



中信銀行  
CHINA CITIC BANK

# 2014 ANNUAL REPORT

China CITIC Bank Corporation Limited

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

Stock Code: 0998



## 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 of the Bank adopted the full text and summary of the 2014 Annual Report on 20 March 2015. 11 out of the 11 eligible directors attended the meeting on site. The supervisors of the Bank attended the meeting as non-voting delegates.

The Bank's 2014 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 2014 as adopted by the Board of Directors and to be submitted to the 2014 Annual Shareholders' General Meeting for deliberation. In consideration of its proposed non-public offering of A Shares to China Tobacco Corporation, pursuant to relevant regulatory requirements, and in order not to affect the progress of the non-public offering and promote its own long-term development, the Bank will not make any dividend distribution in cash for FY2014.

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, Ms. Li Qingping as President of the Bank, Mr. Fang Heying as Vice President of the Bank in charge of financial function, and Mr. Lu Wei as General Manager of Finance and Accounting Department, hereby guarantee the truthfulness, accuracy and completeness of the financial report contained in the 2014 Annual Report.

## Material Risk Reminder

The Bank has described in detail the major risks exposed 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 among the earliest emerging commercial banks established during China's reform and opening up and China's first commercial bank participating in financing at both domestic and international 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 positive contributions to China's economic development.

As one of the strongest domestic commercial banks in terms of capital base, CITIC Bank has grown rapidly in the wave of economic development in China. With simultaneous listing of A + H shares (SH601998, HK0998) in 2007, CITIC Bank has gone both public and international and become a national commercial bank with strong comprehensive competitive edges. In July 2014, CITIC Bank ranked 37th in terms of consolidated tier-one capital of the whole Group and 48th in terms of total assets among the "Top 1,000 World Banks" published by *The Banker* magazine of the United Kingdom, ranking among the best of all Chinese commercial banks. In May 2014, CITIC Bank ranked 134th among the "Top 2,000 Global Enterprises" published by the *Forbes* magazine.

The Bank provides corporate customers with integrated financial solutions in corporate banking, international business, financial market transactions, investment banking, supply chain finance, cash management, domestic and overseas factoring and asset custody, and offers individual customers diversified financial products and services covering retail banking, credit card, personal loan, safe deposit box, wealth management, private banking and going abroad finance. For both corporate and individual customers, the Bank provides all-round finance services in fund and wealth management, e-banking and small & micro enterprise finance.

As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank, holding 67.13% of the Bank's total issued and outstanding shares. The Bank had 1,230 outlets in 121 large and medium cities in mainland China, which were mainly distributed in coastal areas in Eastern China and economically developed cities in Central and Western China, and employed over 50,000 employees nationwide. The Bank had three subsidiaries, namely, CITIC International Financial Holdings Limited (CIFH) and China Investment and Finance Limited (CIFL) in Hong Kong, and Zhejiang Lin'an CITIC Rural Bank in mainland China, plus a representative office in London. CITIC Bank International (CNCBI), a subsidiary of CIFH, had over 1,800 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（簡稱「中信銀行」）
Registered Name in English:	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as “CNCB”)
Legal Representative:	Chang Zhenming
Authorized Representatives:	Li Qingping, 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:	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal code of the registered address:	100027
Office Address:	No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal code of the office address:	100010
Official Website:	bank.ecitic.com
Telephone Number/Fax Number:	+86-10-89938900/+86-10-85230081
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: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Website designated by the SEHK to publish H-share annual report: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
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:	8 December 2014
Authority of Registration:	State Administration for Industry & Commerce, PRC
Registration Number of Business License:	100000000006002
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5

## | Contact Persons and Contact Details

	Secretary to the Board of Directors	Securities Representative of the Company
Name	Li Xin	Wang Junwei
Address	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Telephone Number	+86-10-89938900	+86-10-89938900
Fax Number	+86-10-85230081	+86-10-85230081
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	8 December 2014
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 two registrations for changes in business scope at the State Administration for Industry and Commerce, which took place on 23 November 2012 and 8 December 2014, respectively.

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 payment, and underwriting of government bonds; trading of government bonds and financial bonds; placements with and from banks and other non-bank financial institutions; foreign exchange trading and agency foreign exchange trading; bank card business; L/C services and guarantee; agency receipt 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 QFII; other businesses approved by the banking regulatory authority under the State Council; concurrent insurance agency business (expiring on 8 September 2017); and (2) general business: none.

