the Bank hosted 5,389 training sessions of all categories at home and abroad, which, recording 400,000 person-time participation, provided a strong support to business development.

During the reporting period, the Bank devoted itself to cultivation of managerial, professional and reserve talents that are consistent with its strategic requirements, capable of an international horizon and well versed in modern finance. On the basis of the six series of medium and high-level management trainings that train senior management, tier-two branch leaders, sub-branch general managers and medium-level managers, the Bank focused its efforts on training heads of newly established outlets and reserve cadres and on training of Party-member cadres in Party schools. The whole year of 2013 recorded 11 leadership training sessions and 418 participants. The Bank always regards on-job training of employees as the basis and priority of its bank-wide training efforts. Through platform construction, mechanism development, and resource distribution, the Bank continuously promoted the construction of a job qualification training system covering all the 26 technical series, focusing on professional capacity building, business innovation and practical operation. For the reporting period, the Bank organized 4,155 training sessions for specialized professionals, recording 210,700 person-times of participation, arranged two rounds of bank-wide examinations for relevant technical series with 14,000 participants, and hosted one-to-one mentoring training for newly established outlets. These efforts standardized training of new employees bank-wide and staff training at the Head Office, guided and promoted tier-two project implementation at the branches and employee training at the grass-roots level, and substantially enhanced training for external professional qualifications with 3,098 employees of the Bank now holding various external qualifications.

During the reporting period, the E-learning system of the Bank was put in further operation. The Bank fully accelerated the upgrading of its E-learning system and focused on autonomous development to enrich its learning resources and enhance the learning service function of the system. With online publicity of the new strategy and training in "The Three New Business Areas" as the main themes, the Bank organized online training in an in-depth manner. For the full year of 2013, the E-learning system was visited by 33,000 person-times, and recorded 1.477 million hours of online learning. Furthermore, the Bank organized 176 online exams with participation statistics of 90,000 person-times. Highlighting dynamic E-learning, the Bank guided its branches to stress upon application of e-learning institutions, innovate the E-learning system and construct an E-learning culture. Incorporating employee growth indicators into departmental performance evaluation at the Head Office, the Bank enabled employee training an important component of human resource development, along with talent cultivation and development.

Serving Social Development

The Bank proactively discharges its corporate social responsibilities, makes efforts to facilitate public welfare, supports energy conservation and emission reduction with green credit policy, and fully follows the idea of Inclusive Finance.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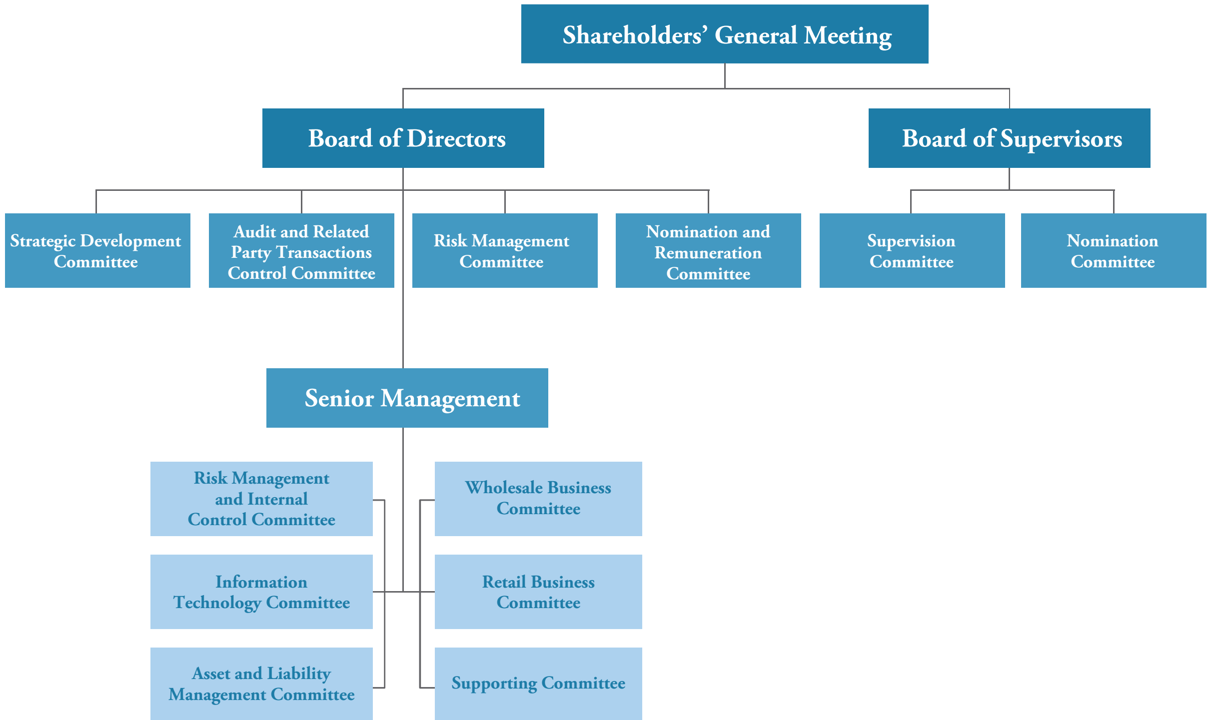
Corporate Governance Structure



Overall Profile of Corporate Governance

In 2013, the Bank made continuing efforts to refine its modern corporate governance structure in line with domestic and overseas regulatory requirements taking into consideration the circumstance of itself. There is no discrepancy between the Bank's institutional structure and operation in terms of corporate governance and the corresponding requirements stipulated in the PRC Company Law and the regulations issued by the CSRC and the SEHK.

In 2013, the Bank released over 60 regular reports and interim announcements in accordance with the law and ensured the truthfulness, accuracy, completeness, fairness and timeliness of information disclosure, which in turn safeguarded the legitimate rights and interests of investors and stakeholders. The Bank also revised its Regulations on Management of Information Disclosure in accordance with the New Basel Capital Accord and latest regulatory requirements, further improving its information disclosure system.

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

In 2013, the Bank convened one annual shareholders' general meeting, three extraordinary shareholders' general meetings, 13 meetings of the Board of Directors and ten meetings of the Board of Supervisors, all of which were held in compliance with the procedures specified in the Articles of Association.

Shareholders' General Meeting

Shareholders' General Meetings and Stockholders' Rights

The Bank is committed to achieving active communication with its shareholders and disclosing information regarding important developments of the Group to its shareholders, investors and other stakeholders.

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

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

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

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

Convening of Shareholders' General Meetings during the Reporting Period

The shareholders' general meeting is the Bank's organ of power. As a company concurrently listed in Shanghai and Hong Kong stock exchanges, the Bank attaches great importance to its communication with domestic and overseas shareholders and fully communicates with shareholders through announcements, press conferences and meetings with investors for announcement of financial results and important projects to ensure all shareholders have equal access to information and equal participation in major corporate events and to guarantee efficient work and scientific decision making at the general meetings.

On 28 May 2013, the Bank held the 2012 Annual Shareholders' General Meeting, deliberated and adopted the 2012 Work Report of the Broad of Directors, the 2012 Work Report of the Board of Supervisors, the 2012 Annual Report, the 2012 Annual Financial Accounts, the Financial Budget Plan for 2013, the 2012 Profit Distribution Plan, the 2013 Plan for Engagement of Auditors and Their Remunerations, Estimated Amounts for Related-party Transactions with Related Parties under CITIC Group during their Ordinary and Usual Course of Business in 2013, the Special Report on Related Party Transactions of CITIC Limited in 2013, and Shareholders' Nomination of Mr. Chang Zhenming as Director of the Bank. Directors of the Bank including Dr. Chen Xiaoxian, Dr. Zhu Xiaohuang, Mr. Ju Weimin, Mr. Guo Ketong, Dr. Cao Tong, Mr. Li Zheping, Dr. Xing Tiancai, Ms. Liu Shulan and Mr. Wong Luen Cheung Andrew attended the 2012 Annual Shareholders' General Meeting.

On 6 August 2013, the Bank convened its First Extraordinary Shareholder's General Meeting in 2013 at which the proposal on electing Mr. Ou-Yang Qian as a member of the third session of the Board of Supervisors was adopted. Directors of the Bank including Dr. Zhu Xiaohuang, Dr. Caotong, Mr. Zhang Xiaowei and Mr. Wong Luen Cheung Andrew attended the meeting.

On 16 October 2013, the Bank convened its Second Extraordinary Shareholder's General Meeting in 2013 at which the proposal on issuance of qualified tier-two capital instruments was adopted. Directors of the Bank including Ms. Liu Shulan and Ms. Wu Xiaoqing attended the meeting.

On 17 December 2013, the Bank convened its Third Extraordinary Shareholder's General Meeting in 2013 at which proposals on electing Ms. Li Qingping as a non-executive director of the Bank and electing Mr. Sun Deshun as an executive director of the Bank were adopted. Directors of the Bank including Ms. Liu Shulan, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew attended the meeting.

During the reporting period, directors of the Bank including Mr. Chang Zhenming, Mr. Dou Jianzhong, Mr. Ángel Cano Fernández (non-incumbent), and Mr. Gonzalo José Toraño Vallina did not attend the shareholders' general meetings of the Bank due to other work arrangements.

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

Board of Directors

Composition and Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. As at the date of this Report, the Board of Directors consists of 14 members, including two executive directors, namely, Dr. Zhu Xiaohuang and Mr. Sun Deshun; seven non-executive directors, namely, Mr. Chang Zhenming, Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Ms. Li Qingping, Mr. Guo Ketong, Mr. Zhang Xiaowei and Mr. Gonzalo José Toraño Vallina; and five independent non-executive directors, namely, Mr. Li Zheping, Dr. Xing Tiancai, Ms. Liu Shulan, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew.

Principal responsibilities of the Board of Directors include the following:

— to convene the shareholders' general meetings and to make a work report to the meeting;
— to implement the resolutions adopted by the shareholders' general meeting;
— to determine the development strategies, business plans and investment proposals of the Bank;
— to prepare the annual financial budget and final accounts of the Bank;
— to prepare the profit distribution plans and plans for making up losses of the Bank;
— in accordance with the Articles of Association and within the scope of authorization of the shareholders' general meeting, to determine major investment, major assets acquisition and disposal and other major matters of the Bank;
— to prepare proposals for the increase or reduction of registered capital of the Bank;
— to prepare proposals for merger, division, dissolution, liquidation or change in the form of the Bank;
— to prepare proposals for the issue of debt securities or other valuable papers with the purpose of replenishment of the capital of the Bank as well as the listing thereof;
— to decide all the matters in relation to the issue of debt securities other than those with the purpose of replenishment of the capital of the Bank;
— to prepare proposals for repurchase of shares of the Bank;
— to prepare proposals for the amendment of the Articles of Association;
— to appoint or dismiss the President of the Bank or the secretary of the Board of Directors and to determine matters relating to their remunerations, rewards and punishment;
— according to the nomination of the President, to appoint or dismiss vice president and assistant president of the Head Office and other members of the Senior Management that the Board of Directors intends to appoint or remove, and to determine matters relating to their remunerations, awards and punishment;
— to review and establish the basic management system and internal management structure of the Bank;
— to establish, improve and ensure the effective implementation of the internal control system of the Bank;
— to review and establish the codes and standards of the Bank, which shall specify the codes of conduct for management and business staff at all levels, require explicitly employees at all levels to promptly report the possible conflict of interests, specify the specific accountability terms and establish a corresponding mechanisms to handle the same;
— to decide the establishment of domestic tier-one (directly controlled) branches, directly controlled institutions and overseas institutions;
— to decide the information disclosure policies and procedures of the Bank;
— to decide the information reporting system of the Bank and request the senior management personnel to report on operation matters of the Bank to it on a regular basis;
— to propose the appointment or removal of the accounting firms to the shareholders' general meetings;
— to formulate procedures on management of related party transactions; to review and approve or to authorize the Audit and Related Party Transactions Control Committee under the Board of Directors to approve the related party transactions (except for the related party transactions that should be approved by the shareholders' general meeting in accordance with applicable laws); to report on related party transactions and the implementation of the relevant procedures to the shareholders' general meeting;
— to review and approve the proposals submitted by each committee under the Board of Directors;
— according to the applicable regulatory requirements, to listen to the work reports of the President of the Bank and other members of senior management, and to monitor and ensure the effective discharge of their management responsibilities;
— to review and approve the rules of procedures of each committee of the Board of Directors;
— to exercise any other authorities prescribed by laws, administrative regulations, rules or the Articles of Association or conferred by the shareholders' general meetings.

Meetings of the Board of Directors

In 2013, the Board of Directors convened 13 meetings (including eight votings by correspondence) whereby 55 proposals were deliberated and adopted, including the proposals on the Bank's four regular reports and the issuance of qualified secondary capital instruments. In addition, the Board of Directors listened to the work reports of the senior management regarding business operation, internal control and compliance, as well as management of related party transactions. The Director's attendance at the meetings of the Board of the Directors during the reporting period and the attendance rates thereof are listed as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
Members of the Board of Directors		
Chang Zhenming	3/3	—
Chen Xiaoxian	13/13	—
Zhu Xiaohuang	13/13	—
Dou Jianzhong	10/13	3/13
Li Qingping	—	—
Guo Ketong	12/13	1/13
Sun Deshun	—	—
Zhang Xiaowei	12/13	1/13
Gonzalo José Toraño Vallina	13/13	—
Li Zheping	12/13	1/13
Xing Tiancai	13/13	—
Liu Shulan	12/13	1/13
Wu Xiaoqing	12/13	1/13
Wong Luen Cheung Andrew	13/13	—
Non-incumbent Directors		
Tian Guoli	4/4	—
Ju Weimin	10/10	—
Cao Tong	10/10	—
Ángel Cano Fernández	7/11	4/11

Responsibility Statement of the Board of Directors on Financial Reports

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

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

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

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

The independent non-executive directors of the Bank, through attending the shareholders' general meetings, meetings of the Board of Directors and the specialized committees under the Board of Directors, effectively discharged their duties. They also enhanced their understanding of business development of the branches by means including field surveys and symposiums. Both the Audit and Related Party Transactions Control Committee and the Nomination and Remuneration Committee under the Board of Directors were chaired by independent non-executive directors with independent non-executive directors constituting a majority of the members. According to the Working System on Annual Reporting by Independent Directors, the independent non-executive directors of the Bank increased their communication with the auditors and fully performed their role of independent supervision. The independent non-executive directors did not raise any objections to the resolutions adopted by either the Board of Directors or its specialized committees during the reporting period.

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

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

Specialized Committees under the Board of Directors

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

Strategic Development Committee

The Bank's Strategic Development Committee comprises five directors, with Chairman and non-executive director Mr. Chang Zhenming as chairman, and non-executive director Dr. Chen Xiaoxian, executive director Dr. Zhu Xiaohuang, non-executive director Mr. Dou Jianzhong and non-executive director Mr. Gonzalo José Toraño Vallina as members. Its principal responsibilities include formulation and evaluation of the Bank's business targets and long-term development strategies, business and organizational development plans, major investment and financing plans as well as other important matters that would affect the Bank's development.

In 2013, the Strategic Development Committee convened three meetings and adopted, amongst others, the proposal on issuance of qualified tier-two capital instruments. Directors' attendance at the meetings of the Strategic Development Committee in 2013 and their attendance rates are as follows:

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

Audit and Related Party Transactions Control Committee

The Bank's Audit and Related Party Transactions Control Committee comprises six directors, with independent non-executive director Dr. Xing Tiancai as chairman. The committee members include four independent non-executive directors, namely Mr. Li Zheping, Ms. Liu Shulan, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew, and one non-executive director Mr. Gonzalo José Toraño Vallina. The principal responsibilities of the Audit and Related Party Transactions Control Committee include supervising the Bank's internal control, financial information and internal audit, identifying related parties of the Bank, as well as reviewing and filing of the Bank's related party transactions within its authority.

In 2013, the Audit and Related Party Transactions Control Committee convened six meetings which reviewed, amongst others, proposals regarding regular reports, credit limits extension to related parties, engagement of auditors for 2013 and their remuneration, etc. Directors' attendance at the meetings of the Audit and Related Party Transactions Control Committee in 2013 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
Incumbent Members		
Xing Tiancai	6/6	—
Li Zheping	6/6	—
Liu Shulan	6/6	—
Wu Xiaoqing	6/6	—
Wong Luen Cheung Andrew	6/6	—
Gonzalo José Toraño Vallina	6/6	—
Non-incumbent members		
Ju Weimin	4/6	2/6

According to the requirements of the CSRC and division of duties for corporate governance, the Audit and Related Party Transactions Control Committee of the Bank fully performed its supervisory role in the audit and disclosure of the Bank's 2013 Annual Report, thereby safeguarding the audit independence. The committee reviewed the Bank's financial statements twice, first time before the statements were submitted to the certified public accountants (CPAs) for annual audit and the second time after the CPAs produced their preliminary audit opinions. The committee is of the view that the financial statements gave a true, accurate and complete view of the overall situation of the Bank after several rounds of in-depth communication with the CPAs responsible for the annual audit.

In order to make relevant preparation, the Audit and Related Party Transactions Control Committee communicated in writing with the CPAs responsible for annual audit on 19 December 2013 and determined the overall timetable for the audit of the 2013 financial statements, priorities of audit and methodologies for risk judgment and identification. After the communication, the committee members conducted a preliminary review of the financial statements prepared by the Bank and agreed to present the statements to the CPAs responsible for annual audit. On 27 February 2014, the committee members reviewed the Bank's financial statements for the second time. By follow-up review of the draft of the audit report on the Bank's financial statements, the committee urged the auditors to conduct their work according to the agreed timetable. On 20 March 2014, the committee held a meeting and listened to the report on the Bank's overall business operation presented by the management and the report on the progress of 2013 annual audit by the CPAs, and resolved by voting to adopt the audited annual financial statements and submit them to the Board of Directors for deliberation. In addition, the Audit and Related Party Transactions Control Committee studied and discussed matters such as the Bank's social responsibilities, internal control and avoidance of horizontal competition, and reviewed the relevant proposals.

During the reporting period, the Audit and Related Party Transactions Control Committee deliberated and adopted the Proposal on Engagement of Auditors for 2013 and Their Remunerations, recommending that the Bank continues to engage KPMG Huazhen as its domestic auditor and KPMG as its overseas auditor in 2013.

Risk Management Committee

The Bank's Risk Management Committee comprises five directors including non-executive director Dr. Chen Xiaoxian, executive director Dr. Zhu Xiaohuang, non-executive director Mr. Gonzalo José Toraño Vallina, independent non-executive director Mr. Li Zheping and independent non-exeutive director Ms. Wu Xiaoqing as members. The committee is mainly responsible for formulating the Bank's strategies, policies and measures for risk management, and internal control procedures, as well as supervising and evaluating the risk management activities conducted by relevant senior management members and risk management departments of the Bank.

In 2013, the Risk Management Committee convened three meetings and deliberated, amongst others, the Proposal on Policies in regards to Operational Risk Management of the Bank. Directors' attendance at the meetings of the Risk Management Committee in 2013 and their attendance rates are as follows:

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

Nomination and Remuneration Committee

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

In 2013, the Nomination and Remuneration Committee convened five meetings and deliberated, amongst others, Proposals on Annual Remunerations of Senior Management and Nomination of Directors. Directors' attendance at the meetings of the Nomination and Remunerations Committee in 2013 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
Incumbent Members		
Wong Luen Cheung Andrew	5/5	—
Guo Ketong	3/5	2/5
Xing Tiancai	5/5	—
Liu Shulan	5/5	—
Wu Xiaoqing	4/5	1/5

According to the regulatory requirements of the CSRC and division of duties for corporate governance purpose, the Nomination and Remuneration Committee under the Board of Directors studied and examined the remuneration schemes for senior management of the Bank and supervised the implementation of the remuneration schemes. The committee is of the view that the senior management of the Bank performed its fiduciary and due diligence duties in 2013 within its scope of authorities and responsibilities specified in relevant laws and regulations and the Articles of Association, under the leadership and authorization of the Board of Directors and under the supervision and guidance from the Board of Supervisors, which in turn further increased the corporate value and shareholders' value of the Bank. Upon review, the committee further holds that the remunerations for directors, independent non-executive directors, supervisors, external supervisors and senior management members as disclosed by the Bank are consistent with relevant remuneration policies and schemes, and are made in compliance with applicable information disclosure standards required by domestic and overseas regulators for listed companies. The committee confirms that the Bank did not have any share incentive scheme as at the end of 2013.

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

Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank, and is accountable to the shareholders' general meeting. As at the date of this Report, the Board of Supervisors consists of six members, including Dr. Ou-Yang Qian, Mr. Zheng Xuexue, Ms. Luo Xiaoyuan, Ms. Wang Xiuhong, Mr. Li Gang and Mr. Deng Yuewen, among whom, two are shareholder representative supervisors, two are external supervisors, and the other two are employee representative supervisors. The number of members and composition of the Board of Supervisors are in compliance with regulatory requirements and provisions of the Articles of Association.

During the reporting period, the Board of Supervisors held ten meetings, at which the supervisors deliberated and adopted 12 proposals including regular reports and the work report of the Board of Supervisors. The Board of Supervisors supervised the Bank's operation and management by attending Board of Directors meetings as non-voting delegates, conducting field studies at branches and sub-branches, reviewing various documents and listening to reports from senior management. The Board of Supervisors holds no objections to the matters under its supervision during the reporting period.

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

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
Incumbent Members		
Ou-Yang Qian	6/6	—
Zheng Xuexue	8/10	2/10
Luo Xiaoyuan	10/10	—
Wang Xiuhong	—	—
Li Gang	10/10	—
Deng Yuewen	7/10	3/10
Non-incumbent members		
Zhuang Yumin	8/10	2/10

Specialized Committees under the Board of Supervisors

Supervision Committee and the Nomination Committee have been set up as specialized committees under the Board of Supervisors.

Supervision Committee

As at the date of this Report, the Supervision Committee comprises three supervisors, with Mr. Zheng Xuexue as chairman and Ms. Luo Xiaoyuan and Mr. Li Gang as members.

During the reporting period, the Supervision Committee convened four meetings which considered and adopted seven proposals including the Proposal on Regular Report. Supervisors' attendance at the meetings of the Supervision Committee in 2013 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
Incumbent Members		
Zheng Xuexue	3/4	1/4
Luo Xiaoyuan	4/4	—
Li Gang	4/4	—
Non-incumbent members		
Zhuang Yumin	4/4	—

Nomination Committee

As at the date of this Report, the Nomination Committee comprises two supervisors with Ms. Luo Xiaoyuan and Mr. Deng Yuewen as members.

During the reporting period, the Nomination Committee convened three meetings which considered and adopted three proposals including the Proposal on the Report of the Board of Supervisors on Evaluation of Directors' Annual Performance. Supervisors' attendance at the meetings of the Nomination Committee in 2013 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
Incumbent Members		
Luo Xiaoyuan	3/3	—
Deng Yuewen	3/3	—
Non-incumbent members		
Zhuang Yumin	3/3	—

Independent Opinions of the Board of Supervisors on Relevant Matters

Compliance of Business Operation

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

Truthfulness of the Financial Report

The 2013 financial report gives a true, objective and accurate view of the financial position and operating results of the Bank.

Use of Proceeds

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

Acquisition and Disposal of Assets

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

Related Party Transactions

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

Implementation of Resolutions Adopted at the Shareholders' General Meetings

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

Review by the Board of Supervisors of the Social Responsibility Report

The Board of Supervisors reviewed the 2013 Social Responsibility Report of China CITIC Bank Corporation Limited and had no disagreement regarding the content of the report.

Senior Management

The senior management is the executive body of the Bank and is accountable to the Board of Directors. The Bank's senior management consists of eight members, namely, Dr. Zhu Xiaohuang, Mr. Sun Deshun, Mr. Su Guoxin, Mr. Cao Guoqiang, Mr. Zhang Qiang. Mr. Wang Lianfu, Mr. Zhu Jialin and Mr. Li Xin. There is strict division of duties and separation of power between the Bank's senior management and the Board of Directors. As authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its mandate. The Board of Directors evaluates the performance of the senior management, the results of which shall be used as the basis for determining remunerations and other incentive arrangements for the senior management.

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

The Bank has set up its mechanism for evaluating the annual performance of the senior management to assess including but not limited to the senior managers' attainment of operation targets and ability to discharge duties. Results of the annual performance evaluation are used as important basis for the senior managers' remuneration, appointment or removal, rearrangement of positions, exchanges, and participation in trainings.

Chairman and President

During the reporting period, the chairman and president of the Bank held positions separately: Mr. Chang Zhenming, serving as the chairman of the Bank, is in charge of presiding over shareholders' general meetings, convening and presiding over the Board of Directors' meetings and examing the implementation of the resolutions of the Board of Directors and other relevant matters. Dr. Zhu Xiaohuang, serving as the president of the Bank, is in charge of implementing the Board of Directors' resolutions, presiding over operation and management of the Bank and other relevant matters.

Company Secretary

The Bank has appointed, externally, Ms. Wendy Kam (ACS, ACIS) as the joint company secretary of the Bank. The main contact person of Ms. Wendy Kam in the Bank is Mr. Li Xin, the Board secretary and joint company secretary of the Bank. The contact information of Mr. Li Xin is Tel: +86-10-65558000, Fax: +86-10-65550809.

Management of Related Party Transactions

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

In 2013, the Bank strictly adhered to the regulatory requirements in Shanghai and Hong Kong and further promoted the development of related party transactions management. Increasingly comprehensive and refined related party transactions management is seen in the following aspects: first, the Bank reinforced dynamic management and updating of related parties and reproduced its list of related parties covering 1,735 related party legal persons and 1,103 related party natural persons; second, the Bank performed procedures on review, approval and disclosure of related party transactions and daily monitoring thereof in strictly compliance with the regulatory requirements to ensure compliant conduct of related party transactions bank-wide; third, the Bank developed the electronic system for related party transactions management; fourth, the Bank compiled the Knowledge Handbook on Related Party Transactions Involving Directors, Supervisors and Senior Management, explaining knowledge and case studies about related party transactions to directors, supervisors, senior management and other managerial personnel in popular cartoon form; fifth, the Bank strengthened training on related party transactions bank-wide, recording 1,100 staffs' participation for the entire reporting period, thus further enhancing the awareness of compliance in related party transactions.