### | Changes of the Controlling Shareholder since the Listings

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, Hong Kong Monetary Authority and other regulatory authorities, CITIC Group transferred all its equity interest in the Bank to CITIC Corporation Limited (formerly known as CITIC Limited prior to its renaming in August 2014). As at the end of the reporting period, CITIC Corporation 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 the report for details regarding changes of the Bank's controlling shareholder.

# Financial Highlights

## | Operating Performance

*Unit: RMB million*

Item	2014	2013	Growth rate (%)	2012
Operating income	124,839	104,813	19.11	89,711
Total profit	54,574	52,549	3.85	41,609
Net profit attributable to shareholders of the Bank	40,692	39,175	3.87	31,032
Net operating cash flow	34,150	(136,228)	—	(55,426)
Per share				
Basic earnings per share (RMB)	0.87	0.84	3.57	0.66
Diluted earnings per share (RMB)	0.87	0.84	3.57	0.66
Net operating cash flow per share (RMB)	0.73	(2.91)	—	(1.18)

## | Profitability Indicators

Item	2014	2013	Increase/ (decrease) in percentage point	2012
Return on average assets (ROAA)	1.07%	1.20%	(0.13)	1.10%
Return on average equity (ROAE)	16.77%	18.48%	(1.71)	16.65%
Cost-to-income ratio (excluding business tax and surcharges)	30.41%	31.43%	(1.02)	31.58%
Credit cost	1.06%	0.62%	0.44	0.84%
Net interest spread	2.19%	2.40%	(0.21)	2.61%
Net interest margin	2.40%	2.60%	(0.20)	2.81%

## | Scale Indicators

*Unit: RMB million*

Item	2014	2013	Growth rate (%)	2012
Total assets	4,138,815	3,641,193	13.67	2,959,939
Total loans and advances to customers	2,187,908	1,941,175	12.71	1,662,901
Total liabilities	3,871,469	3,410,468	13.52	2,756,853
Total deposits from customers	2,849,574	2,651,678	7.46	2,255,141
Placements from banks and non-bank financial institutions	19,648	41,952	(53.17)	17,894
Total equity attributable to the Bank's shareholders	259,677	225,601	15.10	198,356
Net asset per share attributable to the Bank's shareholders (RMB)	5.55	4.82	15.10	4.24

## Financial Highlights

### Asset Quality Indicators

*Unit: RMB million*

Item	2014	2013	Growth rate (%)/increase/ (decrease) in percentage point	2012
Performing loans	2,159,454	1,921,209	12.40	1,650,646
Non-performing loans (NPLs)	28,454	19,966	42.51	12,255
Allowance for impairment of loans	51,576	41,254	25.02	35,325
NPL ratio	1.30%	1.03%	0.27	0.74%
Provision coverage ratio	181.26%	206.62%	(25.36)	288.25%
The ratio of allowance for impairment of loans to total loans	2.36%	2.13%	0.23	2.12%

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

### Capital Adequacy Indicators

Item	As at 31 December 2014	As at 31 December 2013	Increase/ (decrease) in percentage point	As at 31 December 2012
Core tier-one capital adequacy ratio	8.93%	8.78%	0.15	9.29%
Tier-one capital adequacy ratio	8.99%	8.78%	0.21	9.29%
Capital adequacy ratio	12.33%	11.24%	1.09	12.42%

### Supplementary Financial Indicators

Major Indicators <sup>(1)</sup>	Standard (%)	Bank data (%)		
		31 December 2014	31 December 2013	31 December 2012
Liquidity ratio	≥25	51.82	46.40	52.20
Including: RMB	≥25	52.59	43.45	48.85
Foreign currencies	≥25	40.45	106.78	86.48
Loan-to-deposit ratio <sup>(2)</sup>	≤75	73.08	72.79	73.59
Including: RMB	≤75	74.44	72.35	74.12
Foreign currencies	≤75	56.47	79.83	64.12

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

(2) Discounted bills are included in loans.

### Differences between International and Chinese Accounting Standards

There is no difference between the net asset at 2014 year-end and the net profit for 2014 calculated by the Group according to the Chinese accounting standards and those calculated by the Group as per corresponding international standards.



## | Five-Year Financial Summary

Item	Unit: RMB million				
	2014	2013	2012	2011	2010
<b>Operating performance</b>					
Operating income	124,839	104,813	89,711	77,092	56,356
Total profit	54,574	52,549	41,609	41,590	28,695
Net profit attributable to the Bank's shareholders	40,692	39,175	31,032	30,819	21,509
Net operating cash flow	34,150	(136,228)	(55,426)	300,104	37,325
<b>Per share</b>					
Basic earnings per share (RMB)	0.87	0.84	0.66	0.71	0.53
Diluted earnings per share (RMB)	0.87	0.84	0.66	0.71	0.53
Net operating cash flow per share (RMB)	0.73	(2.91)	(1.18)	6.41	0.96
<b>Scale indicators</b>					
Total assets	4,138,815	3,641,193	2,959,939	2,765,881	2,081,314
Total loans and advances to customers	2,187,908	1,941,175	1,662,901	1,434,037	1,264,245
Total liabilities	3,871,469	3,410,468	2,756,853	2,587,100	1,956,776
Total deposits from customers	2,849,574	2,651,678	2,255,141	1,968,051	1,730,816
Total equity attributable to the Bank's shareholders	259,677	225,601	198,356	174,496	120,175
Net asset per share attributable to the Bank's shareholders (RMB)	5.55	4.82	4.24	3.73	3.08
<b>Profitability indicators</b>					
Return on average assets (ROAA)	1.07%	1.20%	1.10%	1.27%	1.13%
Return on average equity (ROAE)	16.77%	18.48%	16.65%	20.92%	19.29%
Cost-to-income ratio (excluding business tax and surcharges)	30.41%	31.43%	31.58%	29.88%	33.63%
Credit cost	1.06%	0.62%	0.84%	0.43%	0.36%
Net interest spread	2.19%	2.40%	2.61%	2.85%	2.54%
Net interest margin	2.40%	2.60%	2.81%	3.00%	2.63%
<b>Asset quality indicators</b>					
NPL ratio	1.30%	1.03%	0.74%	0.60%	0.67%
Provision coverage ratio	181.26%	206.62%	288.25%	272.31%	213.51%
The ratio of allowance for impairment of loans to total loans	2.36%	2.13%	2.12%	1.62%	1.44%
<b>Capital adequacy ratio</b>					
Core tier-one capital adequacy ratio	8.93%	8.78%	9.29%	—	—
Tier-one capital adequacy ratio	8.99%	8.78%	9.29%	—	—
Capital adequacy ratio	12.33%	11.24%	12.42%	—	—



**Chang Zhenming**  
*Chairman*

## *Chairman's* Statement

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Hereby, I would like to report to all shareholders that, as at the end of 2014, the Group's total assets reached RMB4.14 trillion, a growth of 13.67% over the end of the previous year; total liabilities stood at RMB3.87 trillion, an increase of 13.52% over the end of the previous year; and customer deposits totaled RMB 2.85 trillion, an increase of 7.46% over the end of the previous year. For the whole year, the Group realized net profit attributable to shareholders of RMB40.7 billion, an increase of 3.9% over the previous year, a return on average assets (ROAA) of 1.07% and a return on average equity of 16.77%, indicating steady operating profitability. With a non-performing loan (NPL) ratio of 1.30% and a provision coverage ratio of 181.26%, the Group kept its asset quality basically stable. The Group raised its end-of-year capital adequacy ratio to 12.33%. In 2014, CITIC Bank ranked 48th in terms of total assets in the "Top 1,000 World Banks" published by The Banker magazine of the United Kingdom, up 9 notches over the previous year.

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2014 witnessed complexity and changes of the international environment and divided growth momentums among major economies. The US recorded strong economic growth; the economy of Euro zone and Japan fell into an all-time low; and the emerging economies suffered continuous slowdown of growth. The Chinese economy, caught in the overlap of shift of growth gear, labor pains of restructuring and digestion of previous stimulation policies, entered the "new normal" of economic development. In the face of such a complex external business environment, the Bank diligently implemented the spirit of the third and fourth Plenary Sessions of the 18th Congress of the Communist Party of China and the Economic Work Conference of the central government, enjoyed healthy steady growth in all aspects of its work, and presented delightful results to all shareholders, customers and social communities.