Statement on Horizontal Competition and Related Party Transactions

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

Independence from the Controlling Shareholder

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

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

In terms of staff, the Bank has its own independent labor, staff and payroll management systems. Except for the President of the Bank who concurrently serves as Deputy General Manager of CITIC Limited, none of the other members of the Bank's senior management has taken any positions in the controlling shareholder or any other entities controlled by the controlling shareholder; neither has any member of the financial staff of the Bank taken any position in the controlling shareholder or any other entities controlled by the controlling shareholder.

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

In terms of financial matters, the Bank has established an independent accounting and finance department, an independent accounting system and an independent financial management framework for independent financial decision making, and set up its own bank account according to law. The Bank shares no bank account with its controlling shareholder. The procedures and requirements in relation to the opening of accounts with the Bank by the controlling shareholder are identical to those applicable to any other third party that has opened accounts with the Bank, and the accounts of the controlling shareholder are completely separated from the fund and accounts of the Bank.

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

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

CITIC Group transferred its 70.32% equity interest in CIFH to the Bank on 23 October 2009, thus CIFH was released from all obligations under CIFH's Non-Competition Deed.

The independent non-executive directors of the Bank came to a conclusion on the non-competition undertakings of CITIC Group, holding that CITIC Group complied with its non-competition undertakings during the reporting period. CITIC Group produced a statement on compliance with its non-competition undertakings under the Non-Competition Deed it entered into with the Bank dated 13 March 2007.

Development and Review of Corporate Governance Policies and Practices

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

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

The Board of Directors keeps urging the directors and senior management to participate in relevant trainings for better professional development. During the reporting period, in accordance with CSRC and CBRC requirements, the Board of Directors arranged directors to participate in trainings for directors organized by CSRC Beijing Bureau. These trainings achieved very good results.

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

Name	Title	Trainer	Training Model	Training Duration (day)
Zhu Xiaohuang	Executive Director, President	CSRC Beijing Bureau	Concentrated lecturing	1
Guo Ketong	Non-executive Director	CSRC Beijing Bureau	Concentrated lecturing	1
Zheng Xuexue	Supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Zhuang Yumin	External Supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Luo Xiaoyuan	External Supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Li Gang	Employee Representative Supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Deng Yuewen	Employee Representative Supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Li Xin	Secretary to the Board of Directors	SSE	Concentrated lecturing	5
		HKICS	Concentrated lecturing	3

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

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

Furthermore, Mr. Li Xin, Board secretary of the Bank attended a three-day (a total of 17 hours) training organized by the Hong Kong Institute of Chartered Secretaries (HKICS), covering topics including prevention and control of insider dealings & regulation over abnormal stock transactions, summary of latest amendments to the Listing Rules and the regulatory focuses thereof, audit of annual financial statements and preparation of reports on operating results, analysis and outlook regarding domestic and overseas macroscopic economic situations, design of the annual report and publicity of corporate images, related party transactions, material transactions and notifiable transactions, information disclosure, management and control of inside information & insider dealings, non-financial reports and their disclosure, share incentive schemes for senior management as practiced by overseas listed companies, case studies vis-à-vis preparation of internal control reports and integrated reports on the part of listed companies in different jurisdictions, etc.

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

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

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

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

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

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the Corporate Governance Code, set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2013, except for the following:

According to Code A.1.3 of the Corporate Governance Code, the board meeting notice shall be given at least 14 days before each regular board meeting, while a ten-day notice to directors and supervisors shall be given for regular board meetings according to Article 167 of the Articles of Association. The Bank adopted the ten-day prior notice for regular board meetings in its Articles of Association because ten-day prior notice is deemed as sufficient according to laws of the People's Republic of China.

According to Code A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the shareholders' general meetings. Some directors were unable to attend the shareholders' general meetings of the Bank due to other work arrangements. Please refer to "Shareholders' General Meetings: Convening of Shareholders' General Meetings during the Reporting Period" herein for details.

According to Code A.5.6 of the Corporate Governance Code, the Nomination and Remuneration Committee or the Board of Directors should have a policy concerning diversity of Board of Directors members, and should disclose the policy or a summary of the policy in the corporate governance report. Our current Board of Directors comprise members of different gender, age, culture, education background, and professional experience. Please refer to "Directors, Supervisors, Senior Management and Staff-Resumes of Directors, Supervisors and Senior Management" of this Report for our Directors' biographical details. Our Board of Directors will formulate a policy concerning diversity of board members as soon as practicable to comply with the requirement of Code A.5.6 of the Corporate Governance Code.

Given the changes in the external operation environment, regulatory requirements, and the business scope and scale of the Bank, the Bank will continue to improve its internal control. Therefore, the Bank will follow the requirements of external regulators, the requirements for listed companies and the criteria of leading banks in the world to continuously optimize its internal control management.

Management of Investor Relations

The Bank attaches great attention to the management of investor relations and keeps deepening the dimensions of such management. While enhancing communication with its investors through a variety of ways, including results-release press conferences, road shows, proactive visits to investors, routine meetings with investors, investors' forums and investors' hotline, the Bank also diligently listened to recommendations from investors and reported relevant information thereof to the management. As a result, a two-way information communication channel between the Bank itself and the capital market has been established. In-depth communication was conducted with institutional investors via results releases, global telephone conferences and face-to-face communication. The Bank also enhanced routine exchanges with minority shareholders by ways of emails and phone calls.

During the reporting period, the Bank convened three results-release press conferences, organized its annual performance road show in Hong Kong, Singapore, Japan and the US, and visited more than 50 important institutional investors. For the whole year, the Bank hosted 78 meetings whereby face-to-face direct communication was made with over 300 investors. The Bank's participation upon invitation in 9 large-scale investors' forums has reinforced virtuous interaction between the Bank and the capital market. In addition, the Bank innovated its ways of interacting with the capital market, such as convening annual briefing on cash dividends online, which created opportunities for vast number of minority shareholders to communicate with the Bank and thereby enhanced the Bank's corporate image at the capital market.

Information Disclosure

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

The Bank improved preparation and disclosure of regular reports and interim announcements in strict compliance with internal rules and regulations such as the Regulations on the Administration of Information Disclosure and the Measures for Accountability of Material Errors in Annual Report Information Disclosure, and reinforced management of inside information and registration of insiders in stringent compliance with the Administrative Measures for Inside Information and Insiders so as to ensure equal access of all investors to the Bank's information. During the reporting period, the Bank published more than 50 announcements according to domestic and overseas regulatory requirements, including regular reports and interim announcements on a series of events such as issuance of secondary capital instruments, credit line extension to related parties, dividends distribution and approval of director's qualifications.

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

The purpose of the Bank's internal control is to ensure lawfulness and compliance of operation, safety of assets, and truthfulness and completeness of information contained in the financial report to improve business efficiency and effect, and to implement development strategy. The Board of Directors authorized departments responsible for internal audit to make a self-assessment on the effectiveness of internal control structure and operation in accordance with the Basic Standards for Enterprise Internal Control, the Guidelines for Assessment of Enterprise Internal Control, and the requirements of the Bank's rules and measures on internal control. The Board of Directors produced the 2013 Report of China CITIC Bank Corporation Limited on Assessment of Internal Control, and was of the view that the report was valid as at 31 December 2013 (record date). In the course of assessing its internal control, the Bank was not aware of any material defects in internal control.

The Board of Supervisors reviewed the 2013 Report of the Board of Directors of China CITIC Bank Corporation Limited on Assessment of Internal Control and had no disagreement with the content of the report.

Development of Internal Control and Major Measures Adopted by the Bank

During the reporting period, the Bank formulated the 2013 Implementation Plan of CITIC Bank for Improvement of its Internal Control System and Assessment of Internal Control. Through further endeavors to improve operation and management and build up capacity for risk prevention and control centering on the new development strategy in accordance with the market situation and based on the five elements of internal control as set out in the Basic Standards for Enterprise Internal Control, the Bank ensured continuous, steady and healthy development of all business areas.

— Optimization of the internal control environment: The Bank continued to optimize its corporate governance structure. Efforts were made to adjust its entire organizational structure in line with the new development strategy, streamline committees under the senior management and restructure organzational setup of internal control. Functions of front, middle and back offices, those of Head Office, branches and sub-branches and those of affiliates were defined in a more scientific manner. The foundation of internal control was consolidated by effective execution of the roles and responsibilities of branches/sub-branches, departments and personnel at all levels in the construction of its internal control system. In addition, the Bank exerted continuing efforts to reinforce talent cultivation via multi-layer training including more intensive on-the-job training of all staff. Attaching high attention to the development of its corporate culture, the Bank set the objective of its corporate culture as "human-centered staff management, standard counter service, digital business operation, and differentiated customer service".

— In line with its new development strategy and the plan for reforming its risk management system, the Bank developed refined and differentiated policies and measures for internal management to effectively enhance risk identification and assessment. With respect to credit risk, the Bank quantified credit risk management on all fronts, and initiated the "Project for Optimizing Credit Risk Rating of Corporate Customers" to practice forward-looking identification and continuous prevention and control of industrial credit risk based on data analysis and forecasting models. With respect to market risk, the Bank fully identified and assessed market risk elements inherent in relevant products in the course of its annual authorization and routine risk review and approval, and actively reinforced and improved management, routine monitoring and reporting of market risk limit. With respect to liquidity risk, the Bank continued to monitor total quantity and structure of assets and liabilities, liquidity gaps and changes in excess reserve ratio. With respect to operation risk, the Bank extended the application of its operation risk system and the three operation risk management tools, providing a management application platform for risk identification and assessment, and organized the whole Bank to carry out Risk Control Self-Assessment ("RCSA") assessment of the key processes in important business areas in order to analyze and optimize effectiveness of existing control measures. With respect to reputation risk, the Bank continuously enhanced its monitoring and handling of public opinions, attached high attention to public-opinion monitoring with the use of emerging media such as WeChat and Weibo and dissolved risks by means of interaction between the Head Office and the branches such as distribution of public-opinion reminders and communication with the media. With regard to IT risk, the Bank set up a mechanism for proactive management of problems. Through health check of systems, routine touring inspections, trend analysis, touring inspection of manufacturers and scanning of loopholes, etc., the Bank inspected safety of its e-banking information, assessed safety of e-banking and tested penetration of internet application systems, etc., to actively identify potential risks.

— Improvement in internal control regulations and measures: The Bank formulated the Measures for Combing and Management of Internal Control Measures, and the Measures for Management of Internal Control Logs to internalize its requirements for implementation of internal control measures and regulate management of internal control. Processes closely related to business development and customers were chosen as priorities of internal control rearrangement and risk/control self assessment. The Bank optimized its wealth management review and approval process, centralized its procurement process and IT system development process and handled the relationship between risk control and review/approval efficiency in a better way. Internal control measures were improved. With respect to credit risk management, the Bank strictly implemented the regulations on pre-lending investigation, loan disbursement review and post-lending inspection. With respect to liquidity risk management, the Bank made use of multiple channels and means including money market and open market to increase sources of liquid funds and ensure liquidity safety of the whole Bank. With respect to operation risk management, the Bank reinforced risk reminding and process rearrangement targeting potential risks of high probability and frequent occurrence. Timely warnings were made to the entire Bank for more stringent risk management and control in the wake of the risk events in the interbank market. With respect to market risk management, the Bank continued to intensify market risk limit management. With respect to IT risk management, the Bank further arranged monitoring of systems and applications, reinforced performance and capacity management, and thus enhanced its capability for prevention of risk occurrence.

— Boosting information exchange and communication: The Bank reinforced its reporting and management of significant risk incidents, built up its capacity of responding to significant risk incidents, and effectively prevented and dissolved risks. It also reinforced risk reminding and sharing of risk information. Through in-depth analysis of potential risks in applying the system for individual credit information reporting and in providing financial services to trade finance, and specific risks such as cloning of bank cards, fraudulent cash withdrawal with the use of credit cards, payment with stolen bank cards, etc., the Bank put forward remindings of key risky situations and countermeasures thereof to enhance awareness of lawful compliant operation among employees. Operation information, especially advanced experiences of branches were summarized comprehensively and announced bank-wide. Such sharing of information and experience drove the whole Bank to improve its risk management and control.

— Tougher internal supervision, inspection and correction: The Bank implemented more vigorous supervision and inspection on risk prevention and control in key areas to improve quality of financial management and build up capacity for risk management and control. Among others, the Bank carried out special financial inspections to detect potential risks in financial management, organzied self inspection of investment operation of wealth management bank-wide to reinforce prevention of risks, and conducted on-site audit of off-balance sheet corporate credit business and supply chain finance business plus on-site inspection of loan quality to ensure truthful and accurate reflection of asset quality and early dissolution of credit risk. On the basis of the existing audit of exiting officials, the Bank organized fiduciary duty audit of incumbent officals to strengthen management and supervision of officials at all levels throughout the Bank and assess duty performance of middle- and high-ranking officials in a more timely manner. For problems discovered thereby, the Bank made active efforts to rectify and correct and hold the responsible persons accountable.

Internal Audit

In 2013, under the goal of "audit with a tougher hand" and "disclosure of material irregularities and systemic, trendy and suggestive problems", the Bank refined its independent professional audit system, enhanced audit methods and approaches, improved audit quality control and realized the role of audit as an independent force of supervision.

During the reporting period, the Bank reinforced audit of key business areas, key geographical regions and key industries, organized special audit of areas including data truthfulness, off-balance sheet business, supply chain finance, credit asset quality, financial compliance, wealth management business, structured finance business, inter-bank investment business and income from intermediary business, and conducted full audit of some branches. Off-site audit approaches were made full use of to reinforce pre-review data analysis and enhance audit effectiveness. With the establishment of two regional audit centers, located in Chengdu and Shenzhen, respectively, the Bank completed the construction of an audit framework that is "led by one audit department and four audit centers, with support from audit functions at branches".

External Audit of Internal Control

During the reporting period, the Bank engaged KPMG Huazhen to audit the effectiveness of its internal control over financial reporting as at 31 December 2013 in accordance with relevant requirements of the Guidelines on Audit of Enterprise Internal Control and the professional standards for China's Certified Public Accountants. Based on the audit findings, KPMG Huazhen presented its Audit Report on Internal Control to the Bank. For details, please refer to the announcement dated 27 March 2014 and published by the Bank on the official website of SSE and the website designated by SEHK.

As per the audit opinion on the Bank's internal control over financial reporting set out in its Audit Report on Internal Control, KPMG Huazhen is of the view that the Bank maintained, in all material aspects, effective internal control over its financial reporting as at 31 December 2013 in accordance with the Basic Standards for Enterprise Internal Control and relevant requirements.

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

The Bank has already released the Measures on Information Disclosure Management, Administrative Measures for Inside Information and Insiders, Measures for Accountability of Material Errors regarding Annual Report Information Disclosure and Administrative Measures for Preparation and Disclosure of Periodic Reports, providing regulations for information disclosure involved in the annual report in an all round manner. To improve the internal control process for review of periodic reports, the Bank developed its Administrative Measures for Review of Periodic Reports, which contains detailed provisions for the process of preparing and reviewing periodic reports, and thus effectively controls the quality of report preparation and ensures accuracy, completeness and compliance of the contents disclosed in the annual report.

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

Management of Inside Information

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

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

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

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

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

We have audited the consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 146 to 276, which comprise the consolidated and Bank statements of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 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,
27 March 2014

Consolidated Statement of Comprehensive Income

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

	Note	2013	2012
Interest income		**163,335**	138,810
Interest expense		**(77,647)**	(63,324)
Net interest income	6	**85,688**	75,486
Fee and commission income		**18,318**	12,194
Fee and commission expense		**(1,507)**	(984)
Net fee and commission income	7	**16,811**	11,210
Net trading gain	8	**1,750**	2,335
Net (loss)/gain from investment securities	9	**(203)**	76
Net hedging gain	10	**2**	—
Other operating income		**765**	604
Operating income		**104,813**	89,711
Operating expenses	11	**(40,435)**	(34,979)
Operating Profit before impairment		**64,378**	54,732
Impairment losses on			
— Loans and advances to customers	12	**(11,327)**	(12,804)
— Others	12	**(613)**	(300)
Total impairment losses		**(11,940)**	(13,104)
Revaluation gain on investment properties		**2**	62
Share of gains/(losses) of associates		**109**	(59)
Losses of deemed disposal of associates		**—**	(22)
Profit before tax		**52,549**	41,609
Income tax	16	**(12,832)**	(10,224)
Net profit		**39,717**	31,385
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss when specific conditions are met			
Available-for-sale financial assets			
— Net changes in fair value		**(6,915)**	(361)
— Net amount transferred to profit or loss		**790**	(101)
Exchange difference on translating foreign operations		**(474)**	12
Other comprehensive income of associates		**10**	5
Total other comprehensive loss		**(6,589)**	(445)
Income tax effects relating to each component of other comprehensive income		**1,529**	149
Other comprehensive loss, net of tax	18	**(5,060)**	(296)
Total comprehensive income		**34,657**	31,089
Net profit attributable to:			
Shareholders of the Bank		**39,175**	31,032
Non-controlling interests		**542**	353
		39,717	31,385
Total comprehensive income attribute to:			
Shareholders of the Bank		**34,263**	30,644
Non-controlling interests		**394**	445
		34,657	31,089
Basic and diluted earnings per share (RMB)	17	**0.84**	0.66

The notes on pages 153 to 276 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
Assets			
Cash and balances with central bank	19	**496,476**	428,167
Deposits with banks and non-bank financial institutions	20	**131,711**	236,591
Placements with banks and non-bank financial institutions	21	**122,314**	151,803
Financial assets at fair value through the profit and loss	22	**11,018**	12,285
Positive fair value of derivatives	23	**7,749**	4,160
Financial assets held under resale agreements	24	**286,767**	69,082
Interest receivable	25	**15,545**	13,040
Loans and advances to customers	26	**1,899,921**	1,627,576
Available-for-sale financial assets	27	**177,960**	196,849
Held-to-maturity investments	28	**154,849**	135,014
Investment classified as receivables	29	**300,158**	56,435
Investments in associates	30	**2,176**	2,134
Fixed assets	32	**13,734**	11,520
Intangible assets	33	**363**	339
Investment properties	34	**277**	333
Goodwill	35	**792**	817
Deferred tax assets	36	**8,434**	6,091
Other assets	37	**10,949**	7,703
Total assets		**3,641,193**	2,959,939
Liabilities			
Deposits from banks and non-bank financial institutions	39	**559,667**	370,108
Placements from banks and non-bank financial institutions	40	**41,952**	17,894
Negative fair value of derivatives	23	**6,853**	3,412
Financial assets sold under repurchase agreements	41	**7,949**	11,732
Deposits from customers	42	**2,651,678**	2,255,141
Accrued staff costs	43	**10,500**	10,578
Taxes payable	44	**4,355**	4,558
Interest payable	45	**28,143**	21,499
Provisions	46	**71**	93
Debt certificates issued	47	**76,869**	56,402
Other liabilities	48	**22,431**	5,436
Total liabilities		**3,410,468**	2,756,853

The notes on pages 153 to 276 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

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

	Note	31 December 2013	31 December 2012
Equity			
Share capital	49	**46,787**	46,787
Share premium and other reserve	50	**49,503**	49,506
Investment revaluation reserve	51	**(4,769)**	(185)
Surplus reserve	52	**15,495**	11,709
General reserve	53	**44,340**	35,326
Retained earnings		**76,690**	57,333
Exchange difference		**(2,445)**	(2,120)
Total equity attributable to shareholders of the Bank		**225,601**	198,356
Non-controlling interests		**5,124**	4,730
Total equity		**230,725**	203,086
Total liabilities and equity		**3,641,193**	2,959,939

Approved and authorised for issue by the board of directors on 27 March 2014.

Chang Zhenming
Chairman

Zhu Xiaohuang
President

Cao Guoqiang
Vice President in charge of finance function

Lu Wei
General Manager of Budget and Finance Department

Company stamp

The notes on pages 153 to 276 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
Assets			
Cash and balances with central bank	19	**494,316**	426,886
Deposits with banks and non-bank financial institutions	20	**124,860**	235,424
Placements with banks and non-bank financial institutions	21	**98,414**	129,052
Financial assets at fair value through the profit or loss	22	**10,966**	12,209
Positive fair value of derivatives	23	**5,866**	2,665
Financial assets held under resale agreements	24	**286,816**	69,132
Interest receivable	25	**14,976**	12,534
Loans and advances to customers	26	**1,798,983**	1,541,748
Available-for-sale financial assets	27	**160,636**	181,862
Held-to-maturity investments	28	**154,788**	134,952
Investment classified as receivables	29	**300,158**	56,435
Investment in subsidiaries	31	**9,986**	9,986
Fixed assets	32	**13,188**	10,997
Intangible assets	33	**363**	339
Deferred tax assets	36	**8,410**	6,073
Other assets	37	**10,251**	7,338
Total assets		**3,492,977**	2,837,632
Liabilities			
Deposits from banks and non-bank financial institutions	39	**571,234**	383,493
Placements from banks and non-bank financial institutions	40	**38,512**	15,923
Negative fair value of derivatives	23	**5,620**	2,677
Financial assets sold under repurchase agreements	41	**6,468**	11,241
Deposits from customers	42	**2,529,488**	2,148,582
Accrued staff costs	43	**10,043**	10,241
Taxes payable	44	**4,199**	4,495
Interest payable	45	**27,552**	20,988
Provisions	46	**71**	93
Debt certificates issued	47	**56,439**	38,470
Other liabilities	48	**19,995**	4,363
Total liabilities		**3,269,621**	2,640,566
Equity			
Share capital	49	**46,787**	46,787
Share premium and other reserve	50	**51,637**	51,637
Investment revaluation reserve	51	**(4,750)**	(195)
Surplus reserve	52	**15,495**	11,709
General reserve	53	**44,250**	35,250
Retained earnings		**69,937**	51,878
Total equity		**223,356**	197,066
Total liabilities and equity		**3,492,977**	2,837,632

Approved and authorised for issue by the board of directors on 27 March 2014.

Chang Zhenming	**Zhu Xiaohuang**	**Cao Guoqiang**	**Lu Wei**	**Company stamp**
Chairman	*President*	*Vice President in charge of finance function*	*General Manager of Budget and Finance Department*	

The notes on pages 153 to 276 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	Share capital	Share premium	Other reserve	Investment Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 31 December 2012		46,787	49,214	274	(185)	11,709	35,326	57,351	(2,120)	4,730	203,086
Changes in accounting policy		—	—	18	—	—	—	(18)	—	—	—
As at 1 January 2013		46,787	49,214	292	(185)	11,709	35,326	57,333	(2,120)	4,730	203,086
Movements during the year											
(I) Net profit		—	—	—	—	—	—	39,175	—	542	39,717
(II) Other comprehensive income	18	—	—	(3)	(4,584)	—	—	—	(325)	(148)	(5,060)
Total comprehensive income		—	—	(3)	(4,584)	—	—	39,175	(325)	394	34,657
(III) Profit appropriations											
1. Appropriations to surplus reserve	52	—	—	—	—	3,786	—	(3,786)	—	—	—
2. Appropriations to general reserve	53	—	—	—	—	—	9,014	(9,014)	—	—	—
3. Appropriations to shareholders	54	—	—	—	—	—	—	(7,018)	—	—	(7,018)
As at 31 December 2013		46,787	49,214	289	(4,769)	15,495	44,340	76,690	(2,445)	5,124	230,725

	Note	Share capital	Share premium	Other reserve	Investment Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 31 December 2011		46,787	49,214	277	214	8,691	20,825	50,622	(2,134)	4,285	178,781
Changes in accounting policy		—	—	18	—	—	—	(18)	—	—	—
As at 1 January 2012		46,787	49,214	295	214	8,691	20,825	50,604	(2,134)	4,285	178,781
Movements during the year											
(I) Net profit		—	—	—	—	—	—	31,032	—	353	31,385
(II) Other comprehensive income	18	—	—	(3)	(399)	—	—	—	14	92	(296)
Total comprehensive income		—	—	(3)	(399)	—	—	31,032	14	445	31,089
(III) Profit appropriations											
1. Appropriations to surplus reserve	52	—	—	—	—	3,018	—	(3,018)	—	—	—
2. Appropriations to general reserve	53	—	—	—	—	—	14,501	(14,501)	—	—	—
3. Appropriations to shareholders		—	—	—	—	—	—	(6,784)	—	—	(6,784)
As at 31 December 2012		46,787	49,214	292	(185)	11,709	35,326	57,333	(2,120)	4,730	203,086

The notes on pages 153 to 276 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
Operating activities		
Profit before tax	**52,549**	41,609
Adjustments for:		
— Revaluation (gain)/loss on investments, derivatives and investment properties	**(92)**	105
— Investment losses	**121**	20
— Net (gain)/loss on disposal of fixed assets, intangible assets and other assets	**(12)**	4
— Unrealised foreign exchange losses	**427**	60
— Impairment losses	**11,940**	13,104
— Depreciation and amortisation	**1,790**	1,517
— Interest expense on debt certificates issued	**2,352**	1,778
— Dividend income from equity investment	**(27)**	(15)
— Income tax paid	**(13,956)**	(13,788)
	55,092	44,394
Changes in operating assets and liabilities:		
Increase in balances with central bank	**(65,422)**	(58,577)
(Increase)/decrease in deposits with banks and non-bank financial institutions	**(17,122)**	25,608
Decrease/(increase) in placements with banks and non-bank financial institutions	**7,204**	(19,601)
Decrease/(increase) in financial assets at fair value through the profit or loss	**5,465**	(1,663)
(Increase)/decrease in financial assets held under resale agreements	**(217,743)**	93,129
Increase in loans and advances to customers	**(288,623)**	(228,474)
Increase in investment classified as receivables	**(243,723)**	(56,435)
Increase/(decrease) in deposits from banks and non-bank financial institutions	**190,922**	(165,427)
Increase in placements from banks and non-bank financial institutions	**24,409**	13,802
(Decrease)/increase in financial assets sold under repurchase agreements	**(3,749)**	1,437
Increase in deposits from customers	**405,603**	287,328
Increase in other operating assets	**(5,403)**	(1,499)
Increase in other operating liabilities	**16,862**	10,552
Net cash flows used in operating activities	**(136,228)**	(55,426)
Investing activities		
Proceeds from disposal and redemption of investments	**478,354**	547,608
Proceeds from disposal of fixed assets, land use rights, and other assets	**130**	4
Cash received from equity investment income	**46**	14
Payments on acquisition of investments	**(483,562)**	(645,390)
Payments on acquisition of fixed assets, land use rights and other assets	**(5,292)**	(3,588)
Net cash flows used in investing activities	**(10,324)**	(101,352)

The notes on pages 153 to 276 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

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

	Note	2013	2012
Financing activities			
Cash received from debt certificates issued		**30,394**	35,365
Cash paid for redemption of debt certificates		**(9,337)**	(12,831)
Interest paid on debt certificates issued		**(2,317)**	(1,152)
Dividends paid		**(7,018)**	(6,784)
Net cash flows from financing activities		**11,722**	14,598
Net decrease in cash and cash equivalents		**(134,830)**	(142,180)
Cash and cash equivalents as at 1 January		**336,828**	479,083
Effect of exchange rate changes on cash and cash equivalents		**(2,355)**	(75)
Cash and cash equivalents as at 31 December	55	**199,643**	336,828
Cash flows from operating activities include:			
Interest received		**160,865**	135,635
Interest paid, excluding interest expense on debt certificates issued		**(68,891)**	(53,529)

The notes on pages 153 to 276 form part of these financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

1 Corporate information

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

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

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

As at 31 December 2013, the Group mainly operates in Mainland China with branches covering 30 provinces, autonomous regions and municipalities. In addition, the Bank's subsidiaries have operations in Mainland China, Hong Kong and other overseas countries and regions.

CNCB (previously known as "CITIC Industrial Bank") was a state-owned financial institution established on 20 April 1987 with the approval of the State Council of the PRC ("State Council"). CITIC Industrial Bank was wholly owned by CITIC Group Company before 2006. CITIC Group Company, which was previously known as China International Trust and Investment Corporation, restructured and renamed as CITIC Group Corporation ("CITIC Group") on 27 December 2011, as well as establishing a subsidiary named CITIC Limited together with its another whole owned subsidiary. CITIC Industrial Bank was renamed to China CITIC Bank on 2 August 2005.

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

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

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

In 2011, the Bank issued 7,754 million rights shares to both A shareholders and H shareholders with a par value of RMB1 each ("Rights Issue"), and completed the registration of the revised registered capital on 5 July 2012.

The financial statements were approved by the Board of Directors of the Bank on 27 March 2014.

(Expressed in millions of Renminbi unless otherwise stated)

2 Basis of preparation

These financial statements have been prepared on a going concern basis. The consolidated financial statements for the year ended 31 December 2013 comprise the Bank and its subsidiaries and the Group's interest in associates.

(a) Accounting year

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

(b) Functional currency and presentation currency

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

(c) Measurement basis

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

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

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

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

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

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Judgments made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent period are discussed in Note 4(25). Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3 Statement of compliance

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

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

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Revised IAS 9, *Employee benefits*
- *Annual Improvements to IFRSs 2009-2011 Cycle*
- Amendments to IFRS 7, *Disclosures — Offsetting financial assets and financial liabilities*

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

Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments to IAS 1 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 Group's presentation of other comprehensive income in this annual financial report has been modified accordingly.

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 SIC 12 *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.

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 change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

3 Statement of compliance (Continued)

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, *Interests in joint ventures,* divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

The adoption of the amendments does not have an impact on the Group's annual financial report because the Group has no joint arrangements.

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, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. The Group has provided those disclosures in notes 30, 31 and 64.

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. The Group has provided those disclosures in note 34 and 62. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Revised IAS 19, Employee benefits

Revised IAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised IAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised IAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised IAS 19, the Group has changed its accounting policy with respect to defined benefit plans. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012. Yet, it does not have any material impact on the Group's net profit and net assets for the current and previous year.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Since the Group considers that the restatement resulting from the adoption of revised IAS 19 does not have any material impact, no additional statement of financial position as at 1 January 2012 has been presented in these financial statements.

3 Statement of compliance (Continued)

Amendments to IFRS 7 Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's annual financial statement because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

4 Significant accounting policies and accounting estimates

(1) Consolidated financial statements

(a) *Business combinations involving enterprises under common control*

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

(b) *Business combinations involving entities not under common control*

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

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

(c) *Consolidated financial statements*

The consolidated financial statements comprise the Bank and its subsidiaries. The Bank 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 Bank has power, only substantive rights (held by the Bank and other parties) are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

4 Significant accounting policies and accounting estimates (Continued)

(1) Consolidated financial statements (Continued)

(c) Consolidated financial statements (Continued)

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

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

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

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

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

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

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

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

4 Significant accounting policies and accounting estimates (Continued)

(2) Foreign currency translations

(a) Translation of foreign currency transactions

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

(b) Translation of financial statements denominated in foreign currency

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

(3) Financial instruments

(a) Categorisation

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

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

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(a) Categorisation (Continued)

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

Other financial liabilities

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

(b) Derivatives and embedded derivatives

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

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

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(c) Recognition and derecognition

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

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

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

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

(d) Measurement

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

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

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

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) Impairment

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

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

— significant financial difficulty of the borrower or issuer;

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

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

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

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

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

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

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

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

Loans and receivables and held-to-maturity investments

Individual assessment

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

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

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) ***Impairment (Continued)***

Loans and receivables and held-to-maturity investments (Continued)

Collective assessment

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

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

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

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

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

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

Impairment reversal and loan written-off

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

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

Rescheduled loans

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

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

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

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

(f) Offsetting

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

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

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

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

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

4 Significant accounting policies and accounting estimates (Continued)

(4) Hedging

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

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

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

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

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

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

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

Fair Value Hedges

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

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

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

(5) Investment in subsidiaries

Initial Recognition

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

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

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

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

4 Significant accounting policies and accounting estimates (Continued)

(5) Investment in subsidiaries (Continued)

Measurement and recognition of investment gains or losses

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

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

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

(6) Investment in associates

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

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

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

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

(7) Fixed asset

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

(a) Cost

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

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

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

4 Significant accounting policies and accounting estimates (Continued)

(7) Fixed asset (Continued)

(b) Subsequent costs

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

(c) Depreciation

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

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

No depreciation is provided in respect of construction in progress.

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

(d) Impairment

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

(e) Disposal and retirement

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

(8) Land use rights

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

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

(9) Intangible assets

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

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

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(10) Investment properties

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

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

(11) Lease

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

(a) Finance leases

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

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

Where the Group is a lessee under finance leases, an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease, is included in "fixed assets" on statement of financial position as a lease asset. An amount equal to the minimum lease payments is included in "other liabilities" on statement of financial position recognized as a long-term payable. The difference between the recorded amount of the leased asset and the recorded amount of the payable shall be accounted for as unrecognized finance charge. The Group recognizes financial charge for the current period using the effective interest method.

Depreciation policy are accounted for in accordance with the accounting policy as set out in note 4(7) and impairment losses are accounted for in accordance with the accounting policy as set out in note 4(14).

(b) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 4(7) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(14). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 4(19)(d).

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

4 Significant accounting policies and accounting estimates (Continued)

(12) Goodwill

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

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

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

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

(13) Repossessed assets

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

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

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

(14) Allowances for impairment of non-financial assets

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

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

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

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

4 Significant accounting policies and accounting estimates (Continued)

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

(a) Testing CGU with goodwill for impairment

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

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

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

(b) Impairment loss

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

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

(c) Reversing an impairment loss

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

An impairment loss in respect of goodwill is not reversed.

4 Significant accounting policies and accounting estimates (Continued)

(15) Fair value measurement

Unless otherwise stated, the Group measure the fair vale based on below principles.

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics (including the condition and location of the asset; and restrictions, if any, on the sale or use of the asset.) of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, Three widely used valuation techniques are the market approach, the cost approach and the income approach.

(16) Employee benefits

(a) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognizes the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses and social security contributions such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio. Where the payment of liability is expected to not be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services, and the effect would be material, these liabilities are stated at their present values in the statement of financial position.

(b) Post-employment benefits: Defined contribution plans

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

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

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

(c) Post-employment benefits: defined benefit plans

The Group adopts the projected unit credit actuarial cost method, using unbiased and mutually compatible actuarial assumptions to estimate the demographic and financial variables, to measure the obligation associated in the defined benefits plans. The deficit or surplus, which arises from the discounted present value of the defined benefit obligation deducting the fair value of any plan assets, will be recognized as the net liabilities or net assets of the defined benefit plans.

The Group recognizes the obligation of defined benefit plans in the accounting period in which the employees render the related services. Service cost and net interest on the net defined benefit liability or assets are recognized in profit or loss while the re-measurements of the net defined benefit liability or assets are recognized in other comprehensive income.

4 Significant accounting policies and accounting estimates (Continued)

(17) Provisions and contingent liabilities

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

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

(18) Fiduciary activities

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

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

(19) Income recognition

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

(a) Interest income

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

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

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

4 Significant accounting policies and accounting estimates (Continued)

(19) Income recognition (Continued)

(b) Fee and commission income

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

(c) Dividend income

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

(d) Rental income from operating lease

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

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

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

(20) Income tax

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

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

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

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

(21) Cash equivalents

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

4 Significant accounting policies and accounting estimates (Continued)

(22) Profit distribution

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

(23) Related parties

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

(a) the Bank's parents;

(b) the Bank's subsidiaries;

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

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

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

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

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

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

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

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

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

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

(24) Operating segments

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

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

4 Significant accounting policies and accounting estimates (Continued)

(25) Significant accounting estimates and judgements

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

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

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

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

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

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

(c) Fair value of financial instruments

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(25) Significant accounting estimates and judgements (Continued)

(d) Classification of held-to-maturity investments

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

(e) Income taxes

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

(f) Employee retirement benefit obligations

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

5 Taxation

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

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

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

Education surcharge and Local education surcharges

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

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent it is allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Taxation arising from the above taxes are presented as "tax payable" in the statement of financial position.

(Expressed in millions of Renminbi unless otherwise stated)

6 Net interest income

	2013	2012
Interest income arising from (note (i)):		
Deposits with central banks	**6,988**	5,842
Deposits with banks and non-bank financial institutions	**6,834**	6,800
Placements with banks and non-bank financial institutions	**5,458**	7,158
Financial assets held under resale agreements	**11,200**	5,208
Investment classified as receivables	**6,097**	795
Loans and advances to customers		
— corporate loans	**84,952**	78,592
— personal loans	**23,552**	18,188
— discounted bills	**4,497**	5,589
Investments in debt securities (note (ii))	**13,754**	10,616
Others	**3**	22
	163,335	138,810
Interest expense arising from:		
Deposits from banks and non-bank financial institutions	**(19,670)**	(14,779)
Placements from banks and non-bank financial institutions	**(943)**	(242)
Financial assets sold under repurchase agreements	**(467)**	(537)
Deposits from customers	**(54,213)**	(45,947)
Trading financial liabilities	**—**	(41)
Debt certificates issued	**(2,352)**	(1,778)
Others	**(2)**	—
	(77,647)	(63,324)
Net interest income	**85,688**	75,486

Notes:
(i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB373 million for the year ended 31 December 2013 (2012: RMB249 million).

(ii) Interest income from investments in debt securities is mainly derived from unlisted investments.

(iii) Interest income includes interest income arising from financial assets designated at fair value through profit and loss of RMB302 million (2012: RMB370 million); interest expense includes no interest expense arising from financial liabilities designated at fair value through profit and loss (2012: RMB41 million).

(Expressed in millions of Renminbi unless otherwise stated)

7 Net fee and commission income

	2013	2012
Fee and commission income		
Consultancy and advisory fees	4,607	2,831
Bank card fees	5,626	3,820
Settlement fees	2,367	2,593
Commission for wealth management services	2,491	1,055
Agency fees and commission (note(i))	1,242	967
Guarantee fees	1,183	435
Commission for custodian business and other fiduciary	776	483
Others	26	10
Total	18,318	12,194
Fee and commission expense	(1,507)	(984)
Net fee and commission income	16,811	11,210

Note: (i) Agency fees and commission include fees and commission for underwriting bonds and investment funds, agency fees for insurance service and others, and fees from entrusted lending business.

8 Net trading gain

	2013	2012
Trading profit:		
— debt securities	192	200
— foreign currencies	1,377	1,458
— derivatives	179	675
— financial instrument designated at fair value through profit and loss	2	2
Total	1,750	2,335

9 Net (loss)/gain from investment securities

	2013	2012
Net gain/(loss) from sale of available-for-sale securities	530	(41)
Net revaluation (loss)/gain reclassified from other comprehensive income on disposal	(762)	101
Others	29	16
Total	(203)	76

10 Net hedging gain

	2013	2012
Net gain of fair value hedge	2	—

(Expressed in millions of Renminbi unless otherwise stated)

11 Operating expenses

	2013	2012
Staff costs		
— salaries and bonuses	**12,839**	11,460
— social insurance	**1,680**	1,293
— welfare expenses	**1,195**	944
— housing fund	**750**	575
— labor union expenses and employee education expenses	**534**	480
— housing allowance	**303**	259
— defined contribution retirement schemes	**291**	238
— supplementary retirement benefits	**6**	—
— others	**199**	185
Subtotal	**17,797**	15,434
Property and equipment expenses		
— rent and property management expenses	**2,781**	2,100
— depreciation	**1,151**	1,008
— amortisation expenses	**639**	509
— electronic equipment operating expenses	**537**	394
— maintenance	**598**	419
— others	**529**	428
Subtotal	**6,235**	4,858
Business tax and surcharges	**7,488**	6,648
Other general and administrative expenses		
— audit fees	**17**	17
— others	**8,898**	8,022
Subtotal	**8,915**	8,039
Total	**40,435**	34,979

12 Impairment losses on assets

	2013	2012
Impairment losses charged on/(reversed from)		
— placements with banks and non-bank financial institutions	**7**	(5)
— Loans and advances to customers	**11,327**	12,804
— Available-for-sale financial assets	**11**	(10)
— Held-to-maturity investments	**(85)**	(6)
— Off-balance sheet assets	**43**	131
— Repossessed assets	**(16)**	1
— Others	**653**	189
Total	**11,940**	13,104

(Expressed in millions of Renminbi unless otherwise stated)

13 Directors' and Supervisors' emoluments

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

	2013						
	Fees RMB'000	(note(vi)) Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iv)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Zhu Xiaohuang	—	435.6	589.8	1,025.4	112.8	143.8	1,282
Sun Deshun (note(i))	—	600	1,275.5	1,875.5	166.5	310.5	2,352.5
Non-executive Directors							
Chang zhenming (note(ii))	—	—	—	—	—	—	—
Chen Xiaoxian	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
Zhang Xiaowei	—	—	—	—	—	—	—
Gonzalo José Toraño Vallin	—	—	—	—	—	—	—
Li Qingping (note(i))	—	—	—	—	—	—	—
Independent non-executive Directors							
Xing Tiancai	300	—	—	300	—	—	300
Liu Shulan	300	—	—	300	—	—	300
Wu Xiaoqing	300	—	—	300	—	—	300
Wong Luen Cheung Andrew	300	—	—	300	—	—	300
Li Zheping	300	—	—	300	—	—	300
Supervisors/External Supervisors/ Employee supervisors							
Ouyang Qian (note(i))	—	600	1,224.5	1,824.5	165.9	294.5	2,284.9
Luo Xiaoyuan	300	—	—	300	—	—	300
Zheng Xuexue	—	—	—	—	—	—	—
Deng Yuewen	—	112.1	1,800	1,912.1	151.9	158.5	2,222.5
Li Gang	—	300	1,860	2,160	130.1	198	2,488.1
Wang Xiuhong (note(i))	—	—	—	—	—	—	—
Former Directors and Supervisors resigned in 2013 (note(iii))							
Tian Guoli	—	—	—	—	—	—	—
Cao Tong	—	550	686	1,236	153.2	218.5	1,607.7
Ju Weimin	—	—	—	—	—	—	—
Ángel Cano Fernández	—	—	—	—	—	—	—
Zhuang Yumin	300	—	—	300	—	—	300
	2,100	2,597.7	7,435.8	12,133.5	880.4	1,323.8	14,337.7

(Expressed in millions of Renminbi unless otherwise stated)

13 Directors' and Supervisors' emoluments (Continued)

	2012						
	Fees RMB'000	(note(vii)) Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iv)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Zhu Xiaohuang	—	315	154.8	469.8	34.4	13.7	517.9
CaoTong (note(iii))	—	1,846.4	1,288.1	3,134.5	163.4	71.7	3,369.6
Non-executive Directors							
Tian Guoli (note(iii))	—	—	—	—	—	—	—
Chen Xiaoxian	—	675	216	891	211.5	192.5	1,295
Dou Jianzhong	—	—	—	—	—	—	—
Ju Weimin (note(iii))	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
Zhang Xiaowei	—	—	—	—	—	—	—
Gonzalo José Toraño Vallin	—	—	—	—	—	—	—
Ángel Cano Fernández (note(iii))	—	—	—	—	—	—	—
Independent non-executive Directors							
Xing Tiancai	241.7	—	—	241.7	—	—	241.7
Liu Shulan	50	—	—	50	—	—	50
Wu Xiaoqing	50	—	—	50	—	—	50
Wong Luen Cheung Andrew	50	—	—	50	—	—	50
Li Zheping	258.3	—	—	258.3	—	—	258.3
Supervisors/External Supervisors/ Employee supervisors							
Zhuang Yumin (note(iii))	250	—	—	250	—	—	250
Luo Xiaoyuan	250	—	—	250	—	—	250
Zheng Xuexue	—	—	—	—	—	—	—
Deng Yuewen	—	111.6	1,850	1,961.6	130.7	20.9	2,113.2
Li Gang	—	300	1,620.2	1,920.2	129	51.6	2,100.8
Former Directors and Supervisors resigned in 2012							
Zhao Xiaofan	—	—	—	—	—	—	—
Chan Hui Dor Lam	—	—	—	—	—	—	—
Jose Andres Barreiro	—	—	—	—	—	—	—
Ai Hongde	34	—	—	34	—	—	34
Bai Chong En	208.3	—	—	208.3	—	—	208.3
Xie Rong	208.3	—	—	208.3	—	—	208.3
Wang Xiangfei	233.3	—	—	233.3	—	—	233.3
	1,833.9	3,248	5,129.1	10,211	669	350.4	11,230.4

(Expressed in millions of Renminbi unless otherwise stated)

13 Directors' and Supervisors' emoluments (Continued)

Notes:

(i) Mr. Ouyang Qian was appointed as the chairman of the Board of Supervisor in November 2013. Ms. Li Qingping and Mr. Sun Deshun were appointed as non-executive director and executive director respectively in December 2013, which is subject to final approval of CBRC. Ms. Wang Xiuhong was nominated as External Supervisor in December 2013, which has been submitted to the Shareholders' meeting for approval.

(ii) Mr. Chang Zhenming was appointed as the chairman of the Board of Director in August 2013.

(iii) Mr. Tian Guoli resigned from the position of the chairman of the Board of Director and non-executive director in April 2013. Mr. Cao Tong resigned from the position of executive director and vice president of the Bank in September 2013. Mr. Ju Weimin resigned from the position of non-executive director in October 2013. Mr. Ángel Cano Fernández resigned from the position of non-executive director in December 2013. Ms. Zhuang Yumin resigned from the position of external supervisor of the Bank in December 2013, and her resignation will be officially effective when her successor has been elected by the Shareholder's meeting.

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

(v) None of the Directors and Supervisors received any inducements, or compensation for loss of office, or waived any emoluments during the years ended 31 December 2013 and 2012.

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

(vii) The above Directors' emoluments for the year ended 31 December 2012 were restated in accordance with the final approved amounts. The remuneration before tax payable to the executive directors for 2012 set out in the table above represents the total amount of annual remuneration for each of these individuals, which includes the amount of "remuneration paid" as disclosed in the 2012 annual financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

14 Individuals with highest emoluments

For the year ended 31 December 2013, of the 5 individuals with the highest emoluments, one (2012: one) is Director and one is Supervisor, whose emoluments are disclosed in Note 13 above. The aggregate of the emoluments before individual income tax in respect of the other three (2012: four) highest paid individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other emoluments	**1,906.9**	7,612
Discretionary bonuses	**5,505.7**	5,088.8
Retirement scheme contributions	**354.8**	646.2
Total	**7,767.4**	13,347

The emoluments before individual income tax of the three (2012: four) individuals with the highest emoluments are within the following bands:

	2013	2012
RMB2,000,001 — RMB3,000,000	**3**	—
RMB3,000,001 — RMB3,500,000	**—**	4
RMB3,500,001 — RMB4,000,000	**—**	—

The emoluments for above individuals with highest emoluments for the year ended 31 December 2012 were restated in accordance with the final approved amounts. The remuneration before tax payable to the other four highest paid individuals for the year 2012 as set out in the table above represents the total amount of annual remuneration for these individuals, which includes the amount of "remuneration paid" as disclosed in the 2012 annual financial statements.

15 Loans to directors, supervisors and officers

Loans to the Directors, Supervisor and Officers (and their affiliates) of the Bank as defined under section 161B of the Hong Kong Companies Ordinance during the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
Aggregate amount of relevant loans outstanding at year end	**15**	21

	2013	2012
Maximum aggregate amount of relevant loans outstanding during the year	**21**	24

(Expressed in millions of Renminbi unless otherwise stated)

16 Income tax

(a) Recognised in the statement of comprehensive income

	2013	2012
Current tax		
— Mainland China	13,331	12,979
— Hong Kong	309	198
— Overseas	6	14
Deferred tax	(814)	(2,967)
Income tax	12,832	10,224

(b) Reconciliation between income tax expense and accounting profit

	2013	2012
Profit before tax	52,549	41,609
Income tax calculated at statutory tax rate	13,137	10,402
Effect of different tax rates in other regions	(184)	(112)
Tax effect of non-deductible expenses (Note (i))	490	474
Tax effect of non-taxable income		
— Interest income arising from PRC government bonds	(548)	(488)
— Others	(63)	(52)
Income tax	12,832	10,224

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

17 Earnings per share

Earnings per share information for the year ended 31 December 2013 and 2012 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the year. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2013 and 2012.

	2013	2012
Net profit attributable to shareholders of the Bank	39,175	31,032
Weighted average number of shares (in million shares)	46,787	46,787
Basic and diluted earnings per share (in RMB)	0.84	0.66

(Expressed in millions of Renminbi unless otherwise stated)

18 Other comprehensive loss

	2013	2012
Items that may be reclassified subsequently to profit or loss when specific conditions are met		
Other comprehensive income of available-for-sale financial assets		
— Net changes in fair value recognised during the year	(6,915)	(361)
— Net amount transferred to profit or loss	790	(101)
Income tax relating to other comprehensive income of available-for-sale financial assets	1,529	149
Other comprehensive loss for available-for-sale financial assets, net of tax	(4,596)	(313)
Shares of other comprehensive income of associates	10	5
Exchange differences on translation	(474)	12
Net other comprehensive loss during the year	(5,060)	(296)

19 Cash and balances with central banks

	The Group		The Bank	
	2013	2012	2013	2012
Cash	6,848	6,667	6,617	6,486
Balances with central banks				
— Statutory deposit reserve funds (note (i))	419,932	356,243	418,402	355,379
— Surplus deposit reserve funds (note (ii))	66,056	62,223	65,657	61,987
— Fiscal deposits	3,640	3,034	3,640	3,034
Total	496,476	428,167	494,316	426,886

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

As at 31 December 2013, the statutory deposit reserve placed with the PBOC was calculated at 18% (2012:18%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (2012: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

20 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
In Mainland China					
— Banks		**106,968**	217,771	**102,055**	213,090
— Non-bank financial institutions		**3,932**	2,743	**8,460**	8,344
Subtotal		**110,900**	220,514	**110,515**	221,434
Outside Mainland China					
— Banks		**17,757**	14,539	**14,345**	13,990
— Non-bank financial institutions		**3,054**	1,538	**—**	—
Subtotal		**20,811**	16,077	**14,345**	13,990
Gross balance		**131,711**	236,591	**124,860**	235,424
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**131,711**	236,591	**124,860**	235,424

(b) Analysed by remaining maturity

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
Demand deposits		**42,727**	45,739	**36,010**	43,472
Time deposits with remaining maturity					
— within one month		**29,290**	127,020	**29,187**	128,120
— between one month and one year		**57,706**	62,800	**57,675**	62,800
— over one year		**1,988**	1,032	**1,988**	1,032
Subtotal		**88,984**	190,852	**88,850**	191,952
Gross balance		**131,711**	236,591	**124,860**	235,424
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**131,711**	236,591	**124,860**	235,424

(Expressed in millions of Renminbi unless otherwise stated)

21 Placements with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
In Mainland China					
— Banks		**94,553**	125,503	**72,966**	109,151
— Non-bank financial institutions		**21,197**	19,125	**21,197**	19,125
Subtotal		**115,750**	144,628	**94,163**	128,276
Outside Mainland China					
— Banks		**6,579**	7,183	**3,231**	—
— Non-bank financial institutions		**—**	—	**1,035**	784
Subtotal		**6,579**	7,183	**4,266**	784
Gross balance		**122,329**	151,811	**98,429**	129,060
Less: Allowances for impairment losses	38	**(15)**	(8)	**(15)**	(8)
Net balance		**122,314**	151,803	**98,414**	129,052

(b) Analysed by remaining maturity

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
Within one month		**27,747**	48,721	**22,379**	38,884
Between one month and one year		**94,447**	103,015	**75,942**	90,132
Over one year		**135**	75	**108**	44
Gross balance		**122,329**	151,811	**98,429**	129,060
Less: Allowances for impairment losses	38	**(15)**	(8)	**(15)**	(8)
Net balance		**122,314**	151,803	**98,414**	129,052

22 Financial assets at fair value through the profit or loss

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
Held for trading purpose:					
Debt trading financial assets	(i)	**10,966**	12,209	**10,966**	12,209
Investment funds	(ii)	**2**	2	**—**	—
Financial assets designated at fair value through profit and loss	(iii)	**50**	74	**—**	—
Total		**11,018**	12,285	**10,966**	12,209

There was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through the profit or loss.

(Expressed in millions of Renminbi unless otherwise stated)

22 Financial assets at fair value through the profit or loss (Continued)

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

	The Group		The Bank	
	2013	2012	**2013**	2012
In Mainland China				
— Government	**5,109**	3,374	**5,109**	3,374
— PBOC	**—**	480	**—**	480
— Policy banks	**286**	735	**286**	735
— Banks and non-bank financial institutions	**2,215**	205	**2,215**	205
— Corporate entities	**3,356**	7,415	**3,356**	7,415
Subtotal	**10,966**	12,209	**10,966**	12,209
Outside Mainland China				
— Government	**—**	—	**—**	—
— Banks and non-bank financial institutions	**—**	—	**—**	—
Subtotal	**—**	—	**—**	—
Total	**10,966**	12,209	**10,966**	12,209
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**1**	—	**1**	—
Unlisted	**10,965**	12,209	**10,965**	12,209
Total	**10,966**	12,209	**10,966**	12,209

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Outside Mainland China				
— Corporate entities	**2**	2	**—**	—
Subtotal	**2**	2	**—**	—
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**2**	2	**—**	—
Total	**2**	2	**—**	—

(Expressed in millions of Renminbi unless otherwise stated)

22 Financial assets at fair value through the profit or loss (Continued)

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

	The Group		The Bank	
	2013	2012	**2013**	2012
In Mainland China				
— Government	**10**	10	**—**	—
— Banks and non-bank financial institutions	**—**	25	**—**	—
— Corporate entities	**40**	39	**—**	—
Subtotal	**50**	74	**—**	—
Outside Mainland China				
— Banks and non-bank financial institutions	**—**	—	**—**	—
Subtotal	**—**	—	**—**	—
Total	**50**	74	**—**	—
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**50**	74	**—**	—
Total	**50**	74	**—**	—

23 Derivatives

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

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

	The Group					
	2013			2012		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging Instruments						
— Interest rate derivatives	**8,021**	**210**	**59**	6,450	470	3
Non-Hedging Instruments						
— Interest rate derivatives	**199,677**	**1,294**	**1,257**	217,323	799	899
— Currency derivatives	**899,683**	**6,245**	**5,535**	550,812	2,891	2,495
— Other derivatives	**63,255**	**—**	**2**	21,584	—	15
Total	**1,170,636**	**7,749**	**6,853**	796,169	4,160	3,412

(Expressed in millions of Renminbi unless otherwise stated)

23 Derivatives (Continued)

	The Bank					
	2013			2012		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
— Interest rate derivatives	149,332	1,262	1,203	181,469	732	765
— Currency derivatives	631,215	4,604	4,415	357,286	1,933	1,897
— Other derivatives	63,255	—	2	21,584	—	15
Total	843,802	5,866	5,620	560,339	2,665	2,677

(i) Nominal amount analysed by remaining maturity

	The Group		The Bank	
	2013	2012	2013	2012
Within three months	488,429	307,371	366,048	220,054
Between three months and one year	419,440	321,598	335,325	269,131
Between one year and 5 years	257,786	163,907	142,325	71,004
Over five years	4,981	3,293	104	150
Total	1,170,636	796,169	843,802	560,339

(ii) Credit risk weighted amounts

	The Group 2013	The Bank 2013
Default risk of counter party		
— Interest rate derivatives	766	500
— Currency derivatives	10,296	5,801
— Other derivatives	8,412	8,412
Credit Valuation Adjustment	11,224	10,114
Total	30,698	24,827

(a) The credit risk weighted amount has been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the CBRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

(b) As at 31 December 2012, the Group and Bank calculated the credit risk weighted amount of derivatives of RMB10,516 million and 6,800 million respectively in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and other relevant regulations promulgated by the CBRC in the year of 2004. This regulation has been superseded since 1 January 2013.

(iii) Fair value hedge

The subsidiaries of the Group utilize fair value hedge to avoid fair value changes of financial assets and financial liabilities caused by market interest rate fluctuation. Interest rate swap contracts are used for hedging interest risks arising from available-for-sale debt securities, certificates of deposit and subordinated debts issued.

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

(Expressed in millions of Renminbi unless otherwise stated)

24 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

		The Group		The Bank	
	Note	2013	2012	2013	2012
In Mainland China					
— Banks		282,515	61,495	282,515	61,495
— Non-bank financial institutions		4,252	7,587	4,252	7,587
Subtotal		286,767	69,082	286,767	69,082
Outside Mainland China					
— Non-bank financial institutions		—	—	49	50
Subtotal		—	—	49	50
Gross balance		286,767	69,082	286,816	69,132
Less: Allowances for impairment losses	38	—	—	—	—
Net balance		286,767	69,082	286,816	69,132

(b) Analysed by types of collaterals

		The Group		The Bank	
	Note	2013	2012	2013	2012
Discounted bills		225,046	44,707	225,046	44,707
Securities		47,812	15,128	47,861	15,178
Others		13,909	9,247	13,909	9,247
Gross balance		286,767	69,082	286,816	69,132
Less: Allowances for impairment losses	38	—	—	—	—
Net balance		286,767	69,082	286,816	69,132

(c) Analysed by remaining maturity

		The Group		The Bank	
	Note	2013	2012	2013	2012
Within one month		131,965	44,414	131,965	44,414
Between one month and one year		149,879	22,742	149,928	22,792
More than one year		4,923	1,926	4,923	1,926
Gross balance		286,767	69,082	286,816	69,132
Less: Allowances for impairment losses	38	—	—	—	—
Net balance		286,767	69,082	286,816	69,132

(Expressed in millions of Renminbi unless otherwise stated)

25 Interest receivable

	Note	The Group 2013	The Group 2012	The Bank 2013	The Bank 2012
Debt securities		**6,139**	6,009	**6,020**	5,917
Loans and advances to customers		**6,051**	4,414	**5,717**	4,180
Others		**4,043**	2,859	**3,927**	2,679
Gross balance		**16,233**	13,282	**15,664**	12,776
Less: Allowance for impairment losses	38	**(688)**	(242)	**(688)**	(242)
Net balance		**15,545**	13,040	**14,976**	12,534

26 Loans and advances to customers

(a) Analysed by nature

	Note	The Group 2013	The Group 2012	The Bank 2013	The Bank 2012
Corporate loans					
— Loans		**1,435,157**	1,252,217	**1,356,527**	1,188,415
— Discounted bills		**64,769**	74,994	**57,188**	68,166
— Lease payments receivable		**696**	1,043	**—**	—
Subtotal		**1,500,622**	1,328,254	**1,413,715**	1,256,581
Personal loans					
— Residential mortgages		**220,369**	194,614	**211,649**	185,935
— Business loans		**97,767**	63,539	**97,767**	63,539
— Credit cards		**86,494**	54,165	**86,243**	53,930
— Others		**35,923**	22,329	**30,470**	16,640
Subtotal		**440,553**	334,647	**426,129**	320,044
Gross balance		**1,941,175**	1,662,901	**1,839,844**	1,576,625
Less: Impairment allowances	38				
— Individual impairment allowances		**(8,966)**	(6,699)	**(8,835)**	(6,484)
— Collective impairment allowances		**(32,288)**	(28,626)	**(32,026)**	(28,393)
Net balance		**1,899,921**	1,627,576	**1,798,983**	1,541,748

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

The Group

	2013				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	1,921,209	3,552	16,414	1,941,175	1.03%
Less: Impairment allowances against loans and advances	(29,632)	(2,656)	(8,966)	(41,254)	
Net loans and advances	1,891,577	896	7,448	1,899,921	

	2012				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	1,650,646	1,296	10,959	1,662,901	0.74%
Less: Impairment allowances against loans and advances	(27,643)	(983)	(6,699)	(35,325)	
Net loans and advances	1,623,003	313	4,260	1,627,576	

The Bank

	2013				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	1,820,205	3,548	16,091	1,839,844	1.07%
Less: Impairment allowances against loans and advances	(29,373)	(2,653)	(8,835)	(40,861)	
Net loans and advances	1,790,832	895	7,256	1,798,983	

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

The Bank (Continued)

	2012				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances(note (i)) for which allowances are collectively assessed	Impaired loans and advances(note (i)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	1,564,756	1,273	10,596	1,576,625	0.75%
Less: Impairment allowances against loans and advances	(27,411)	(982)	(6,484)	(34,877)	
Net loans and advances	1,537,345	291	4,112	1,541,748	

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

— individually, or

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

(ii) As at 31 December 2013, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB16,414 million (2012: RMB10,959 million). The covered portion and uncovered portion of these loans and advances were RMB4,005 million (2012: RMB3,052 million) and RMB12,409 million (2012: RMB7,907 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB7,819 million (2012: RMB3,295 million). The individual impairment allowances made against these loans and advances were RMB8,966 million (2012: RMB6,699 million).

As at 31 December 2013, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB16,091 million (2012: RMB10,596 million). The covered portion and uncovered portion of these loans and advances were RMB3,841 million (2012: RMB2,850 million) and RMB12,250 million (2012: RMB7,746 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB7,579 million (2012: RMB3,014 million). The individual impairment allowances made against these loans and advances were RMB8,835 million (2012: RMB6,484 million).

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

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(c) Movements of allowances for impairment losses

The Group

	2013			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	**27,643**	**983**	**6,699**	**35,325**
Charge for the year				
— new impairment allowances charged to profit or loss	**1,989**	**2,570**	**11,175**	**15,734**
— impairment allowances released to profit or loss	**—**	**(42)**	**(4,365)**	**(4,407)**
Unwinding of discount	**—**	**—**	**(275)**	**(275)**
Transfers in/(out)	**—**	**—**	**(42)**	**(42)**
Write-offs	**—**	**(897)**	**(4,408)**	**(5,305)**
Recoveries of loans and advances previously written off	**—**	**42**	**182**	**224**
As at 31 December	**29,632**	**2,656**	**8,966**	**41,254**

	2012			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	18,547	752	3,959	23,258
Charge for the year				
— new impairment allowances charged to profit or loss	9,096	415	4,244	13,755
— impairment allowances released to profit or loss	—	(56)	(895)	(951)
Unwinding of discount	—	—	(206)	(206)
Transfers in/(out)	—	—	(54)	(54)
Write-offs	—	(184)	(558)	(742)
Recoveries of loans and advances previously written off	—	56	209	265
As at 31 December	27,643	983	6,699	35,325

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

The Bank

	2013			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	27,411	982	6,484	34,877
Charge for the year				
— new impairment allowances charged to profit or loss	1,962	2,553	11,097	15,612
— impairment allowances released to profit or loss	—	(38)	(4,329)	(4,367)
Unwinding of discount	—	—	(271)	(271)
Transfer in/(out)	—	—	(30)	(30)
Write-offs	—	(882)	(4,287)	(5,169)
Recoveries of loans and advances previously written off	—	38	171	209
As at 31 December	29,373	2,653	8,835	40,861

	2012			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	18,266	752	3,800	22,818
Charge for the year				
— new impairment allowances charged to profit or loss	9,145	407	4,091	13,643
— impairment allowances released to profit or loss	—	(51)	(859)	(910)
Unwinding of discount	—	—	(202)	(202)
Transfer in/(out)	—	—	(54)	(54)
Write-offs	—	(177)	(482)	(659)
Recoveries of loans and advances previously written off	—	51	190	241
As at 31 December	27,411	982	6,484	34,877

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period

The Group

	2013				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**2,492**	**1,739**	**1,169**	**674**	**6,074**
Guaranteed loans	**3,774**	**4,572**	**1,978**	**499**	**10,823**
Loans with pledged assets					
— Loans secured by tangible assets	**7,803**	**4,873**	**2,506**	**587**	**15,769**
— Loans secured by monetary assets	**1,355**	**975**	**508**	**85**	**2,923**
Total	**15,424**	**12,159**	**6,161**	**1,845**	**35,589**

	2012				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	2,210	1,083	483	668	4,444
Guaranteed loans	2,525	1,103	341	1,070	5,039
Loans with pledged assets					
— Loans secured by tangible assets	5,467	2,774	693	862	9,796
— Loans secured by monetary assets	1,501	432	253	20	2,206
Total	11,703	5,392	1,770	2,620	21,485

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

The Bank

	2013 Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	**2,303**	**1,736**	**1,169**	**674**	**5,882**
Guaranteed loans	**3,698**	**4,480**	**1,973**	**486**	**10,637**
Loans with pledged assets					
— Loans secured by tangible assets	**7,182**	**4,831**	**2,454**	**507**	**14,974**
— Loans secured by monetary assets	**1,341**	**970**	**508**	**85**	**2,904**
Total	**14,524**	**12,017**	**6,104**	**1,752**	**34,397**

	2012 Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	2,151	1,082	483	650	4,366
Guaranteed loans	2,514	1,097	327	1,060	4,998
Loans with pledged assets					
— Loans secured by tangible assets	5,135	2,716	602	861	9,314
— Loans secured by monetary assets	1,497	432	109	20	2,058
Total	11,297	5,327	1,521	2,591	20,736

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

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(e) Lease payments receivables

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

	The Group			
	2013		2012	
	Present value of minimum leases receivables	**Minimum leases receivables**	Present value of minimum leases receivables	Minimum leases receivables
Within 1 year (including 1 year)	**138**	**158**	187	216
1 year to 2 years (including 2 years)	**90**	**102**	119	137
2 years to 3 years (including 3 years)	**47**	**55**	67	81
Over 3 years	**421**	**484**	670	782
Total	**696**	**799**	1,043	1,216
Less:				
— Individual impairment allowances	**(3)**		—	
— Collective impairment allowances	**—**		—	
Net balance	**693**		1,043	

27 Available-for-sale financial assets

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
Debt securities	(i)	**172,320**	192,196	**160,176**	181,411
Investment funds	(ii)	**605**	679	**315**	314
Certificates of deposit	(iii)	**4,828**	3,787	**—**	—
Equity investments	(iv)	**207**	187	**145**	137
Total		**177,960**	196,849	**160,636**	181,862

(Expressed in millions of Renminbi unless otherwise stated)

27 Available-for-sale financial assets (Continued)

(i) Debt securities issued by:

	Note	The Group 2013	The Group 2012	The Bank 2013	The Bank 2012
In Mainland China					
— Government		**35,021**	30,114	**35,021**	29,606
— PBOC		**—**	6,325	**—**	6,325
— Policy banks		**26,714**	19,252	**26,714**	19,252
— Banks and non-bank financial institutions		**48,529**	49,510	**47,456**	48,884
— Corporate entities		**52,696**	76,387	**50,353**	76,355
Subtotal		**162,960**	181,588	**159,544**	180,422
Outside Mainland China					
— Government		**3,556**	4,982	**62**	193
— Banks and non-bank financial institutions		**3,721**	4,604	**599**	908
— Corporate entities		**2,235**	1,166	**95**	32
Subtotal		**9,512**	10,752	**756**	1,133
Gross balance		**172,472**	192,340	**160,300**	181,555
Less: Allowance for impairment losses	38	**(152)**	(144)	**(124)**	(144)
Net balance		**172,320**	192,196	**160,176**	181,411
Listed in Hong Kong		**4,199**	3,546	**4,138**	3,546
Listed outside Hong Kong		**1,615**	1,550	**1,550**	1,418
Unlisted		**166,506**	187,100	**154,488**	176,447
Total		**172,320**	192,196	**160,176**	181,411

(ii) Investment funds issued by:

	Note	The Group 2013	The Group 2012	The Bank 2013	The Bank 2012
Outside Mainland China					
— Banks and non-bank financial institutions		**610**	684	**315**	314
Gross balance		**610**	684	**315**	314
Less: Allowance for impairment losses	38	**(5)**	(5)	**—**	—
Net balance		**605**	679	**315**	314
Listed in Hong Kong		**—**	—	**—**	—
Listed outside Hong Kong		**—**	—	**—**	—
Unlisted		**605**	679	**315**	314
Total		**605**	679	**315**	314

(Expressed in millions of Renminbi unless otherwise stated)

27 Available-for-sale financial assets (Continued)

(iii) Certificates of deposit issued by:

	The Group		The Bank	
	2013	2012	**2013**	2012
In Mainland China				
— Banks and non-bank financial institutions	**2,589**	1,777	**—**	—
Outside Mainland China				
— Banks and non-bank financial institutions	**2,239**	2,010	**—**	—
Total	**4,828**	3,787	**—**	—
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**4,828**	3,787	**—**	—
Total	**4,828**	3,787	**—**	—

(iv) Equity investments issued by:

	The Group		The Bank	
	2013	2012	**2013**	2012
In Mainland China				
— Corporate entities	**118**	118	**114**	114
Outside Mainland China				
— Banks and non-bank financial institutions	**31**	23	**31**	23
— Corporate entities	**58**	46	**—**	—
Total	**207**	187	**145**	137
Listed in Hong Kong	**4**	4	**—**	—
Listed outside Hong Kong	**72**	51	**31**	23
Unlisted	**131**	132	**114**	114
Total	**207**	187	**145**	137

(Expressed in millions of Renminbi unless otherwise stated)

27 Available-for-sale financial assets (Continued)

(v) Allowance for impairment losses

The Group

Classification	2013 Available-for-sale equity instruments and investment funds	Available-for-sale debt instruments	Total
Cost/Amortised cost	525	183,864	184,389
Fair value	812	177,148	177,960
Accumulated fair value changes charged in other comprehensive income	292	(6,564)	(6,272)
Allowance for impairment amounts	(5)	(152)	(157)

The Bank

Classification	2013 Available-for-sale equity instruments and investment funds	Available-for-sale debt instruments	Total
Cost/Amortised cost	251	166,824	167,075
Fair value	460	160,176	160,636
Accumulated fair value changes charged in other comprehensive income	209	(6,524)	(6,315)
Allowance for impairment amounts	—	(124)	(124)

(vi) Movement of allowance for impairment losses

The Group

Classification	2013 Available-for-sale investment funds	Available-for-sale debt instruments	Total
As at 1 January	(5)	(144)	(149)
Charge for the year			
— transfer from other comprehensive income	—	(29)	(29)
Reversal for the year			
— reversal from fair value recovery	—	18	18
Exchange difference	—	3	3
As at 31 December	(5)	(152)	(157)

The Bank

Classification	2013 Available-for-sale investment funds	Available-for-sale debt instruments	Total
As at 1 January	—	(144)	(144)
Reversal for the year			
— reversal from fair value recovery	—	18	18
Exchange difference	—	2	2
As at 31 December	—	(124)	(124)

(Expressed in millions of Renminbi unless otherwise stated)

28 Held-to-maturity investments

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

	Note	The Group		The Bank	
		2013	2012	**2013**	2012
In Mainland China					
— Government		**40,092**	35,251	**40,092**	35,251
— PBOC		**—**	4,728	**—**	4,728
— Policy banks		**20,296**	24,733	**20,296**	24,733
— Banks and non-bank financial institutions		**61,390**	48,683	**61,390**	48,683
— Corporate entities		**32,775**	20,793	**32,775**	20,793
Subtotal		**154,553**	134,188	**154,553**	134,188
Outside Mainland China					
— Government		**27**	28	**27**	28
— Banks and non-bank financial institutions		**109**	471	**109**	471
— Public sector entities		**25**	39	**25**	39
— Corporate entities		**183**	418	**122**	356
Subtotal		**344**	956	**283**	894
Gross balance		**154,897**	135,144	**154,836**	135,082
Less: Allowance for impairment losses	38	**(48)**	(130)	**(48)**	(130)
Net balance		**154,849**	135,014	**154,788**	134,952
Listed in Hong Kong		**115**	119	**115**	119
Listed outside Hong Kong		**606**	695	**545**	633
Unlisted		**154,128**	134,200	**154,128**	134,200
Net balance		**154,849**	135,014	**154,788**	134,952
Fair value of held-to-maturity investments		**147,052**	133,390	**146,990**	133,324
In which: Market value of listed securities		**741**	848	**679**	782

29 Investment classified as receivables

Investment classified as receivables are analysed by type of collaterals:

	Note	The Group		The Bank	
		2013	2012	**2013**	2012
Trust investment plans		**96,999**	26,880	**96,999**	26,880
Investment management products managed by securities companies		**114,987**	3,269	**114,987**	3,269
Wealth Management Products issued by financial institutions		**65,558**	4,030	**65,558**	4,030
Corporate bonds		**20,814**	15,370	**20,814**	15,370
Others		**1,800**	6,886	**1,800**	6,886
Total		**300,158**	56,435	**300,158**	56,435
Less: Allowance for impairment losses	38	**—**	—	**—**	—
Net balance		**300,158**	56,435	**300,158**	56,435

Among the above funds from investment classified as receivables, RMB27,983 million (as at 31 December 2012: RMB31,380 million) was managed by CITIC Securities Co., Ltd and CITIC Trust Co., Ltd. ("CITIC Trust"), the fellow entities of CITIC Group.

(Expressed in millions of Renminbi unless otherwise stated)

30 Investment in associates

(a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 31 December 2013 are as follows:

Name of company	Forms of business structure	Place of incorporation	Percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC Capital Holding Limited ("CCHL")	Incorporated	Hong Kong	21.39%	Investment holding	HKD65 million
CITIC International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	Investment holding and assets management	HKD2,218 million

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

	2013				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net profit
CCHL	9,572	3,618	5,954	502	436
CIAM	2,207	182	2,025	93	64

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

	CCHL	CIAM	Total
Initial investment cost	1,038	893	1,931
As at 1 January 2013	1,281	853	2,134
Investment profit or loss and other comprehensive income recognised under equity method	91	28	119
Dividend received	—	(16)	(16)
Exchange difference	(34)	(27)	(61)
As at 31 December 2013	1,338	838	2,176

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

(Expressed in millions of Renminbi unless otherwise stated)

31 Investment in subsidiaries

	Note	The Bank 31 December 2013	31 December 2012
Investment in subsidiaries			
— CIFH	(i)	**9,797**	9,797
— China Investment and Finance Limited ("CIFL")	(ii)	**87**	87
— Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank")	(iii)	**102**	102
Total		**9,986**	9,986

Major subsidiaries of the Group as at 31 December 2013 are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH (note (i))	Hong Kong	HKD 7,459 million	Commercial banking and other financial services	70.32%	—	70.32%
CIFL (note (ii))	Hong Kong	HKD 25 million	Lending services	95%	5%	98.5%
Lin'an Rural Bank (note(iii))	Mainland China	RMB200 million	Commercial banking	51%	—	51%

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

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

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China, in 2011 with a registered capital of RMB200 million. Its principal activities are commercial banking. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

(Expressed in millions of Renminbi unless otherwise stated)

32 Fixed assets

The Group

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2013	**9,932**	**1,338**	**5,729**	**16,999**
Additions	**1,519**	**210**	**1,714**	**3,443**
Disposals	**(28)**	**—**	**(271)**	**(299)**
Exchange difference	**(14)**	**—**	**(27)**	**(41)**
As at 31 December 2013	**11,409**	**1,548**	**7,145**	**20,102**
Accumulated depreciation:				
As at 1 January 2013	**(2,164)**	**—**	**(3,315)**	**(5,479)**
Depreciation charges	**(410)**	**—**	**(741)**	**(1,151)**
Disposals	**11**	**—**	**227**	**238**
Exchange difference	**6**	**—**	**18**	**24**
As at 31 December 2013	**(2,557)**	**—**	**(3,811)**	**(6,368)**
Net carrying value:				
As at 1 January 2013 (Note (i))	**7,768**	**1,338**	**2,414**	**11,520**
As at 31 December 2013 (Note (i))	**8,852**	**1,548**	**3,334**	**13,734**

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

(Expressed in millions of Renminbi unless otherwise stated)

32 Fixed assets (Continued)

The Bank

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2013	9,452	1,337	4,879	15,668
Additions	1,519	210	1,573	3,302
Disposals	(21)	—	(236)	(257)
As at 31 December 2013	10,950	1,547	6,216	18,713
Accumulated depreciation:				
As at 1 January 2013	(1,955)	—	(2,716)	(4,671)
Depreciation charges	(401)	—	(657)	(1,058)
Disposals	5	—	199	204
As at 31 December 2013	(2,351)	—	(3,174)	(5,525)
Net carrying value:				
As at 1 January 2013 (note (i))	7,497	1,337	2,163	10,997
As at 31 December 2013 (note (i))	8,599	1,547	3,042	13,188

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

Note: (i) As at 31 December 2013, the net book value of the Group's premises for which the ownership registration procedures had not been completed was approximately RMB1,754 million (2012: RMB1,045 million). The Group anticipated that there would be no significant difficulties or costs in completing such procedures.

(ii) Analysed by remaining term of leases

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Long term leases (over 50 years), held in Hong Kong	66	68	—	—
Medium term leases (10-50 years), held in Hong Kong	164	179	—	—
Medium term leases (10-50 years), held in Mainland China	8,599	7,497	8,599	7,497
Permanent term lease, held in overseas	23	24	—	—
Total	8,852	7,768	8,599	7,497

(Expressed in millions of Renminbi unless otherwise stated)

33 Intangible assets

The Group and the Bank

	Software	Others	Total
Cost			
As at 1 January 2013	**644**	**41**	**685**
Additions	**128**	**1**	**129**
Disposals	**(1)**	**—**	**(1)**
As at 31 December 2013	**771**	**42**	**813**
Amortization			
As at 1 January 2013	**(336)**	**(10)**	**(346)**
Charge for the year	**(104)**	**(1)**	**(105)**
Disposals	**1**	**—**	**1**
As at 31 December 2013	**(439)**	**(11)**	**(450)**
Net carrying value			
As at 1 January 2013	**308**	**31**	**339**
As at 31 December 2013	**332**	**31**	**363**
Cost			
As at 1 January 2012	486	28	514
Additions	158	13	171
As at 31 December 2012	644	41	685
Amortization			
As at 1 January 2012	(251)	(9)	(260)
Charge for the year	(85)	(1)	(86)
As at 31 December 2012	(336)	(10)	(346)
Net carrying value			
As at 1 January 2012	235	19	254
As at 31 December 2012	308	31	339

(Expressed in millions of Renminbi unless otherwise stated)

34 Investment properties

	The Group		The Bank	
	2013	2012	**2013**	2012
Fair value as at 1 January	**333**	272	**—**	—
Addition:				
— Change in fair value	**2**	62	**—**	—
Disposal	**(48)**	—	**—**	—
Exchange difference	**(10)**	(1)	**—**	—
Fair value as at 31 December	**277**	333	**—**	—

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties locate and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 31 December 2013.

All investment properties of the Group were revalued at 31 December 2013 by an independent firm of surveyors, Prudential Surveyors (Hong Kong) Limited, on an open market value basis. The fair value is in line with the definition of "IFRS13 — Fair value measurement". The revaluation surplus or deficit has been credited to the profit or charged to the loss respectively. Prudential Surveyors (Hong Kong) Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

(a) Analysed by remaining term of leases

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Long term leases (over 50 years), held in Hong Kong	**12**	12	**—**	—
Medium term leases (10-50 years), held in Hong Kong	**235**	292	**—**	—
Medium term leases (10-50 years), held in Mainland China	**30**	29	**—**	—
Total	**277**	333	**—**	—

(Expressed in millions of Renminbi unless otherwise stated)

35 Goodwill

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

	The Group		The Bank	
	2013	2012	**2013**	2012
As at 1 January	**817**	818	**—**	—
Exchange difference	**(25)**	(1)	**—**	—
As at 31 December	**792**	817	**—**	—

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Corporate Banking	**792**	817	**—**	—

The recoverable amount of the CGU was determined based on value-in-use calculations for purpose of impairment test. These calculations used cash flow projections based on financial budgets approved by management covering a maximum of five-year period. Subsequent to the cash flow projection period, cash flow for the first five years, the next five years and subsequent years is estimated at 9.8%, 3.6% and 3.0% (2012: at 8.5%, 3.5% and 3%) growth rate respectively, which does not exceed the long-term average growth rate for the business in which the CGU operates. Management determined the budgeted gross margin based on past performance and its expectation on market development. The pre-tax discount rate used was 10.0% (2012: 11.7%) which reflects specific risks relating to the relevant segment.

Based on the result of impairment test, no impairment losses on goodwill were recognized as at 31 December 2013 (2012: nil).

(Expressed in millions of Renminbi unless otherwise stated)

36 Deferred tax assets

(a) Analysed by nature

The Group

	2013 Deductible/ (taxable) temporary differences	2013 Deferred tax assets/ (liabilities)	2012 Deductible/ (taxable) temporary differences	2012 Deferred tax assets/ (liabilities)
Deferred tax assets				
— Impairment allowances	21,910	5,459	17,893	4,454
— Fair value adjustments	6,076	1,518	222	60
— Employee retirement benefits and salary payable	6,547	1,637	6,833	1,709
— Others	(758)	(180)	(548)	(132)
Total	33,775	8,434	24,400	6,091

The Bank

	2013 Deductible/ (taxable) temporary differences	2013 Deferred tax assets/ (liabilities)	2012 Deductible/ (taxable) temporary differences	2012 Deferred tax assets/ (liabilities)
Deferred tax assets				
— Impairment allowances	21,682	5,420	17,686	4,421
— Fair value adjustments	6,068	1,517	275	69
— Employee retirement benefits and salary payable	6,542	1,636	6,830	1,708
— Others	(651)	(163)	(497)	(125)
Total	33,641	8,410	24,294	6,073

(Expressed in millions of Renminbi unless otherwise stated)

36 Deferred tax assets (Continued)

(b) Movement of deferred tax assets

The Group

	Impairment allowances	Fair value adjustment	Employee retirement benefits and salary payable	Others	Total deferred tax assets
As at 1 January 2013	**4,454**	**60**	**1,709**	**(132)**	**6,091**
Recognized in profit or loss	**1,005**	**(71)**	**(72)**	**(48)**	**814**
Recognized in other comprehensive income	**—**	**1,529**	**—**	**—**	**1,529**
As at 31 December 2013	**5,459**	**1,518**	**1,637**	**(180)**	**8,434**
As at 1 January 2012	1,999	(182)	1,325	(171)	2,971
Recognized in profit or loss	2,451	93	384	39	2,967
Recognized in other comprehensive income	—	149	—	—	149
Exchange difference	4	—	—	—	4
As at 31 December 2012	4,454	60	1,709	(132)	6,091

The Bank

	Impairment allowances	Fair value adjustment	Employee retirement benefits and salary payable	Others	Total deferred tax assets
As at 1 January 2013	**4,421**	**69**	**1,708**	**(125)**	**6,073**
Recognized in profit or loss	**999**	**(71)**	**(72)**	**(38)**	**818**
Recognized in other comprehensive income	**—**	**1,519**	**—**	**—**	**1,519**
As at 31 December 2013	**5,420**	**1,517**	**1,636**	**(163)**	**8,410**
As at 1 January 2012	1,954	(226)	1,325	(163)	2,890
Recognized in profit or loss	2,467	87	383	38	2,975
Recognized in other comprehensive income	—	208	—	—	208
As at 31 December 2012	4,421	69	1,708	(125)	6,073

Note: (i) The Bank has no material unrecognised deferred tax assets or liabilities as at 31 December 2013 (31 December 2012: nil).

(Expressed in millions of Renminbi unless otherwise stated)

37 Other assets

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
Leasehold improvements		**1,318**	1,021	**1,314**	1,021
Repossessed assets	(i)	**268**	277	**268**	277
Land use rights		**900**	627	**900**	627
Prepaid rent		**754**	512	**747**	508
Others	(ii)	**7,709**	5,266	**7,022**	4,905
Total		**10,949**	7,703	**10,251**	7,338

(i) Repossessed assets

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
Premises		**350**	421	**350**	421
Others		**23**	23	**23**	23
Gross balance		**373**	444	**373**	444
Less: Allowance for impairment losses	38	**(105)**	(167)	**(105)**	(167)
Net balance		**268**	277	**268**	277

(ii) Others

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
Gross balance		**8,354**	5,913	**7,666**	5,551
Less: Allowance for impairment losses	38	**(645)**	(647)	**(644)**	(646)
Net balance		**7,709**	5,266	**7,022**	4,905

(Expressed in millions of Renminbi unless otherwise stated)

38 Movements of allowances for impairment losses

The Group

	Note	2013 As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	8	7	—	—	—	15
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	242	702	(83)	(59)	(114)	688
Loans and advances to customers	26	35,325	15,734	(4,407)	(93)	(5,305)	41,254
Available-for-sale financial assets	27	149	29	(18)	(3)	—	157
Held-to-maturity investments	28	130	—	(85)	3	—	48
Investment classified as receivables	29	—	—	—	—	—	—
Repossessed assets	37(i)	167	7	(23)	(7)	(39)	105
Other assets	37(ii)	647	68	(34)	(11)	(25)	645
Gross balance		36,668	16,547	(4,650)	(170)	(5,483)	42,912

	Note	2012 As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	8	—	(5)	5	—	8
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	56	231	(31)	—	(14)	242
Loans and advances to customers	26	23,258	13,755	(951)	5	(742)	35,325
Available-for-sale financial assets	27	303	6	(16)	(144)	—	149
Held-to-maturity investments	28	137	—	(6)	(1)	—	130
Investment classified as receivables	29	—	—	—	—	—	—
Repossessed assets	37(i)	161	39	(38)	14	(9)	167
Other assets	37(ii)	700	22	(33)	2	(44)	647
Gross balance		24,623	14,053	(1,080)	(119)	(809)	36,668

(Expressed in millions of Renminbi unless otherwise stated)

38 Movements of allowances for impairment losses (Continued)

The Bank

	Note	2013 As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	8	7	—	—	—	15
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	242	702	(83)	(59)	(114)	688
Loans and advances to customers	26	34,877	15,612	(4,367)	(92)	(5,169)	40,861
Available-for-sale financial assets	27	144	—	(18)	(2)	—	124
Held-to-maturity investments	28	130	—	(85)	3	—	48
Investment classified as receivables	29	—	—	—	—	—	—
Repossessed assets	37(i)	167	7	(23)	(7)	(39)	105
Other assets	37(ii)	646	68	(34)	(11)	(25)	644
Gross balance		36,214	16,396	(4,610)	(168)	(5,347)	42,485

	Note	2012 As at January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	8	—	(5)	5	—	8
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	56	231	(31)	—	(14)	242
Loans and advances to customers	26	22,818	13,643	(910)	(15)	(659)	34,877
Available-for-sale financial assets	27	159	—	(16)	1	—	144
Held-to-maturity investments	28	137	—	(6)	(1)	—	130
Investment classified as receivables	29	—	—	—	—	—	—
Repossessed assets	37(i)	161	39	(38)	14	(9)	167
Other assets	37(ii)	697	15	(33)	2	(35)	646
Gross balance		24,036	13,928	(1,039)	6	(717)	36,214

Note: Transfer in/(out) includes the effect of exchange rate and disposals during the year. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet assets. Details are disclosed in Notes 12.

(Expressed in millions of Renminbi unless otherwise stated)

39 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	2013	2012	**2013**	2012
In Mainland China				
— Banks	**312,846**	237,241	**313,411**	238,751
— Non-bank financial institutions	**231,521**	124,620	**231,515**	124,615
Subtotal	**544,367**	361,861	**544,926**	363,366
Outside Mainland China				
— Banks	**15,294**	8,247	**26,302**	20,127
— Non-bank financial institutions	**6**	—	**6**	—
Subtotal	**15,300**	8,247	**26,308**	20,127
Total	**559,667**	370,108	**571,234**	383,493

40 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	2013	2012	**2013**	2012
In Mainland China				
— Banks	**15,655**	14,460	**15,372**	13,915
— Non-bank financial institutions	**579**	730	**579**	730
Subtotal	**16,234**	15,190	**15,951**	14,645
Outside Mainland China				
— Banks	**25,718**	2,704	**22,561**	1,278
Subtotal	**25,718**	2,704	**22,561**	1,278
Total	**41,952**	17,894	**38,512**	15,923

41 Financial assets sold under repurchase agreements

(a) Analysed by types and locations of counterparties

	The Group		The Bank	
	2013	2012	**2013**	2012
In Mainland China				
— PBOC	**4,949**	6,491	**4,949**	6,491
— Banks	**1,470**	4,248	**1,470**	4,000
— Non-bank financial institutions	**—**	700	**—**	700
Subtotal	**6,419**	11,439	**6,419**	11,191
Outside Mainland China				
— Banks	**1,530**	293	**49**	50
— Non-bank financial institutions	**—**	—	**—**	—
Subtotal	**1,530**	293	**49**	50
Total	**7,949**	11,732	**6,468**	11,241

(Expressed in millions of Renminbi unless otherwise stated)

41 Financial assets sold under repurchase agreements (Continued)

(b) Analysed by types of collaterals

	The Group		The Bank	
	2013	2012	**2013**	2012
Discounted bills	**4,949**	731	**4,949**	731
Debt securities	**3,000**	11,001	**1,519**	10,510
Total	**7,949**	11,732	**6,468**	11,241

42 Deposits from customers

Analysed by natures of deposits

	The Group		The Bank	
	2013	2012	**2013**	2012
Demand deposits				
— Corporate customers	**932,551**	845,515	**913,320**	827,084
— Personal customers	**127,430**	102,120	**113,377**	86,953
Subtotal	**1,059,981**	947,635	**1,026,697**	914,037
Time and call deposits				
— Corporate customers	**1,198,043**	990,759	**1,143,519**	948,090
— Personal customers	**387,311**	310,311	**352,929**	280,019
Subtotal	**1,585,354**	1,301,070	**1,496,448**	1,228,109
Outward remittance and remittance payables	**6,343**	6,436	**6,343**	6,436
Total	**2,651,678**	2,255,141	**2,529,488**	2,148,582

Deposits from customers included pledged deposits for:

	The Group		The Bank	
	2013	2012	**2013**	2012
Bank acceptances	**302,969**	309,526	**302,951**	309,509
Letters of credit	**35,882**	32,012	**35,707**	31,897
Guarantees	**22,018**	14,516	**19,883**	14,179
Others	**85,265**	54,337	**79,938**	51,208
Total	**446,134**	410,391	**438,479**	406,793

(Expressed in millions of Renminbi unless otherwise stated)

43 Accrued staff costs

The Group

	Note	2013 As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		9,901	12,839	(12,998)	9,742
Social insurance	(i)	36	1,680	(1,680)	36
Welfare expenses		—	1,195	(1,195)	—
Housing fund		22	750	(756)	16
Labor union expenses and employee education expenses		446	534	(442)	538
Housing allowance		31	303	(298)	36
Defined contribution retirement schemes	(ii)	3	291	(290)	4
Supplementary retirement benefits	(iii)	35	6	(7)	34
Others		104	199	(209)	94
Total		10,578	17,797	(17,875)	10,500

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

(Expressed in millions of Renminbi unless otherwise stated)

43 Accrued staff costs (Continued)

The Bank

		2013			
	Note	As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		9,568	11,838	(12,116)	9,290
Social insurance	(i)	35	1,663	(1,663)	35
Welfare expenses		—	1,186	(1,186)	—
Housing fund		22	745	(751)	16
Labor union expenses and employee education expenses		444	533	(441)	536
Housing allowance		31	301	(296)	36
Defined contribution retirement schemes	(ii)	3	285	(284)	4
Supplementary retirement benefits	(iii)	35	6	(7)	34
Others		103	121	(132)	92
Total		10,241	16,678	(16,876)	10,043

		2012			
	Note	As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		8,020	10,594	(9,046)	9,568
Social insurance	(i)	21	1,277	(1,263)	35
Welfare expenses		—	935	(935)	—
Housing fund		20	570	(568)	22
Labor union expenses and employee education expenses		350	477	(383)	444
Housing allowance		28	256	(253)	31
Defined contribution retirement schemes	(ii)	3	232	(232)	3
Supplementary retirement benefits	(iii)	41	—	(6)	35
Others		112	110	(119)	103
Total		8,595	14,451	(12,805)	10,241

(i) ***Social insurance***

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

(ii) ***Defined contribution retirement schemes***

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group. The Scheme is managed by the CITIC Group. The Bank has made annuity contributions at 4% of its employee's gross wages. In 2013, the Bank made annuity contribution amounting to RMB285 million (2012: RMB232 million).

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

(Expressed in millions of Renminbi unless otherwise stated)

43 Accrued staff costs (Continued)

(iii) Supplementary retirement benefits

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

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

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

44 Taxes payable

	The Group		The Bank	
	2013	2012	**2013**	2012
Income tax	**2,226**	2,542	**2,087**	2,492
Business tax and surcharges	**2,110**	2,002	**2,104**	1,997
Others	**19**	14	**8**	6
Total	**4,355**	4,558	**4,199**	4,495

45 Interest payable

	The Group		The Bank	
	2013	2012	**2013**	2012
Deposits from customers	**21,696**	17,458	**21,325**	17,193
Debt certificates issued	**1,246**	1,036	**1,108**	1,006
Others	**5,201**	3,005	**5,119**	2,789
Total	**28,143**	21,499	**27,552**	20,988

46 Provisions

The Group and the Bank

	2013	2012
Litigation provisions	**71**	93

Movement of provisions:

	2013	2012
As at 1 January	**93**	36
Charge for the year	**3**	57
Transfer out	**(25)**	—
As at 31 December	**71**	93

(Expressed in millions of Renminbi unless otherwise stated)

47 Debt certificates issued

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
Notes issued	(i)	**15,904**	908	**14,999**	—
Subordinated bonds issued:		**45,279**	43,901	**38,472**	38,470
— by the Bank	(ii)	**38,472**	38,470	**38,472**	38,470
— by CIFH	(iii)	**6,807**	5,431	**—**	—
Certificates of deposit issued	(iv)	**12,718**	11,593	**—**	—
Certificates of interbank deposit issued	(v)	**2,968**	—	**2,968**	—
Total		**76,869**	56,402	**56,439**	38,470

(i) Financial notes with an interest rate of 5.2% per annum and with face value of RMB15,000 million were issued on 8 November 2013. The notes will be mature on 12 November 2018. Other notes were issued by CBI.

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

	Note	**2013**	2012
Subordinated fixed rate bonds maturing:			
— in May 2020	(a)	**5,000**	5,000
— in June 2021	(b)	**2,000**	2,000
— in May 2025	(c)	**11,500**	11,500
— in June 2027	(d)	**19,972**	19,970
Total		**38,472**	38,470

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

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

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

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

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

	Note	**2013**	2012
Subordinated fixed rate notes maturing in June 2020	(a)	**3,222**	3,560
Subordinated fixed rate notes maturing in September 2017	(b)	**1,791**	1,871
Subordinated fixed rate notes maturing in May 2019	(c)	**1,794**	—
Total		**6,807**	5,431

(Expressed in millions of Renminbi unless otherwise stated)

47 Debt certificates issued (Continued)

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

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

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

(c) Subordinated notes with an interest rate of 6.00% per annum and with face value of USD 300 million were issued on 7 November 2013 by CBI. The notes will be mature on 07 May 2019.

(iv) The certificates of deposit were issued by CBI.

(v) The Bank issued certificates of interbank deposit with face value of RMB3,000 million on 13 December 2013 in a discount way, which will be mature on 16 March 2014.

48 Other liabilities

	The Group		The Bank	
	2013	2012	**2013**	2012
Settlement accounts	**11,897**	808	**10,303**	705
Dormant accounts	**222**	207	**222**	207
Payment and collection clearance accounts	**319**	502	**319**	502
Others	**9,993**	3,919	**9,151**	2,949
Total	**22,431**	5,436	**19,995**	4,363

49 Share capital

Structure of share capital

	The Group and the Bank	
	2013	2012
A-Share	**31,905**	31,905
H-Share	**14,882**	14,882
Total	**46,787**	46,787

50 Share premium and other reserve

Structure of Reserve

		The Group		The Bank	
	Note	**2013**	2012	**2013**	2012
Share premium	(i)	**49,214**	49,214	**51,619**	51,619
Other reserve		**289**	292	**18**	18
Total		**49,503**	49,506	**51,637**	51,637

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

(Expressed in millions of Renminbi unless otherwise stated)

51 Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, net of tax effect. The movement of investment revaluation reserve is disclosed as below.

	The Group		The Bank	
	2013	2012	**2013**	2012
As at 1 January	**(185)**	214	**(195)**	428
Changes in fair value of available-for-sale financial assets during the year	**(6,893)**	(492)	**(6,845)**	(816)
Net amount transferred to profit or loss	**784**	(75)	**771**	(15)
Tax effect	**1,525**	168	**1,519**	208
As at 31 December	**(4,769)**	(185)	**(4,750)**	(195)

52 Surplus reserve

Movement of Surplus reserve

	The Group and the Bank	
	2013	2012
As at 1 January	**11,709**	8,691
Appropriations	**3,786**	3,018
As at 31 December	**15,495**	11,709

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

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

53 General reserve

	The Group		The Bank	
	2013	2012	**2013**	2012
As at 1 January	**35,326**	20,825	**35,250**	20,750
Appropriations	**9,014**	14,501	**9,000**	14,500
As at 31 December	**44,340**	35,326	**44,250**	35,250

Pursuant to relevant MOF notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. Effective from 1 July 2012, the minimum general reserve balance should increase to 1.5% of the ending balance of gross risk-bearing assets with a transition period of five years. The Bank has complied with the above requirements as of 31 December 2013 while the Group's banking subsidiaries in Mainland China plan to comply with the above requirements during the transition period.

(Expressed in millions of Renminbi unless otherwise stated)

54 Profit appropriations and retained earnings

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Appropriations to				
— Statutory surplus reserve fund	**3,786**	3,018	**3,786**	3,018
— General reserve	**9,014**	14,501	**9,000**	14,500
As at 31 December	**12,800**	17,519	**12,786**	17,518

In accordance with the approval from the Board of Directors dated 27 March 2014, the Bank appropriated RMB3,786 million to statutory surplus reserve fund and RMB9,000 million to general reserve for the year of 2013. The Group's subsidiary CBI (China) and Lin'an rural bank made an appropriation to general reserve in accordance with relevant regulatory requirements.

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 28 May 2013, a total amount of approximately RMB7,018 million (RMB150 cents per 10 shares) were distributed in the form of cash dividend to the Bank's shareholders on 24 July 2013.

(c) On 27 March 2014, the Board of Directors proposed a cash dividend of RMB252 cents per 10 shares in respect of the year ended 31 December 2013. Subject to the approval of the shareholders at the Annual General Meeting, the total amount of approximately RMB11,790 million is payable to those on the register of shareholders as at the relevant record date. This proposal was deemed as a non-adjusting event after the reporting period and has not been recognised as liability at the reporting date.

(d) As at 31 December 2013, the retained earnings included the statutory surplus reserve of RMB34 million contributed by the subsidiaries and attributable to the Bank (31 December 2012: RMB28 million), of which RMB6 million (2012: RMB10 million) was the appropriation made by the subsidiaries for the year ended 31 December 2013. The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.

55 Notes to consolidated cash flow statement

Cash and cash equivalents

	The Group	
	2013	2012
Cash	**6,848**	6,667
Cash equivalents		
Surplus deposit reserve funds	**66,056**	62,223
Deposits with banks and non-bank financial institutions due within three months when acquired	**88,471**	210,481
Placements with banks and non-bank financial institutions due within three months when acquired	**26,226**	48,078
Investment securities due within three months when acquired	**12,042**	9,379
Total of cash equivalents	**192,795**	330,161
Total	**199,643**	336,828

(Expressed in millions of Renminbi unless otherwise stated)

56 Commitments and contingent liabilities

(a) Credit commitments

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

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

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Contractual amount				
Loan commitments				
— with an original maturity of within one year	**86,470**	100,858	**37,076**	67,499
— with an original maturity of one year or beyond	**50,861**	14,388	**50,063**	12,679
Subtotal	**137,331**	115,246	**87,139**	80,178
Guarantees	**114,950**	89,554	**109,999**	86,140
Letters of credit	**199,762**	166,268	**191,454**	162,004
Acceptances	**695,944**	666,007	**692,522**	664,502
Credit card commitments	**95,217**	80,452	**89,589**	74,906
Total	**1,243,204**	1,117,527	**1,170,703**	1,067,730

(b) Credit commitments analysed by credit risk weighted amount

	The Group	The Bank
	2013	**2013**
Credit risk weighted amount of contingent liabilities and commitments	**428,172**	**423,022**

(i) The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

(ii) The Group and Bank's credit risk weighted amount as at 31 December 2012 which was calculated based on the rules of "Regulations Governing Capital Adequacy of Commercial Banks" was RMB414,221 million and 410,520 million respectively. This rule has been superceded since 1 January 2013.

(Expressed in millions of Renminbi unless otherwise stated)

56 Commitments and contingent liabilities (Continued)

(c) Capital commitments

The Group had the following authorised capital commitments at 31 December:

	The Group		The Bank	
	2013	2012	**2013**	2012
Contracted for	**2,715**	612	**2,695**	582
Authorized but not contracted for	**12**	69	**12**	69

(d) Operating lease commitments

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Within one year	**2,733**	1,935	**2,536**	1,760
After one year but within two years	**2,534**	1,786	**2,353**	1,625
After two years but within three years	**2,235**	1,656	**2,086**	1,509
After three years but within five years	**3,682**	2,236	**3,447**	2,002
After five years	**3,591**	2,384	**3,328**	2,051
Total	**14,775**	9,997	**13,750**	8,947

(e) Outstanding litigations and disputes

As at 31 December 2013, the Group was the defendant in certain pending litigations with gross claims of RMB358 million (2012: RMB227 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB71 million (2013: RMB93 million). The Group believes that these accruals are reasonable and adequate.

(f) Bonds redemption obligations

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

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	The Group and the Bank	
	2013	2012
Bonds redemption obligations	**3,792**	4,525

The Group estimates that the possibility of redemption before maturity is remote.

(Expressed in millions of Renminbi unless otherwise stated)

56 Commitments and contingent liabilities (Continued)

(g) Provision against commitments and contingent liabilities

The Group has assessed and has made provision for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the reporting date in accordance with its accounting policies.

57 Pledged assets

(a) Financial assets pledged as collaterals

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Discounted bills	**4,618**	734	**4,618**	734
Debt securities	**3,134**	10,992	**1,498**	10,471
Others	**67**	69	**—**	—
Total	**7,819**	11,795	**6,116**	11,205

(b) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2013 and 31 December 2012, the Group did not hold any collateral under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions.

58 Transactions on behalf of customers

(a) Entrusted lending business

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

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

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

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

	The Group and the Bank	
	2013	2012
Entrusted loans	**358,561**	179,072
Entrusted funds	**358,561**	179,072

(Expressed in millions of Renminbi unless otherwise stated)

58 Transactions on behalf of customers (Continued)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including debt securities and money market instruments, credit loan and other debt instruments, equity instruments etc. The credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers who invest in these products. The Group only earns commission which represents the charges on customers in relation to the provision of custody, sales and management services. The income is recognised in the statement of comprehensive income as commission income.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised on the statement of financial position.

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Investments under wealth management services	**246,356**	181,004	**246,356**	181,004
Funds from wealth management services	**246,356**	181,004	**246,356**	181,004

Amongst the above funds from wealth management service, RMB60,171 million was entrusted to CITIC Trust, a wholly owned subsidiary of CITIC Group, as at 31 December 2013 (2012: RMB54,908 million).

59 Segment reporting

The segment reporting is disclosed in accordance with the accounting policy set out in note 4 (24). Measurement of segment assets and liabilities, and segment income and expense is based on the Group's accounting policies.

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

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

59 Segment reporting (Continued)

(a) Business segments

The Group comprises the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise personal loans, deposit services and securities agency services, as well as loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services provided to small enterprises.

Treasury business

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

Others and unallocated

These represent the non-banking business provided by the Group's subsidiaries, CIFH and CIFL, head office assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

Changes in disclosure of segment results and assets and liabilities in 2013

The Group has further optimized the resource allocation at Group level during the reporting period, reclassifying the Group's small enterprises business as part of "Personal banking", rather than "Corporate banking"; the disclosure of business segment has been changed accordingly. The 2012 comparative figures have not been restated as it is impractical.

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(a) Business segments (Continued)

The segment information as at 31 December 2013 has been presented using the new method as below:

	2013				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	48,860	16,544	20,516	(232)	85,688
Internal net interest income/(expense)	8,899	(2,930)	(9,150)	3,181	—
Net interest income	57,759	13,614	11,366	2,949	85,688
Net fee and commission income/(expense)	9,242	6,758	912	(101)	16,811
Other net income (note 1)	1,115	98	906	195	2,314
Operating income	68,116	20,470	13,184	3,043	104,813
Operating expenses					
— depreciation and amortization	(563)	(840)	(81)	(306)	(1,790)
— others	(22,418)	(14,988)	(826)	(413)	(38,645)
Impairment (losses)/reversal	(8,461)	(2,910)	48	(617)	(11,940)
Revaluation gain on investment properties	—	—	—	2	2
Share of gains of associates	—	—	—	109	109
Profit before tax	36,674	1,732	12,325	1,818	52,549
Capital expenditure	1,214	1,817	112	734	3,877

	31 December 2013				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	1,807,500	595,217	1,205,461	22,405	3,630,583
Investment in associates	—	—	—	2,176	2,176
Deferred tax assets					8,434
Total asset					3,641,193
Segment liabilities	2,166,599	537,464	632,934	73,471	3,410,468
Deferred tax liabilities					—
Total liabilities					3,410,468
Off-balance sheet credit commitments	1,147,987	95,217	—	—	1,243,204

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(a) Business segments (Continued)

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 30 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are registered and operating in Hong Kong. Another subsidiary, Lin'an Rural Bank is registered in Mainland China.

In presenting information by geographical segment, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

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

— "Yangtze River Delta" refers to the following areas where tier-1 branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo, Wuxi and Wenzhou, as well as Lin'an Rural Bank;

— "Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, Haikou, Quanzhou and Foshan;

— "Bohai Rim" refers to the following areas where tier-1 branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan;

— "Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining and Yinchuan;

— "Northeastern" region refers to the following areas where tier-1 branch of the Group is located: Shenyang, Changchun and Harbin;

— "Head Office" refers to the headquarter of the Bank and the Credit Card Center; and

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

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(b) Geographical segments (Continued)

	2013									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	14,062	10,401	11,592	9,089	10,841	2,310	25,297	2,096	—	85,688
Internal net interest income/(expense)	3,947	1,132	5,662	2,879	28	160	(14,399)	591	—	—
Net interest income	18,009	11,533	17,254	11,968	10,869	2,470	10,898	2,687	—	85,688
Net fee and commission income	2,918	1,490	2,852	1,793	1,665	435	5,093	565	—	16,811
Other net income/(losses) (note 1)	553	273	585	182	113	34	(128)	702	—	2,314
Operating income	21,480	13,296	20,691	13,943	12,647	2,939	15,863	3,954	—	104,813
Operating expense										
— depreciation and amortisation	(314)	(183)	(357)	(206)	(202)	(54)	(336)	(138)	—	(1,790)
— others	(8,400)	(5,128)	(7,420)	(5,131)	(4,601)	(1,151)	(5,084)	(1,730)	—	(38,645)
Impairment (losses)/reversal	(7,855)	(1,069)	(1,440)	(617)	(761)	(166)	64	(96)	—	(11,940)
Revaluation gain on investment properties	—	—	—	—	—	—	—	2	—	2
Share of profit of associates	—	—	—	—	—	—	—	109	—	109
Profit before tax	4,911	6,916	11,474	7,989	7,083	1,568	10,507	2,101	—	52,549
Capital expenditure	256	924	277	390	760	55	1,074	141	—	3,877

	31 December 2013									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	771,024	549,279	851,490	455,064	446,164	99,848	1,114,858	168,881	(826,025)	3,630,583
Interests in associates	—	—	—	—	—	—	—	2,176	—	2,176
Deferred tax assets										8,434
Total assets										3,641,193
Segment liabilities	767,235	542,146	839,582	447,303	438,613	97,957	949,745	153,933	(826,046)	3,410,468
Deferred tax liabilities										—
Total liabilities										3,410,468
Off-balance sheet credit commitment	296,680	162,977	280,094	184,939	131,909	24,515	89,589	72,501	—	1,243,204

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(b) Geographical segments (Continued)

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

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

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

60 Financial risk management

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

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

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

— **Liquidity risk:** Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

— **Operational risk:** Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategy risk and reputational risk.

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

(a) Credit risk

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

Credit business

In addition to underwriting standards, the principal means of managing credit risk are credit limit management, the credit approval process, post-disbursement monitoring procedures such as early warming and examination etc. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction.

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

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

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

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

Treasury business

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

(i) Maximum credit risk exposure

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Balances with central banks	**489,628**	421,500	**487,699**	420,400
Deposits with bank and non-bank financial institutions	**131,711**	236,591	**124,860**	235,424
Placements with banks and non-bank financial	**122,314**	151,803	**98,414**	129,052
Financial assets at fair value through the profit and loss	**11,016**	12,283	**10,966**	12,209
Positive fair value of derivatives	**7,749**	4,160	**5,866**	2,665
Financial assets held under resale agreements	**286,767**	69,082	**286,816**	69,132
Interest receivable	**15,545**	13,040	**14,976**	12,534
Loans and advances to customers	**1,899,921**	1,627,576	**1,798,983**	1,541,748
Available-for-sale financial assets	**177,148**	195,983	**160,176**	181,411
Held-to-maturity investments	**154,849**	135,014	**154,788**	134,952
Investment classified as receivables	**300,158**	56,435	**300,158**	56,435
Other financial assets	**6,707**	4,963	**6,140**	4,737
Subtotal	**3,603,513**	2,928,430	**3,449,842**	2,800,699
Credit commitments	**1,243,204**	1,117,527	**1,170,703**	1,067,730
Maximum credit risk exposure	**4,846,717**	4,045,957	**4,620,545**	3,868,429

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Group

	Note	2013 Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt Securities investments and certificates of deposit	Investments classified as receivable
Impaired						
— Individually assessed						
Gross balance		16,414	96	—	422	—
Allowance for impairment		(8,966)	(15)	—	(200)	—
Net balance		7,448	81	—	222	—
— Collectively assessed						
Gross balance		3,552	—	—	—	—
Allowance for impairment		(2,656)	—	—	—	—
Net balance		896	—	—	—	—
Overdue but not impaired	(1)					
Gross balance		15,946	30	—	—	—
Within which						
— Less than 3 months		14,845	30	—	—	—
— 3 months to 1 year		1,101	—	—	—	—
— Over 1 year		—	—	—	—	—
Allowance for impairment		(1,047)	—	—	—	—
Net balance		14,899	30	—	—	—
Neither overdue nor impaired						
Gross balance		1,905,263	253,914	286,767	342,791	300,158
Allowance for impairment	(2)	(28,585)	—	—	—	—
Net balance		1,876,678	253,914	286,767	342,791	300,158
Net balance of total assets		1,899,921	254,025	286,767	343,013	300,158

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Group (continued)

		2012				
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt Securities investments and certificates of deposit	Investments classified as receivable
Impaired						
— Individually assessed						
Gross balance		10,959	30	—	374	—
Allowance for impairment		(6,699)	(8)	—	(274)	—
Net balance		4,260	22	—	100	—
— Collectively assessed						
Gross balance		1,296	—	—	—	—
Allowance for impairment		(983)	—	—	—	—
Net balance		313	—	—	—	—
Overdue but not impaired	(1)					
Gross balance		10,012	15	—	—	—
Within which						
— Less than 3 months		9,334	15	—	—	—
— 3 months to 1 year		678	—	—	—	—
— Over 1 year		—	—	—	—	—
Allowance for impairment		(623)	—	—	—	—
Net balance		9,389	15	—	—	—
Neither overdue nor impaired						
Gross balance		1,640,634	388,357	69,082	343,180	56,435
Allowance for impairment	(2)	(27,020)	—	—	—	—
Net balance		1,613,614	388,357	69,082	343,180	56,435
Net balance of total assets		1,627,576	388,394	69,082	343,280	56,435

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Bank

		2013				
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investments classified as receivable
Impaired						
— Individually assessed						
Gross balance		16,091	96	—	181	—
Allowance for impairment		(8,835)	(15)	—	(172)	—
Net balance		7,256	81	—	9	—
— Collectively assessed						
Gross balance		3,548	—	—	—	—
Allowance for impairment		(2,653)	—	—	—	—
Net balance		895	—	—	—	—
Overdue but not impaired	(1)					
Gross balance		15,066	30	—	—	—
Within which						
— Less than 3 months		13,965	30	—	—	—
— 3 months to 1 year		1,101	—	—	—	—
— Over 1 year		—	—	—	—	—
Allowance for impairment		(1,038)	—	—	—	—
Net balance		14,028	30	—	—	—
Neither overdue nor impaired						
Gross balance		1,805,139	223,163	286,816	325,921	300,158
Allowance for impairment	(2)	(28,335)	—	—	—	—
Net balance		1,776,804	223,163	286,816	325,921	300,158
Net balance of total assets		1,798,983	223,274	286,816	325,930	300,158

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Bank (continued)

		2012				
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investments classified as receivable
Impaired						
— Individually assessed						
Gross balance		10,596	30	—	374	—
Allowance for impairment		(6,484)	(8)	—	(274)	—
Net balance		4,112	22	—	100	—
— Collectively assessed						
Gross balance		1,273	—	—	—	—
Allowance for impairment		(982)	—	—	—	—
Net balance		291	—	—	—	—
Overdue but not impaired	(1)					
Gross balance		9,621	15	—	—	—
Within which						
— Less than 3 months		8,943	15	—	—	—
— 3 months to 1 year		678	—	—	—	—
— Over 1 year		—	—	—	—	—
Allowance for impairment		(616)	—	—	—	—
Net balance		9,005	15	—	—	—
Neither overdue nor impaired						
Gross balance		1,555,135	364,439	69,132	328,472	56,435
Allowance for impairment	(2)	(26,795)	—	—	—	—
Net balance		1,528,340	364,439	69,132	328,472	56,435
Net balance of total assets		1,541,748	364,476	69,132	328,572	56,435

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

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

As at 31 December 2013, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB9,938 million (2012: RMB4,238 million). The covered portion and uncovered portion of these loans and advances were RMB5,559 million (2012: RMB2,316 million) and RMB4,379 million (2012: RMB1,922 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB8,069 million (2012: RMB5,379 million).

As at 31 December 2013, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB9,376 million (2012: RMB4,180 million). The covered portion and uncovered portion of these loans and advances were RMB5,125 million (2012: RMB2,302 million) and RMB4,251 million (2012: RMB1,878 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB5,712 million (2012: RMB5,329 million).

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

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

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

	The Group					
	2013			2012		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	412,819	21.3	149,772	356,625	21.4	130,319
— Wholesale and retail	298,847	15.4	149,330	232,252	14.0	133,876
— Transportation, storage and postal services	135,778	7.0	61,179	135,952	8.2	57,499
— Real estate	128,930	6.6	113,434	133,927	8.1	115,547
— Construction	81,873	4.2	32,750	63,653	3.8	26,643
— Water, environment and public utility management	71,853	3.7	34,543	62,897	3.8	29,756
— Production and supply of electric power, gas and water	56,817	2.9	15,523	59,329	3.6	13,749
— Rental and business services	67,657	3.5	35,537	53,886	3.2	30,638
— Public management and social organizations	16,992	0.9	4,880	17,723	1.1	3,241
— Others	164,287	8.5	49,120	137,016	8.2	35,123
Subtotal	1,435,853	74.0	646,068	1,253,260	75.4	576,391
Personal loans	440,553	22.7	330,753	334,647	20.1	263,770
Discounted bills	64,769	3.3	—	74,994	4.5	—
Gross loans and advances to customers	1,941,175	100.0	976,821	1,662,901	100.0	840,161

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

	The Bank					
	2013			2012		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	406,726	22.1	147,756	352,782	22.4	128,206
— Wholesale and retail	287,087	15.6	145,686	220,334	14.0	122,093
— Transportation, storage and postal services	134,002	7.3	60,554	133,782	8.5	56,175
— Real estate	116,735	6.3	101,770	127,183	8.1	110,155
— Construction	81,048	4.4	32,440	63,403	4.0	26,513
— Water, environment and public utility management	71,722	3.9	34,543	62,897	4.0	29,756
— Production and supply of electric power, gas and water	56,419	3.1	15,453	59,017	3.7	13,661
— Rental and business services	67,428	3.7	35,479	53,710	3.4	30,547
— Public management and social organizations	16,992	0.9	4,880	17,723	1.1	3,241
— Others	118,368	6.4	41,703	97,584	6.2	30,476
Subtotal	1,356,527	73.7	620,264	1,188,415	75.4	550,823
Personal loans	426,129	23.2	317,126	320,044	20.3	249,660
Discounted bills	57,188	3.1	—	68,166	4.3	—
Gross loans and advances to customers	1,839,844	100.0	937,390	1,576,625	100.0	800,483

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

As at 31 December, impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

The Group

	2013				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	6,454	3,278	5,469	2,034	(1,541)
Wholesale and retail	8,059	4,654	4,335	5,366	(2,841)

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

The Bank

	2013				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	6,319	3,250	5,444	2,011	(1,534)
Wholesale and retail	8,055	4,650	4,297	5,313	(2,816)

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Group

	2013			2012		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	513,609	26.5	214,739	436,743	26.3	189,357
Yangtze River Delta	476,101	24.5	238,225	427,019	25.7	222,023
Pearl River Delta and West Strait	278,425	14.3	180,297	226,989	13.7	139,365
Central	266,342	13.7	139,354	223,232	13.4	111,818
Western	255,620	13.2	133,977	213,609	12.8	108,106
Northeastern	57,920	3.0	34,898	53,108	3.2	33,057
Outside Mainland China	93,158	4.8	35,331	82,201	4.9	36,435
Total	1,941,175	100.0	976,821	1,662,901	100.0	840,161

The Bank

	2013			2012		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	511,075	27.8	214,041	435,620	27.6	188,455
Yangtze River Delta	472,973	25.7	236,173	424,908	27.0	220,460
Pearl River Delta and West Strait	275,914	15.0	178,947	226,148	14.3	138,587
Central	266,342	14.5	139,354	223,232	14.2	111,818
Western	255,620	13.9	133,977	213,609	13.5	108,106
Northeastern	57,920	3.1	34,898	53,108	3.4	33,057
Total	1,839,844	100.0	937,390	1,576,625	100.0	800,483

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

As at 31 December, impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

The Group

	2013		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	3,995	1,151	9,107
Yangtze River Delta	10,567	5,353	8,898
Pearl River Delta and West Strait	2,311	1,360	4,571
Central	1,126	235	4,528
Western	976	432	4,073

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

The Bank

	2013		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	3,950	1,132	9,106
Yangtze River Delta	10,559	5,349	8,884
Pearl River Delta and West Strait	2,268	1,360	4,568
Central	1,126	235	4,528
Western	976	432	4,073

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

	The Group		The Bank	
	2013	2012	**2013**	2012
Unsecured loans	**399,860**	329,704	**382,075**	317,351
Guaranteed loans	**499,725**	418,042	**463,191**	390,625
Secured loans				
— Tangible assets other than monetary assets	**740,650**	630,393	**705,499**	595,688
— Monetary assets	**236,171**	209,768	**231,891**	204,795
Subtotal	**1,876,406**	1,587,907	**1,782,656**	1,508,459
Discounted bills	**64,769**	74,994	**57,188**	68,166
Gross loans and advances to customers	**1,941,175**	1,662,901	**1,839,844**	1,576,625

(vi) Rescheduled loans and advances to customers

The Group

	2013		2012	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**6,176**	**0.32%**	4,775	0.29%
Less:				
— rescheduled loans and advances overdue more than 3 months	**4,045**	**0.21%**	2,474	0.15%
— rescheduled loans and advances overdue less than 3 months	**2,131**	**0.11%**	2,301	0.14%

The Bank

	2013		2012	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**5,603**	**0.30%**	4,056	0.26%
Less:				
— rescheduled loans and advances overdue more than 3 months	**4,045**	**0.22%**	2,312	0.15%
— rescheduled loans and advances overdue less than 3 months	**1,558**	**0.08%**	1,744	0.11%

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk

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

Risk and Internal control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organizational structure and information systems to effectively identify, measure, monitor and control market risks derived from business, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorization limits, providing independent report of market risk, to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated in the relevant operation, so as to ensure the dynamic balance between business development and risk undertaking.

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

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

Interest rate risk

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

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

The Group

		2013					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.50%	496,476	6,848	489,628	—	—	—
Deposits with banks and non-bank financial institutions	3.91%	131,711	—	98,753	30,970	1,988	—
Placements with banks and non-bank financial institutions	4.05%	122,314	21	73,156	49,125	12	—
Financial assets held under resale agreements	5.02%	286,767	—	206,245	75,629	4,893	—
Investment classified as receivable	6.03%	300,158	—	93,423	121,758	84,977	—
Loans and advances to customers (note (ii))	6.18%	1,899,921	211	1,047,247	799,481	51,412	1,570
Investments (note (iii))	3.75%	346,003	3,084	71,585	60,401	145,265	65,668
Others		57,843	57,843	—	—	—	—
Total assets		3,641,193	68,007	2,080,037	1,137,364	288,547	67,238
Liabilities							
Deposits from banks and non-bank financial institutions	4.25%	559,667	1,071	355,471	157,559	45,566	—
Placements from banks and non-bank financial institutions	2.47%	41,952	—	36,560	4,813	579	—
Financial assets sold under repurchase agreements	4.53%	7,949	—	5,085	2,864	—	—
Deposits from customers	2.20%	2,651,678	11,434	1,800,758	587,175	250,052	2,259
Debt certificates issued	3.96%	76,869	—	7,275	8,821	17,284	43,489
Others		72,353	72,353	—	—	—	—
Total liabilities		3,410,468	84,858	2,205,149	761,232	313,481	45,748
Asset-liability gap		230,725	(16,851)	(125,112)	376,132	(24,934)	21,490

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (continued)

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank

	Effective interest rate (note (i))	2013 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.50%	494,316	6,617	487,699	—	—	—
Deposits with banks and non-bank financial institutions	4.20%	124,860	—	91,901	30,971	1,988	—
Placements with banks and non-bank financial institutions	4.77%	98,414	21	59,532	38,849	12	—
Financial assets held under resale agreements	5.02%	286,816	—	206,294	75,629	4,893	—
Investment classified as receivables	6.03%	300,158	—	93,423	121,758	84,977	—
Loans and advances to customers (note (ii))	6.34%	1,798,983	—	955,897	791,493	50,217	1,376
Investments (note (iii))	3.78%	336,376	10,498	63,681	57,155	139,492	65,550
Others		53,054	53,054	—	—	—	—
Total assets		3,492,977	70,190	1,958,427	1,115,855	281,579	66,926
Liabilities							
Deposits from banks and non-bank financial institutions	4.39%	571,234	79	364,393	161,196	45,566	—
Placements from banks and non-bank financial institutions	2.63%	38,512	—	33,130	4,803	579	—
Financial assets sold under repurchase agreements	4.90%	6,468	—	3,604	2,864	—	—
Deposits from customers	2.24%	2,529,488	6,343	1,708,754	564,646	247,486	2,259
Debt certificates issued	4.72%	56,439	—	2,968	—	14,999	38,472
Others		67,480	67,480	—	—	—	—
Total liabilities		3,269,621	73,902	2,112,849	733,509	308,630	40,731
Asset-liability gap		223,356	(3,712)	(154,422)	382,346	(27,051)	26,195

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (continued)

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

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

(ii) For loans and advances to customers at Group level, the above “Less than three months” category includes overdue amounts (net of allowances for impairment losses) of RMB22,869 million as at 31 December 2013 (2012: RMB13,530 million).

For loans and advances to customers at Bank level, the above “Less than three months” category includes overdue amounts (net of allowances for impairment losses) of RMB21,969 million as at 31 December 2013 (as at 31 December 2012: RMB13,054 million).

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

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 31 December 2013 and 31 December 2012.

	2013 Change in interest rates (in basis point)		2012 Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/Increase in annualized net interest income (in millions of RMB)	**(1,570)**	**1,570**	(1,419)	1,419

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

Currency risk

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The exposures at the reporting date were as follows:

The Group

	2013				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	486,947	8,680	655	194	496,476
Deposits with banks and non-bank financial institutions	71,895	50,953	4,676	4,187	131,711
Placements with banks and non-bank financial institutions	107,586	14,683	45	—	122,314
Financial assets held under resale agreements	286,767	—	—	—	286,767
Investment classified as receivables	300,158	—	—	—	300,158
Loans and advances to customers	1,692,895	159,118	42,991	4,917	1,899,921
Investments	320,450	13,760	8,764	3,029	346,003
Others	55,881	(990)	2,285	667	57,843
Total assets	3,322,579	246,204	59,416	12,994	3,641,193
Liabilities					
Deposits from banks and non-bank financial institutions	526,942	16,446	1,095	15,184	559,667
Placements from banks and non-bank financial institutions	6,021	33,313	4	2,614	41,952
Financial assets sold under repurchase agreements	6,419	1,530	—	—	7,949
Deposits from customers	2,411,528	158,965	65,991	15,194	2,651,678
Debt certificates issued	60,654	8,176	4,472	3,567	76,869
Others	66,838	2,326	2,534	655	72,353
Total liabilities	3,078,402	220,756	74,096	37,214	3,410,468
Net on-balance sheet position	244,177	25,448	(14,680)	(24,220)	230,725
Credit commitments	1,080,234	130,747	23,114	9,109	1,243,204
Derivatives (note(i))	(21,054)	(37,716)	27,712	23,540	(7,518)

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (continued)

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank

	2013				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	485,412	8,307	442	155	494,316
Deposits with banks and non-bank financial institutions	69,795	50,189	861	4,015	124,860
Placements with banks and non-bank financial institutions	90,199	7,835	380	—	98,414
Financial assets held under resale agreements	286,767	49	—	—	286,816
Investment classified as receivable	300,158	—	—	—	300,158
Loans and advances to customers	1,681,466	113,149	396	3,972	1,798,983
Investments	328,427	6,844	284	821	336,376
Others	51,141	1,439	2	472	53,054
Total assets	3,293,365	187,812	2,365	9,435	3,492,977
Liabilities					
Deposits from banks and non-bank financial institutions	538,600	16,424	1,026	15,184	571,234
Placements from banks and non-bank financial institutions	5,056	31,579	4	1,873	38,512
Financial assets sold under repurchase agreements	6,419	49	—	—	6,468
Deposits from customers	2,380,143	135,674	8,021	5,650	2,529,488
Debt certificates issued	56,439	—	—	—	56,439
Others	62,130	4,960	35	355	67,480
Total liabilities	3,048,787	188,686	9,086	23,062	3,269,621
Net on-balance sheet position	244,578	(874)	(6,721)	(13,627)	223,356
Credit commitments	1,075,617	88,453	14	6,619	1,170,703
Derivatives (note(i))	(13,229)	(13,709)	6,390	13,010	(7,538)

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (continued)

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

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

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and loss. The following table sets forth, as at 31 December 2013 and 31 December 2012, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

	2013 Change in foreign currency exchange rate (in basis point)		2012 Change in foreign currency exchange rate (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/increase in annualized profit (in millions of RMB)	**(0.14)**	**0.14**	(17)	17

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

(c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities; customers may concentrate their withdrawals.

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

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds some assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The terms that the Group uses to measure and monitor liquidity risk mainly include liquidity gap analysis, liquidity indicator (including but not limited to regulated and internal managed indicators, such as loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring, scenario analysis and stress tests. On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management in time.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

The Group

	2013						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Indefinite (note (i))	Total
Assets							
Cash and balances with central banks	72,904	—	—	—	—	423,572	496,476
Deposits with banks and non-bank financial institutions	42,727	56,026	30,970	1,988	—	—	131,711
Placements with banks and non-bank financial institutions	30	71,915	50,249	39	—	81	122,314
Financial assets held under resale agreements	—	206,165	75,679	4,923	—	—	286,767
Investment classified as receivables	—	93,423	121,758	84,977	—	—	300,158
Loans and advances to customers (note (ii))	7,950	413,272	799,264	356,098	308,044	15,293	1,899,921
Investments (note (iii))	367	27,126	37,473	195,147	83,166	2,724	346,003
Others	8,047	14,024	6,650	2,601	766	25,755	57,843
Total assets	132,025	881,951	1,122,043	645,773	391,976	467,425	3,641,193
Liabilities							
Deposits from banks and non-bank financial institutions	60,376	291,991	161,734	45,566	—	—	559,667
Placements from banks and non-bank financial institutions	—	36,459	4,914	579	—	—	41,952
Financial assets sold under repurchase agreements	—	5,085	2,864	—	—	—	7,949
Deposits from customers	1,205,784	611,742	581,454	250,439	2,259	—	2,651,678
Debt certificates issued	—	4,882	9,987	18,511	43,489	—	76,869
Others	31,087	8,721	10,021	18,103	1,559	2,862	72,353
Total liabilities	1,297,247	958,880	770,974	333,198	47,307	2,862	3,410,468
(Short)/Long position	(1,165,222)	(76,929)	351,069	312,575	344,669	464,563	230,725

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Group (continued)

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank

	2013						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Indefinite (note (i))	Total
Assets							
Cash and balances with central banks	72,274	—	—	—	—	442,042	494,316
Deposits with banks and non-bank financial institutions	36,010	55,891	30,971	1,988	—	—	124,860
Placements with banks and non-bank financial institutions	30	59,421	38,870	12	—	81	98,414
Financial assets held under resale agreements	—	206,214	75,679	4,923	—	—	286,816
Investment classified as receivables	—	93,423	121,758	84,977	—	—	300,158
Loans and advances to customers (note (ii))	7,175	388,015	770,045	326,859	291,885	15,004	1,798,983
Investments (note (iii))	367	21,946	33,377	187,933	82,613	10,140	336,376
Others	6,166	13,589	6,653	2,596	766	23,284	53,054
Total assets	122,022	838,499	1,077,353	609,288	375,264	470,551	3,492,977
Liabilities							
Deposits from banks and non-bank financial institutions	60,647	299,650	165,371	45,566	—	—	571,234
Placements from banks and non-bank financial institutions	—	33,029	4,904	579	—	—	38,512
Financial assets sold under repurchase agreements	—	3,604	2,864	—	—	—	6,468
Deposits from customers	1,172,493	542,604	564,646	247,486	2,259	—	2,529,488
Debt certificates issued	—	2,968	—	14,999	38,472	—	56,439
Others	29,858	7,144	9,873	18,102	1,559	944	67,480
Total liabilities	1,262,998	888,999	747,658	326,732	42,290	944	3,269,621
(Short)/Long position	(1,140,976)	(50,500)	329,695	282,556	332,974	469,607	223,356

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank (continued)

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

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(d) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, IT systems, or external events, including legal risk, but excluding strategy risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. Key controls include:

— establishment of matrix authorization management mechanism, carrying out annual uniform authorization, prohibition of developing businesses beyond the scope of the permissions granted;

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

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

— cash management and account management are in compliance with the relevant regulations, intensify monitor of suspicious transactions, improve training on anti-money laundering to ensure our staff are well-equipped with the necessary knowledge and basic skills;

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

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

(Expressed in millions of Renminbi unless otherwise stated)

61 Capital Adequacy Ratio

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

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

The Group's management monitors the capital adequacy regularly based on regulations issued by the CBRC. The required information is respectively filed with the CBRC by the Group and the Bank semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations promulgated by the CBRC in the year of 2012. As at 31 December 2012, the Group calculated the capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and other relevant regulations promulgated by the CBRC. These requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

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 systematically important banks, CBRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. In addition, oversea subsidiaries and branches are directly regulated by local banking regulatory commissions, and the requirement of capital adequacy ratios differ by countries. During the year, the Group has complied in full with all its externally imposed capital requirements.

The capital adequacy ratios calculated in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements promulgated by the CBRC are listed as below.

	2013
Core tier-one capital adequacy ratio	**8.78%**
Tier-one capital adequacy ratio	**8.78%**
Capital adequacy ratio	**11.24%**
Components of capital base	
Core tier-one capital:	
Paid-in capital	46,787
Valid portion of capital reserve	44,734
Surplus reserve	15,495
General reserve	44,340
Retained profits	76,690
Valid portion of non-controlling interests	3,865
Others (1)	(2,445)
Total core tier-one capital	229,466
Core tier-one capital deductions:	
Goodwill (net of related deferred tax liability)	792
Other intangible assets other than land use right (net of related deferred tax liability)	363
Net core tier-one capital	228,311
Other tier-one capital (2)	69
Net tier-one capital	228,380
Tier-two capital:	
Valid portion of tier-two capital instruments issued and share premium	40,930
Surplus provision for loan impairment	21,288
Valid portion of non-controlling interests	1,614
Net capital base	292,212
Total risk-weighted assets	2,600,494

(Expressed in millions of Renminbi unless otherwise stated)

61 Capital Adequacy Ratio (Continued)

(1) Pursuant to the "Regulation Governing Capital of Commercial Banks (provisional)" issued by the CBRC, others are foreign currency translation reserve.

(2) As at 31 December 2013, the Group's other tier-one capital is the valid portion of non-controlling interests.

The Group calculates the capital adequacy ratios as at 31 December 2012 as below in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and relevant requirements promulgated by the CBRC.

	31 December 2012
Core capital adequacy ratio	9.89%
Capital adequacy ratio	13.44%

62 Fair value

(a) Financial assets

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

Amounts due from central banks, banks and other financial institutions, financial assets held under resale agreements, investment classified as receivables

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

Loans and advances to customers

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

Investments

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

The fair value of held-to-maturity investments at fair value hierarchy is as follows:

The Group

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Held-to-maturity investments	**547**	**146,505**	**—**	**147,052**

The Bank

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Held-to-maturity investments	**547**	**146,443**	**—**	**146,990**

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(b) Financial liabilities

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

	The Group			
	Carrying values		Fair values	
	2013	2012	**2013**	2012
Debt certificates issued				
— Certificates of deposit (not for trading purpose)	**12,718**	11,593	**12,732**	11,621
— Notes issued	**15,904**	908	**15,393**	913
— Subordinated bonds issued	**45,279**	43,901	**40,640**	42,007
— Certificates of interbank deposit issued	**2,968**	—	**2,956**	—
Total	**76,869**	56,402	**71,721**	54,541

	The Bank			
	Carrying values		Fair values	
	2013	2012	**2013**	2012
Debt certificates issued				
— Notes issued	**14,999**	—	**14,480**	—
— Subordinated bonds issued	**38,472**	38,470	**33,660**	36,422
— Certificates of interbank deposit issued	**2,968**	—	**2,956**	—
Total	**56,439**	38,470	**51,096**	36,422

The fair value of financial liabilities at fair value hierarchy is as follows:

The Group

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Debt certificates issued				
— Certificates of deposit (not for trading purpose) issued	**—**	**12,732**	**—**	**12,732**
— Notes issued	**507**	**14,886**	**—**	**15,393**
— Subordinated bonds issued	**6,980**	**33,660**	**—**	**40,640**
— Certificates of interbank deposit issued	**—**	**2,956**	**—**	**2,956**
Total	**7,487**	**64,234**	**—**	**71,721**

The Bank

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Debt certificates issued				
— Notes issued	**—**	**14,480**	**—**	**14,480**
— Subordinated bonds issued	**—**	**33,660**	**—**	**33,660**
— Certificates of interbank deposit issued	**—**	**2,956**	**—**	**2,956**
Total	**—**	**51,096**	**—**	**51,096**

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments

The table below analyses financial instruments, measured at fair value in accordance with note 4(15) by the level in the fair value hierarchy into which the fair value treatment is categorised:

	The Group			
	Level 1 (Note(i))	**Level 2 (Note(i))**	**Level 3 (Note(ii)-(iii))**	**Total**
As at 31 December 2013				
Assets				
Trading financial assets				
— Debt securities	—	10,966	—	10,966
— Investment funds	—	—	2	2
Financial assets designed at fair value through profit and loss				
— Debt securities	10	—	40	50
Positive fair value of derivatives				
— Interest rate derivatives	—	1,492	12	1,504
— Currency derivatives	12	6,233	—	6,245
Available-for-sale financial assets				
— Debt securities	15,457	156,850	13	172,320
— Equity instruments	—	315	290	605
— Certificates of deposit	247	4,581	—	4,828
— Investment funds	76	—	17	93
Total	15,802	180,437	374	196,613
Liabilities				
Negative fair value of derivatives				
— Interest rate derivatives	—	(1,299)	(17)	(1,316)
— Currency derivatives	—	(5,535)	—	(5,535)
— Other derivatives	—	(2)	—	(2)
Total	—	(6,836)	(17)	(6,853)

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

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

	The Bank			
	Level 1 (Note(i))	**Level 2 (Note(i))**	**Level 3 (Note(ii)-(iii))**	**Total**
As at 31 December 2013				
Assets				
Trading financial assets				
— Debt securities	**—**	**10,966**	**—**	**10,966**
Positive fair value of derivatives				
— Interest rate derivatives	**—**	**1,250**	**12**	**1,262**
— Currency derivatives	**—**	**4,604**	**—**	**4,604**
Available-for-sale financial assets				
— Debt securities	**6,179**	**153,988**	**9**	**160,176**
— Equity instruments	**—**	**315**	**—**	**315**
— Investment funds	**31**	**—**	**—**	**31**
Total	**6,210**	**171,123**	**21**	**177,354**
Liabilities				
Negative fair value of derivatives				
— Interest rate derivatives	**—**	**(1,186)**	**(17)**	**(1,203)**
— Currency derivatives	**—**	**(4,415)**	**—**	**(4,415)**
— Other derivatives	**—**	**(2)**	**—**	**(2)**
Total	**—**	**(5,603)**	**(17)**	**(5,620)**

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

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

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

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

The Group

	Assets							Liabilities	
	Trading financial assets	Financial assets designed at fair value through profit and loss	Positive fair value of derivatives	Available-for-sale financial assets			Total	Negative fair value of derivatives	Total
	Investment funds	Investment funds	Interest rate derivatives	Debt securities	Investment funds	Equity instruments		Interest rate derivatives	
As at 1 January 2013	2	39	84	17	364	18	524	(117)	(117)
Total gains or losses						—			
— In profit or loss	—	1	(62)	1	—	—	(60)	98	98
— In other comprehensive income	—	—	—	1	2	—	3	—	—
Purchase	—	—	—	—	25	—	25	—	—
Settlements	—	—	(10)	(6)	(91)	—	(107)	2	2
Exchange effect	—	—	—	—	(10)	(1)	(11)	—	—
As at 31 December 2013	2	40	12	13	290	17	374	(17)	(17)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	—	1	(52)	—	—	—	(51)	48	48

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

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

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

The Bank

	Assets			Liabilities	
	Positive fair value of derivatives	Available-for-sale financial assets	Total	Negative fair value of derivatives	Total
	Interest rate derivatives	Debt securities		Interest rate derivatives	
As at 1 January 2013	84	14	98	(117)	(117)
Total gains or losses					
— In profit or loss	(62)	1	(61)	98	98
— In other comprehensive income	—	1	1	—	—
Settlements	(10)	(7)	(17)	2	2
As at 31 December 2013	12	9	21	(17)	(17)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	(52)	—	(52)	48	48

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

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

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties

(a) Relationship of related parties

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

(2) According to the relevant requirements on information disclosures of listed companies issued by CSRC, all parties that hold more than 5% of a listed company's shares should be recognized as related parties of the company. BBVA is a multinational financial services company registered in Spain. BBVA is mainly engaged in retail banking, asset management, private banking and wholesale banking operations. BBVA held 9.9% of the Bank's share as of 31 December 2013 (2012: 15%) and therefore BBVA is recognised as a related party of the Group under the definition provided by the local regulators.

(3) Besides the subsidiaries of the Bank mentioned in Note 31, CITIC Limited and CITIC Group are also related parties of the Bank that have control relations.

(b) Related party transactions

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

	2013			
	Ultimate holding company and fellow entities	**BBVA**	**Associates**	**Subsidiaries Note (i)**
Profit and loss				
Interest income	**479**	**1**	**—**	**9**
Fee and commission income and other operating income	**227**	**46**	**2**	**—**
Interest expense	**(1,473)**	**(1)**	**(2)**	**(600)**
Net trading (loss)/gain	**(10)**	**242**	**16**	**—**
Other service fees	**(582)**	**—**	**(1)**	**(84)**

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

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(b) Related party transactions (Continued)

	2013			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Assets				
Gross loans and advances to customers	6,934	11	31	—
Less: collectively assessed allowances for impairment loss	(114)	(1)	—	—
Loans and advances to customers (net)	6,820	10	31	—
Gross amount of deposits and placements with banks and non-bank financial institutions	717	3	—	1,836
Less: Allowances for impairment losses	(7)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	710	3	—	1,836
Investments	628	—	2,176	9,986
Financial assets held under resale agreements	—	—	—	49
Other assets	694	278	—	4
Liabilities				
Deposits from customers	27,477	—	696	25
Deposits and placements from banks and non-bank financial institutions	23,684	3,604	—	11,764
Other liabilities	144	89	—	44
Off-balance sheet items				
Guarantees and letters of credit	389	—	5	—
Acceptances	926	—	—	—
Guarantees received	328	5	—	20
Nominal amount of derivatives	4,507	15,467	—	61

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(b) Related party transactions (Continued)

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

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

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

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

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

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

The aggregate amount of relevant loans outstanding as at 31 December 2013 to directors, supervisors and executive officers amounted to RMB15.26 million (as at 31 December 2012: RMB20.72 million).

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

	2013 **RMB'000**	2012 RMB'000
Salaries and other emoluments	**5,595.0**	13,421.6
Discretionary bonuses	**10,336.4**	10,394.0
Contributions to defined contribution retirement schemes	**1,047.4**	1,247.7
	16,978.8	25,063.3

The above senior executive officers' emoluments for the year ended 31 December 2012 were restated in accordance with the final approved amounts. The remuneration before tax payable to the executive officers for the year 2012 as set out in the table above represents the total amount of annual remuneration for each of these individuals, which includes the amount of "remuneration paid" as disclosed in the 2012 annual financial statements.

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

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

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

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

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

— lending and deposit taking;

— taking and placing of inter-bank balances;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

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

(Expressed in millions of Renminbi unless otherwise stated)

64 Involvement with unconsolidated structured entities

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include wealth management products, investment management products managed by securities companies, trust investment plans, asset-backed financings and investment funds and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of notes to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2013 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognized:

	The Group						
	31 December 2013						
	Carrying amount						Maximum loss exposure
Carrying Amount	Held-to-maturity investments	Available for sale financial assets	Investment classified as receivables	Financial assets held under resale agreements	Interest Receivable	Total	
Wealth management products	—	—	65,558	—	560	66,118	66,118
Investment management products managed by securities companies	—	—	114,987	7,706	995	123,688	123,688
Trust investment plans	—	—	96,999	1,951	494	99,444	99,444
Asset-backed financings	202	15	—	—	—	217	217
Investment funds	—	290	—	—	—	290	290
Total	202	305	277,544	9,657	2,049	289,757	289,757

The maximum exposures to loss in the above wealth management products, trust investment plans, investment management products managed by securities companies and investment funds are the fair value or the carrying value (whichever is higher) of the assets held by the Group at the reporting date. The maximum exposures to loss in the asset-backed financings are the amortized cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognized in the statement of financial positions.

64 Involvement with unconsolidated structured entities (Continued)

(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 notes to investors. Interest held by the Group includes fees charged by providing management services. As at 31 December 2013, the carrying amounts of management fee receivables being recognized in the statement of financial positions is RMB474 million.

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 RMB246.4 billion.

As at 31 December 2013, the amount of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB5,750 million. During the year of 2013, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB7,450 million. The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the year of 2013, the amount of fee and commission income recognized from the abovementioned structured entities by the Group is RMB2,491 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 is RMB247.5 billion.

65 Ultimate parent

As mentioned in note 1, CITIC Group restructured in 2011 and thereafter the Bank' immediate parent is CITIC Limited and its ultimate parent is CITIC Group.

66 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2013

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements.

- Amendments to IAS 32, *Financial instruments: Presentation, "Offsetting financial assets and financial liabilities";*
- IFRS 9, *Financial instruments;*
- Amendments to IFRS 10, *Consolidated financial statements, "Investment entities"*
- Amendments to IAS 27 (2011), *Separate financial statements, "Investment entities"*
- Amendments to IFRS 12, *Disclosure of interests in other entities; "Investment entities"*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets;*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

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

(Expressed in millions of Renminbi unless otherwise stated)

67 Comparative figures

According to IAS19, the Group retrospectively adjusted the supplementary retirement benefits plan as at 1 January 2013, and accordingly restated the comparative figures of other reserve and retained earnings. In addition, certain comparative figures have been reclassified to conform with current period's presentation.

68 Events after the reporting date

Pursuant to the Approval Regarding the PBOC and National Development and Reform Commission, the Group has issued bonds with an interest rate of 4.125% per annum and a face value of RMB1,500 million outside the mainland China on 20 February 2014. All of the bonds are listed on HKEX and will be mature on 27 February 2017.

(Expressed in millions of Renminbi unless otherwise stated)

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

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

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

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2013 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the net profit for the year ended 31 December 2013 or total equity as at 31 December 2013 between the Group's consolidated financial statements prepared in accordance with IFRSs and that prepared in accordance with PRC GAAP respectively.

2 Liquidity ratios

	31 December 2013	31 December 2012
RMBcurrent assets to RMBcurrent liabilities	**43.45%**	48.85%
Foreign currency current assets to foreign currency current liabilities	**106.78%**	86.48%

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

3 Currency concentrations

	31 December 2013			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**246,204**	**59,416**	**12,994**	**318,614**
Spot liabilities	**(220,756)**	**(74,096)**	**(37,214)**	**(332,066)**
Forward purchases	**379,765**	**41,990**	**46,883**	**468,638**
Forward sales	**(421,792)**	**(14,222)**	**(23,381)**	**(459,395)**
Options	**4,311**	**(56)**	**38**	**4,293**
Net (short)/long position	**(12,268)**	**13,032**	**(680)**	**84**

	31 December 2012			
	US Dollars	HK Dollars	Others	Total
Spot assets	179,361	62,392	9,452	251,205
Spot liabilities	(173,048)	(70,762)	(29,579)	(273,389)
Forward purchases	226,954	28,569	50,316	305,839
Forward sales	(227,130)	(7,694)	(30,600)	(265,424)
Options	(7,523)	70	131	(7,322)
Net (short)/long position	(1,386)	12,575	(280)	10,909

(Expressed in millions of Renminbi unless otherwise stated)

4 Cross-border claims

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

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

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

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

	31 December 2013			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**40,709**	**130**	**13,079**	**53,918**
— of which attributed to Hong Kong	**5,757**	**—**	**6,123**	**11,880**
Europe	**2,868**	**54**	**541**	**3,463**
North and South America	**19,321**	**11**	**1,663**	**20,995**
Total	**62,898**	**195**	**15,283**	**78,376**

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

(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	31 December 2013		
	Gross loans and advances	Loans and Advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	**513,609**	**3,783**	**3,995**
Yangtze River Delta	**476,101**	**11,094**	**10,567**
Pearl River Delta and West Strait	**278,425**	**2,235**	**2,311**
Central	**266,342**	**1,148**	**1,126**
Western	**255,620**	**927**	**976**
Northeastern	**57,920**	**769**	**760**
Outside Mainland China	**93,158**	**209**	**231**
Total	**1,941,175**	**20,165**	**19,966**

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

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

— individually; or

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

(Expressed in millions of Renminbi unless otherwise stated)

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

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

	31 December 2013	31 December 2012
Gross amounts due from banks and other financial institutions which have been overdue	**126**	45
As a percentage of total gross amounts due from banks and other financial institutions	**0.05%**	0.01%

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

	31 December 2013	31 December 2012
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**3,654**	2,991
— between 6 and 12 months	**8,505**	2,401
— over 12 months	**8,006**	4,390
Total	**20,165**	9,782
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.19%**	0.18%
— between 6 and 12 months	**0.44%**	0.14%
— over 12 months	**0.41%**	0.26%
Total	**1.04%**	0.58%

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

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

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

— As at 31 December 2013, the loans and advances to customers of RMB16,180 million (2012: 8,133 million) and RMB3,985 million (2012: 1,649 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB3,786 million (2012: 1,963 million) and RMB12,394 million (2012: 6,170 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB6,723 million (2012: 2,243 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB8,714 million (2012: 5,043 million).

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 31 December 2013, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the financial statements.

Reference for Shareholders

Information on Shares

Listing

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

Ordinary Shares

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

Dividends

The Board of Directors proposes to distribute final cash dividend of RMB2.52 (pre-tax) for every 10 Shares, pending on the approval by Shareholders at the 2013 Annual General Meeting.

Stock Code and Stock Name:

A-share

SSE	601998 CNCB
Reuters	601998.SS
Bloomberg	601998 CH

H-share

SEHK	0998 CITIC Bank
Reuters	998.HK
Bloomberg	998 HK

Shareholders' Inquiry

If shareholders have any inquiry about their shareholdings, such as share transfer, "street name" shares, address redirecting and loss of share certificate, please post letters to the following addresses:

A-share
China Securities Depository and Clearing Corporation Limited Shanghai Branch
China Insurance Building, No. 166 Lu Jia Zui East Road, Pudong New District,
Shanghai
Tel: +86-21-68870142

H-share
Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre, No. 183 Queen's Road East, Wan Chai,
Hong Kong
Tel: +852-2865 8555
Fax: +852-2865 0990
E-mail: hkinfo@computershare.com.hk

Credit Rating

Ratings by Moody's Investors Service: Baa2 for long-term deposits, P-2 for short-term deposits, D for financial strength; and neutral for rating prospect.

Ratings by Fitch ratings: BBB for issuer long-term default rating, b+ for survival rating, 2 for support rating and neutral for rating prospect.

Index Constituent Stock

A-share Index of SSE
SSE 180 Index
SSE Composite Index
SSE Corporate Governance Index
New SSE Composite
Index Shanghai-Shenzhen 300 Index
SZSE 100 INDEX
China Securities Index 100 Index
China Securities Index 800 Index

Investors' Inquiry

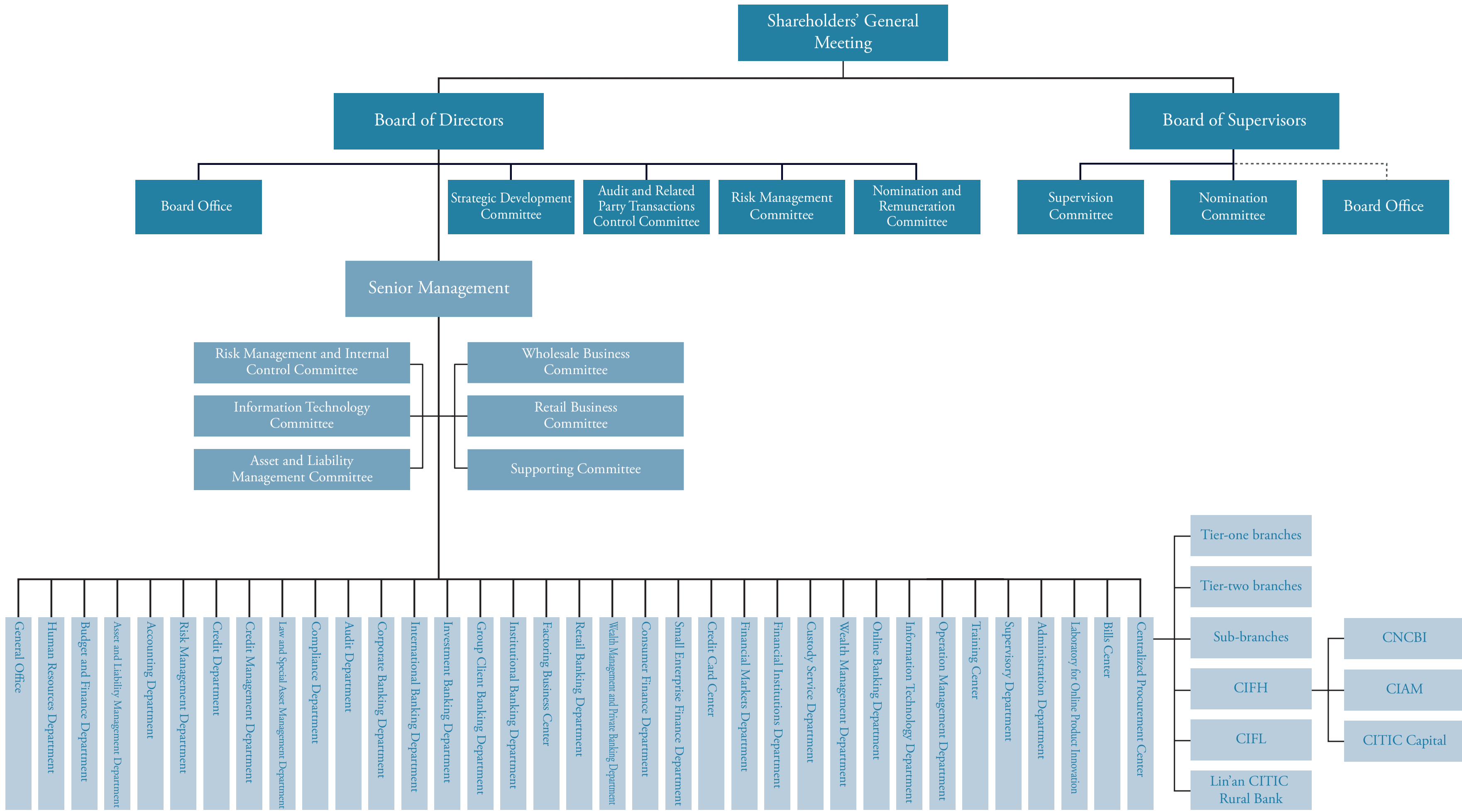
For any inquiry, H-share investors may contact:
Investor Relations Team of China CITIC Bank Corporation Limited
Address: 15F, Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Tel: +86-10-65558000
Fax: +86-10-65550809
E-mail: ir_cncb@citicbank.com

Other Information

This annual report is available in both the Chinese and English. To obtain copies of the annual report prepared in accordance with the international accounting standards, please write to Computershare Hong Kong Investor Services Limited, the Bank's H-share Registrar. For copies of the annual report prepared in accordance with the PRC accounting standards, please visit places of business of the Bank. This annual report is also available (in both the Chinese and English) on the following websites: bank.ecitic.com, www.sse.com.cn, www.hkexnews.hk.

Should you have any queries about how to obtain copies of this annual report or how to access the annual report on the Bank's website, please call the Bank's hotline at +86-10-65558000 or +852-28628555.

Corporate Structure



List of Domestic and Overseas Affiliates

As at the end of the reporting period, the Bank had 1,073 outlets in 116 large and medium-sized cities in China, consisting of 42 tier-one branches (directly managed by the Head Office), 69 tier-two branches and 962 sub-branches.

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
1	Beijing	1	Head Office	Address: Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100027 Website: http://www.ecitic.com	Tel:010-65558888 Fax:010-65550801 Hotline: 95558
		65	Beijing branch	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code:100140	Tel: 010-66211769 Fax:010-66211770
2	Tianjin	30	Tianjin Branch	Address: Tianjin Globle Financial Center, No. 2, North Dagu Road, Heping District, Tianjin Postal Code: 300020	Tel:022-23028888 Fax:022-23028800
3	Hebei Province	50			
	Shijiazhuang	27	Shijiazhuang Branch	Address: No. 209, Xinhua East Road, Shijiazhuang, Hebei Province Postal Code: 050056	Tel:0311-87033788 Fax:0311-87884483
	Tangshan	13	Tangshan Branch	Address: No. 46, Xinhua West Road, Tangshan, Hebei Province Postal Code: 063000	Tel:0315-3738508 Fax:0315-3738522
	Baoding	5	Baoding Branch	Address: No.178, Middle Swan Road, Baoding City, Hebei Province Postal Code: 071000	Tel: 0312-2081508 Fax: 0312-5881167
	Handan	4	Handan Branch	Address: Jinlin Building, No. 408 Renmin Road, Congtai District, Handan, Hebei Province Postal Code: 056002	Tel:0310-2076507 Fax:0310-2076050
	Cangzhou	1	Cangzhou Branch	Address: Yihe Mansion, intersection of West Jiefang Road and Jing'er Avenue, Canal District, Cangzhou City, Hebei Province Postal Code: 061001	Tel: 0317-5588009 Fax: 0317-5588012
4	Liaoning Province	73			
	Shenyang	23	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	Tel: 024-31510456 Fax: 024-31510234
	Dalian	25	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	Tel:0411-82821868 Fax:0411-82804126
	Anshan	10	Anshan Branch	Address: No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province Postal Code: 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	6	Fushun Branch	Address: No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113001	Tel: 0413-3886701 Fax: 0413-3886711
	Huludao	6	Huludao Branch	Address: No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	Tel: 0429-2808185 Fax: 0429-2800885
	Yingkou	3	Yingkou Branch	Address: No. 8, Yinggang Road, Bayu District, Liaoning Province Postal Code:115007	Tel: 0417-8208988 Fax: 0417-8208989
5	Shanghai	42	Shanghai Branch	Address: Aurora Plaza, No. 99. Fucheng Road, Pudong New District, Shanghai Postal Code: 200120	Tel: 021-58771111 Fax: 021-58776606

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
6	Jiangsu Province	99			
	Nanjing	21	Nanjing Branch	Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	Tel: 025-83799181 Fax: 025-83799000
	Suzhou	23	Suzhou Branch	Address: No. 258, Zhuhui Road, Suzhou, Jiangsu Province Postal Code: 215006	Tel:0512-65190307 Fax:0512-65198570
	Wuxi	18	Wuxi Branch	Address: No. 112, Renmin Road, Wuxi, Jiangsu Province Postal Code: 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	10	Changzhou Branch	Address: Boai Plaza, No. 72, Boai Road, Changzhou, Jiangsu Province Postal Code: 213003	Tel: 0519-88108833 Fax: 0519-88107020
	Yangzhou	8	Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225300	Tel: 0514-87890717 Fax: 0514-87890531
	Taizhou	7	Taizhou Branch	Address: No. 15, Gulou Road, Taizhou Postal Code: 225300	Tel: 0523-86399111 Fax: 0523-86399120
	Nantong	7	Nantong Branch	Address: Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province Postal Code: 226001	Tel: 0513-81120909 Fax:0513-81120900
	Zhenjiang	4	Zhenjiang Branch	Address: Building No. 66, Shenhua Guancheng International, No.8, Tanshan Road, Zhenjiang, Jiangsu Province Postal Code: 212003	Tel: 0511-89886271 Fax:0511-89886200
	Yancheng	1	Yancheng Branch	Address: No.188, South Yingbin Road, Yancheng, Jiangsu Province Postal Code: 224000	Tel: 0515-89089958 Fax:0515- 89089900
7	Zhejiang Province	93			
	Hangzhou	28	Hangzhou Branch	Address: No. 88, Yan'an Road, Hangzhou, Zhejiang Province Postal Code: 310002	Tel:0571-87032888 Fax:0571-87089180
	Ningbo	22	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	Tel:0574-87733065 Fax:0574-87973742
	Wenzhou	10	Wenzhou Branch	Address: Building 2, North Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou Postal Code: 325000	Tel:0577-88858466 Fax:0577-88858575
	Jiaxing	9	Jiaxing Branch	Address: No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province Postal Code: 314000	Tel:0573-82097693 Fax:0573-82093454
	Shaoxing	9	Shaoxing Branch	Address: No. 289, West Renmin Road, Shaoxing, Zhejiang Province Postal Code: 312000	Tel:0575-85227222 Fax:0575-85110428
	Taizhou	6	Taizhou Branch	Address: No. 489, Shifu Avenue, Taizhou, Zhejiang Province Postal Code: 318000	Tel:0576-81889666 Fax:0576-88819916
	Lishui	2	Lishui Branch	Address: No.1, Zijin Road, Lishui, Zhejiang Province Postal Code: 323000	Tel: 0578-2082977 Fax: 0578-2082985
	Yiwu	6	Yiwu Branch	Address: No. 100, Huangyuan Road, Yiwu, Zhejiang Province Postal Code: 322000	Tel:0579-85378838 Fax:0579-85378817
	Zhoushan	1	Zhoushan Branch	Address: F/1-5, East Side Building of Zhongchang International Mansion, No.31 Hexing Road, Lincheng, Dinghai District, Zhoushan City, Zhejiang Province Postal Code: 316021	Tel: 0580-8258288 Fax: 0580-8258655
8	Anhui Province	29			
	Hefei	16	Hefei Branch	Address: No. 300, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	Tel: 0551-62898328 Fax: 0551-62896226
	Wuhu	4	Wuhu Branch	Address: X1-X4, West Jing Street, No. 8, Jinghu Road, Wuhu Postal Code: 241000	Tel: 0553-3888685 Fax: 0553-3888685
	Anqing	3	Anqing Branch	Address: No. 101, Zhongxing Road, Anqing, Anhui Province Postal Code: 246005	Tel: 0556-5280606 Fax: 0556-5280605
	Bengbu	3	Bengbu Branch	Address: No. 859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province Postal Code: 233000	Tel:0552-2087000 Fax:0522-2087000
	Chuzhou	2	Chuzhou Branch	Address: No.79 West Langya Road, Chuzhou City, Anhui Province Postal Code: 239000	Tel:0550-3529558 Fax:0550-3529559
	Maonshan	1	Maonshan Branch	Address: No.1177 Central Huxi Road, Maonshan City, Anhui Province Postal Code: 243000	Tel:0555-2773228 Fax:0555-2773217

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
9	Fujian Province	54			
	Fuzhou	21	Fuzhou Branch	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350001	Tel:0591-87613100 Fax:0591-87537066
	Xiamen	15	Xiamen Branch	Address: CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province Postal Code: 361001	Tel: 0592-2995685 Fax: 0592-2389037
	Quanzhou	9	Quanzhou Branch	Address: Building of the People's Bank of China, Fengze Street, Quanzhou, Fujian Province Postal Code: 362000	Tel:0595-22148687 Fax:0595-22148222
	Putian	3	Putian Branch	Address: 1/F & 2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian, Fujian Province Postal Code: 351100	Tel: 0594-2853280 Fax: 0594-2853260
	Zhangzhou	3	Zhangzhou Branch	Address: 1/F -4/F, Yiqun Building, West Shengli Road, Zhangzhou Postal Code: 363000	Tel: 0596-2995568 Fax: 0596-2995207
	Longyan	2	Longyan Branch	Address: No. 153, Fushan International Center, Denggao West Road, Xinluo District, Longyan, Fujian Province Postal Code: 364000	Tel:0597-2956510 Fax:0597-2956500
	Ningde	1	Ningde Branch	Address: No.70 South Jiaocheng Road, Ningde, Fujian Province Postal Code: 352100	Tel: 0593-8991918 Fax: 0593-8991901
10	Shandong Province	85			
	Jinan	16	Jinan Branch	Address: CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province Postal Code: 250011	Tel: 0531-86911315 Fax:0531-86929194
	Qingdao	26	Qingdao Branch	Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	Tel:0532-85022889 Fax:0532-85022888
	Zibo	8	Zibo Branch	Address: CITIC Mansion, No. 203 Liuquan Road, Zhangdian District, Zibo, Shandong Province Postal Code: 2210138	Tel: 0533-3169875 Fax: 0533-2210138
	Yantai	8	Yantai Branch	Address: No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province Postal Code: 264001	Tel: 0535-6611030 Fax: 0535-6611032
	Weihai	9	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	Tel: 0631-5336802 Fax: 0631-5314076
	Jining	7	Jining Branch	Address: No. 28, Gongxiao Road, Jining, Shandong Province Postal Code: 272000	Tel: 0537-2338888 Fax: 0537-2338888
	Weifang	4	Weifang Branch	Address: No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province Postal Code: 261041	Tel: 0536-8056002 Fax: 0536-8056002
	Dongying	5	Dongying Branch	Address: No. 128, Fuqian Avenue, Dongcheng, Dongying, Shandong Province Postal Code: 257091	Tel: 0546-7922255 Fax: 0546-8198666
	Linyi	2	Linyi Branch	Address: No.138 Linyi Road, Linyi Economic Development Zone, Shandong Province Postal Code: 276034	Tel:0539-8722768 Fax:0539-8722765
11	Henan Province	45			
	Zhengzhou	24	Zhengzhou Branch	Address: CITIC Mansion, No.1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	Tel:0371-55588888 Fax:0371-55588555
	Luoyang	7	Luoyang Branch	Address: No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province Postal Code: 454000	Tel: 0391-8768282 Fax: 0391-8789969
	Jiaozuo	3	Jiaozuo Branch	Address: No. 1736, Tanan Road, Jiaozuo, Henan Province Postal Code: 471000	Tel:0379-64682858 Fax:0379-64682875
	Nanyang	4	Nanyang Branch	Address: Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province Postal Code: 473000	Tel:0377-61628299 Fax:0377-61628299
	Anyang	4	Anyang Branch	Address: Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province Postal Code: 455000	Tel: 0372-5998026 Fax: 0377-5998086
	Pingdingshan	1	Pingdingshan Branch	Address: F/1-2, Phase II of Pingan Yi Yuan, Middle Miners' Road, Pingdingshan City, Henan Province Postal Code: 467000	Tel:0375-2195558 Fax:0375-2195574
	Xinxiang	1	Xingxiang Branch	Address: F/1-2, Xinghairuyi Building, intersection of Xinzhong Avenue & East Renmin Road, Xinxiang, Henan Province Postal Code: 453000	Tel: 0373-5891002 Fax: 0373-5891055

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
12	Hubei Province	34			
	Wuhan	27	Wuhan Branch	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	Tel: 027-85355111 Fax: 027-85355222
	Xiangfan	4	Xiangfan Branch	Address: No. 1, Paopu Street, South People's Square, Xiangfan, Hubei Province Postal Code: 441000	Tel: 0710-3454199 Fax: 0710-3454166
	Yichang	2	Yichang Branch	Address: No. 2 Meianchangdi Office Wing, Floor 1 & 2, Xilinyi Road, Xilin District, Yichang, Hubei Province Postal Code: 443000	Tel:0717-6495558 Fax:0717-6433689
	Shiyan	1	Shiyan Branch	Address: F/1-2, Hua Fu Ming Di Project, No.3 Middle Beijing Road, Maojian District, Shiyan City, Hubei Province Postal Code: 442000	Tel: 0719-8106678 Fax: 0719-8106606
13	Hunan Province	31			
	Changsha	29	Changsha Branch	Address: No. 456, Wuyi Street, Changsha, Hunan Province Postal Code: 410011	Tel:0731-84582177 Fax:0731-84582179
	Hengyang	2	Hengyang Branch	Address: No. 38, Jiefangdadao, Huaxin Development Zone, Hengyang, Hunan Province Postal Code: 421001	Tel:0734-8669859 Fax:0734-8669899
14	Guangdong Province	112			
	Guangzhou	31	Guangzhou Branch	Address: CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	8	Foshan Branch	Address: No. 140, Central Fenjiang Road, Foshan, Guangdong Province Postal Code: 528000	Tel:0757-83989999 Fax:0757-83309903
	Shenzhen	32	Shenzhen Branch	Address: 5/F—7/F, CITIC Tower, CITIC Plaza, No. 1093, Mid Shennan Road, Shenzhen, Guangdong Province Postal Code: 518031	Tel:0755-25942568 Fax:0755-25942028
	Dongguan	26	Dongguan Branch	Address: Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	Tel: 0769-22667888 Fax:0769-22667999
	Jiangmen	4	Jiangmen Branch	Address: CNCB Tower, No. 131, Yingbin Avenue, Jiangmen, Guangdong Province Postal Code: 529000	Tel: 0750-393999 Fax: 0750-3939029
	Huizhou	4	Huizhou Branch	Address: 1/F & 5/F, Dalong Building (Phase II), No. 2 Wenhua 1st Road, Jiangbei, Huizhou, Guangdong Province Postal Code: 516000	Tel: 0752-2898837 Fax: 0752-2898851
	Zhuhai	3	Zhuhang Branch	Address: No. 1, Guanhaimingju Floor 1 &2, Jidajingshan Road, Xiangzhou District, Zhuhai, Guangdong Province Postal Code: 519015	Tel:0756-3292936 Fax:0756-3292956
	Zhongshan	3	Zhongshan Branch	Address: No. 82, Dixing Plaza 2, Zhongshansi Road, Zhongshan, Guangdong Province Postal Code: 528400	Tel:0760-88668318 Fax:0760-88668315
	Zhaoqing	1	Zhaoqing Branch	Address: No.06, 07 & 08, F/1, Integrated Building for Self Use, No. 9 Hengyuhai Bay, Xinghu Avenue, Zhaoqing City, Guangdong Province Postal Code:526040	Tel:0758-2312888 Fax:0758-2109113
15	Chongqing	24	Chongqing Branch	Address: Block B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing Postal Code: 400010	Tel: 023-63107677 Fax: 023-63107527
16	Sichuan Province	32			
	Chengdu	32	Chengdu Branch	Address: Huaneng Building Annex, No. 47, 4th Section, South Renmin Road, Wuhou District, Chengdu, Sichuan Province Postal Code: 610041	Tel: 028-85258888 Fax: 028-85258898

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
17	Yunnan Province	29			
	Kunming	23	Kunming Branch	Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	Tel: 0871-3648666 Fax: 0871-3648667
	Qujing	3	Qujing Branch	Address: 1/F-2F, Block B, Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province Postal Code: 655000	Tel: 0874-3119536 Fax: 0874-3115696
	Dali	3	Dali Branch	Address: 1/F, Meideng Hotel, No. 116, Cangshan Road, Economic Development Zone, Dali, Yunnan Province Postal Code: 671000	Tel: 0872-2323278 Fax: 0872-2323278
18	Guizhou Province	7			
	Guiyang	6	Guiyang Branch	Address: Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province Postal Code: 550002	Tel: 0851-5587009 Fax: 0851-5587377
	Zunyi	1	Zunyi Branch	Address: Tian'an Hotel, Xiamen Road, Huichuan District, Zunyi, Guizhou Province Postal Code: 563000	Tel: 0852-8322999 Fax: 0852-7553555
19	Gansu Province	8			
	Lanzhou	8	Lanzhou Branch	Address: No. 638, West Donggang Road, Lanzhou, Gansu Province Postal Code: 730000	Tel: 0931-8890600 Fax: 0931-8890699
20	Shaanxi Province	28			
	Xi'an	23	Xi'an Branch	Address: CITIC Tower, No. 89, North Chang'an Road, Xi'an, Shaanxi Province Postal Code: 710061	Tel: 029-87820018 Fax: 029-87817025
	Baoji	2	Baoji Branch	Address: No 50, Caifu Plaza B, Gaoxindadao, Baoji, Shaanxi Province Postal Code: 721013	Tel:0917-3158818 Fax:0917-3158807
	Weinan	2	Weinan Branch	Address: Xinda Plaza, Shijimingzhu Plaza, Chaoyangdajie, Weinan, Shaanxi Province Postal code: 714000	Tel: 0913-2089610 Fax:0913-2089606
	Yulin	1	Yulin Branch	Address: Yulin Office Building for Pension Procedures, Changxing Road, Yulin Economic Development Zone, Shaanxi Province Postal code: 719000	Tel:0912-8193815 Fax:0912-8160016
21	Shanxi Province	18			
	Taiyuan	14	Taiyuan Branch	Address: Block A, Princes' Palace Commercial Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province Postal Code: 030002	Tel: 0351-3377040 Fax: 0351-3377000
	Datong	3	Datong Branch	Address: 1/F-3/F, 19-21 Podium Building, Yu Hua Di Jing, Intersection of Yuhe West Road & Pingcheng East Street, Datong, Shanxi Province Postal Code: 037008	Tel: 0352-2513800 Fax: 0352-2513779
	Changzhi	1	Changzhi Branch	Address: No.3 Office Building, Upper Binhe City, No.288 Chengdong Road, Changzhi City, Shaanxi Province Postal Code: 46000	Tel: 0355-8590000 Fax: 0355-8590956
22	Jiangxi Province	14			
	Nanchang	11	Nanchang Branch	Address: Tower A, No. 16, Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang Postal Code: 330003	Tel: 0791-6660109 Fax: 0791-6660107
	Pingxiang	2	Pingxiang Branch	Address: Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province Postal Code: 337000	Tel: 0799-6890078 Fax: 0799-6890005
	Jiujiang	1	Jiujiang Branch	Address: Tower B, Jinxuanyijun Hotel, No. 276, Changhong Avenue, Lushan District, Jiujiang City, Jiangxi Province Postal Code: 332000	Tel: 0792-8193538 Fax: 0792-8193535

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
23	Inner Mongolia Autonomous Region	21			
	Hohhot	9	Hohhot Branch	Address: No. 68, Xinhua Avenue, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	Tel: 0471-6664933 Fax: 0471-6664933
	Baotou	5	Baotou Branch	Address: No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region Postal Code: 014030	Tel: 0472-5338909 Fax: 0472-5338929
	Erdos	6	Erdos Branch	Address: CITIC Bank Tower, North Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region Postal Code: 017000	Tel: 0477-8188000 Fax: 0477-8188002
	Chifeng	1	Chifeng	Address: CNCB Tower, No. 128 West Hada Street, Hongshan District, Chifeng, Inner Mongolia Autonomous Region Postal Code: 024000	Tel: 0476-8235558 Fax: 0476-8867007
24	Guangxi Zhuang Autonomous Region	14			
	Nanning	10	Nanning Branch	Address: No. 36-1, Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	Tel: 0771-5569881 Fax: 0771-5569889
	Liuzhou	2	Liuzhou Branch	Address: No. 7, South Side of Guizhong Avenue, Liuzhou, Guangxi Zhuang Autonomous Region Postal Code: 545026	Tel: 0772-2083625 Fax: 0772-2083622
	Qinzhou	2	Qinzhou Branch	Address: No. 10, Xingfuyuan Shidaimingcheng, South Building Floor 1 to 3, Yongfu West Road, Qinzhou, Guangxi Postal Code: 535000	Tel:0777-2366139 Fax:0777-3253388
25	Heilongjiang Province	10			
	Harbin	9	Harbin Branch	Address: No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province Postal Code: 150090	Tel: 0451-55558112 Fax: 0451-53995558
	Mudanjiang	1	Mudanjiang Branch	Address: No. 80 Xisantiao Road, Xi'an District, Mudanjiang City, Heilongjiang Province Postal Code: 157099	Tel: 0453-6313011 Fax: 0453-6131016
26	Jilin Province	13			
	Changchun	12	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130041	Tel: 0431-81910011 Fax: 0431-81910123
	Jilin	1	Jilin Branch	Address: No. 818 East Jiefang Road, Changyi District, Jilin, Jilin Province Postal Code: 132001	Tel: 0432-65156011 Fax: 0432-65156100

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
27	Xinjiang Uighur Autonomous Region	8			
	Urumqi	8	Urumqi Branch	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	Tel: 0991-2365966 Fax: 0991-2365888
28	Hainan Province	3			
	Haikou	3	Haikou Branch	Address: F/1-3, Banshan Hua Yuan, No.1 Middle Jinmao Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	Tel:0898-68578310 Fax:0898-68578364
29	Qinghai Province	1			
	Sining	1	Sining Branch	Address: No.1 Jiaotong Lane, Xining, Qinghai Province Postal Code:810008	Tel:0971-8812655 Fax:0971-8812616
30	Ningxia Hui Autonomous Region	1			
	Yinchuan	1	Yinchuan Branch	Address: No.160 Middle Beijing Road, Yinchuan, Ningxia Hui Autonomous Region Postal Code:750002	Tel:0951-7659955 Fax:0951-7659558
31	Hong Kong Special Administrative Region	2			
		1	China Investment and Finance Limited	Address: Room 2106, 21/F, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	Tel: +852-25212353 Fax: +852-28017399
		1	CITIC International Financial Holdings Limited	Address: Room 2701-9, 27/F, CITIC Tower 1 Tim Mei Avenue, Central, Hong Kong	Tel: +852-36073000 Fax: +852-25253303
32	Zhejiang Province Lin-An City	1	Zhejiang Lin-An CITIC Village and Township Bank Corporation Limited	Address: No. 777, Shijing Street, Jincheng Road, Lin'an, Zhejiang Province Postal Code: 311300	Tel:0571-61109006 Fax:0571-61106889

Definition

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
Board of Directors	Board of Directors
Board of Supervisors	Board of supervisors of the Bank
Central Bank/PBC	The People's Bank of China
CBRC	China Banking Regulatory Commission
China AMC	China Asset Management Co., Ltd.
China Securities	China Securities Co., Ltd.
CIAM	CITIC International Assets Management Limited
CIAM Group	CIAM Group Limited
CIFL	China Investment and Finance Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Asset Management	CITIC Asset Management Corporation Ltd.
CITIC Capital	CITIC Capital Holdings Limited
CITIC Group	CITIC Group Corporation, formerly known as CITIC Group which was renamed as CITIC Group Corporation on 27 December 2011 after restructuring
CITIC Holdings	CITIC Holdings Company Limited
CITIC Kingview	CITIC Kingview Capital Management Co., Ltd.
CITIC Limited	CITIC Limited
CITIC Pacific	CITIC Pacific Limited
CITIC-Prudential Insurance	CITIC-Prudential Life Insurance Company Ltd.
CITIC Real Eastate	CITIC Real Estate Corporation Limited
CITIC Resources	CITIC Resources Holdings Limited
CITIC Securities	CITIC Securities Co., Ltd.
CITIC Securities (Zhejiang)	CITIC Securities (Zhejiang) Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
China UnionPay	China UnionPay Company Limited
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
CNCBI	China CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
Commercial Banks Law	Law of the People's Republic of China on Commercial Banks
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
GIL	Gloryshare Investments Limited
Group	China CITIC Bank Corporation Limited and its subsidiaries
IFRS	International Financial Reporting Standards
Joint-stock Banks	Including China CITIC Bank, China Merchants Bank, Minsheng Bank, Industrial Bank, Pudong Development Bank, China Everbright Bank, Huaxia Bank, Ping'an Bank and Guangdong Development Bank
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
KPMG Huazhen	KPMG Huazhen Certified Public Accountants (Special General Partnership)
MOF	Ministry of Finance of the People's Republic of China
MOST	The Ministry of Science and Technology of the People's Republic of China
NSSF	National Council for Social Security Fund
reporting period	The year ended 31 December 2013
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China
Tencent	Tencent Holding Limited
Tianan Insurance	Tianan Insurance Co., Ltd.

In this report, geographical regions, as defined for description about the Bank's business breakdown and loan distribution by location, are as follows:

"Yangtze River Delta" refers to the following areas where tier-one branches of the Bank are located: Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo, Wuxi and Wenzhou, as well as the Bank's subsidiary Lin'an CITIC Rural Bank;

"Pearl River Delta and West Strait" refers to the following areas where tier-one branches of the Bank are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, Haikou, Quanzhou and Foshan;

"Bohai Rim" refers to the following areas where tier-one branches of the Bank are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan;

"Central region" refers to the following areas where tier-one branches of the Bank are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

"Western region" refers to the following areas where tier-one branches of the Bank are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining and Yinchuan;

"Northeastern region" refers to the following areas where tier-one branches of the Bank are located: Shenyang, Changchun and Harbin;

"Head Office" refers to the headquarter of the Bank and the Credit Card Center; and

"Hong Kong" includes all the operations of CIFL, CIFH and their respective subsidiaries.

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