## Chairman's Statement

Hereby, I would like to report to all shareholders that, as at the end of 2014, the Group's total assets reached RMB4.14 trillion, a growth of 13.67% over the end of the previous year; total liabilities stood at RMB3.87 trillion, an increase of 13.52% over the end of the previous year; and customer deposits totaled RMB 2.85 trillion, an increase of 7.46% over the end of the previous year. For the whole year, the Group realized net profit attributable to shareholders of RMB40.7 billion, an increase of 3.9% over the previous year, a return on average assets (ROAA) of 1.07% and a return on average equity of 16.77%, indicating steady operating profitability. With a non-performing loan (NPL) ratio of 1.30% and a provision coverage ratio of 181.26%, the Group kept its asset quality basically stable. The Group raised its end-of-year capital adequacy ratio to 12.33%. In 2014, CITIC Bank ranked 48th in terms of total assets in the "Top 1,000 World Banks" published by The Banker magazine of the United Kingdom, up 9 notches over the previous year.

In 2014, CITIC Limited successfully injected its full equity interest into CITIC Pacific, and thereafter went public in its entirety on SEHK, thus further improving its financing capacity. During the year, the Bank initiated its RMB12 billion directional re-financing plan and introduced China Tobacco Corporation as its strategic investor to further diversify its shareholder structure, open more space for growth of capitalization, and facilitate its long-term healthy development.

In 2014, the Board of Directors ensured continuing healthy development of all business lines thanks to its persistent attention to changes in the market situation and regulatory policies, and its timely, prudent and scientific decision making on material matters of the Bank. All directors actively participated in decision making of the Board of Directors through sufficient consideration and discussion of various proposals based on their respective professional backgrounds and practical experiences. The Board of Directors inspected and supervised the senior management with regard to the latter's operation and management, execution of board resolutions, as well as implementation of annual business plans and investment programs. By completing amendments to its Articles of Association and relevant rules of procedure, the Bank was able to keep enhancing the operation mechanism of the Board of Directors, and render strong support to upgrading the quality and efficiency of board decision making.

2014 was a year of severe challenges to risk management in the banking sector. Sizing up the situation, the Bank attached critical importance to prevention and control of risk. The Board of Directors adopted rules and regulations including the Program on Reform of the Risk Management System to achieve full coverage and clarify division of duties for risk management, which effectively increased independence, professionalism and scientific approach of risk management. At the same time, in consideration of the problems and deficiencies found in external and internal reviews, the Board of Directors adopted various measures such as inspection in parallel with correction as well as full initiation of rectifications to further refine the Bank's internal control system and consolidate the foundation for our risk control and management.

In 2014, against the backdrop of rapid promotion of interest rate liberalization, continuous acceleration of financial and technological disintermediation, and increasingly fierce horizontal competition in the banking sector, the Bank made vigorous efforts to drive forth business innovation and transformation. As a result, the Bank harvested fruits in transformation of its retail banking business, continued to maintain its competitive edges in corporate banking, smoothly completed main-body development and periphery renovation of its new core system, and greatly upgraded customer experience and brand reputation with the successful launch of various innovative financial products. In annual competitions organized by domestic and overseas media, trade associations and regulatory authorities, the Bank won numerous honors, including but not limited to “The Bank of Best Cash Management”, “Innovation of the Best Internet Ecological System” and “The Bank of Best International Financial Services”.

In 2014, the Bank diligently performed its social responsibility to promote sustainable economic, social and environmental development. As a proactive response to government strategies, the Bank took the initiative to serve economic development in China, made continuing efforts to build customer service capacity, and protected consumer rights and interests. With its enthusiasm to pay back to the society, the Bank actively participated in charity events and public benefit activities. In parallel with the conduct of green credit business, the Bank placed tougher control on credit grant to heavy-pollution high-energy-consumption and overcapacity industries, and practiced energy conservation and emission reduction to create a green bank.

Looking forward to 2015, major uncertainties will linger on in the economic situations and monetary policies of major countries in the world. The Bank will continue to closely follow the government paces in deepening reform and adjusting structure, adapt itself to the “new normal” of economic development with proactive efforts, strengthen confidence for development, vigorously execute strategies, promote business transformation, reinforce risk control, continuously promote innovation, and endeavor to return the trust and support of all our shareholders, customers, and social communities with outstanding performance.



**Chang Zhenming**  
*Chairman and Non-executive Director*  
20 March 2015





**Li Qingping**  
*Executive Director and President*

## *President's* Statement

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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 center round our development goals, accelerate business transformation, reinforce strategy execution, and maximize our efforts to build CNCB into the bank of best integrated financial services!

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2014 was a year of severe challenges to business operation of the Bank. In face with the complex and changeable economic and financial situations and fierce market competition at home and abroad, the Bank sought development with simultaneous practice of multiple measures, promoted reform with the formulation of pertinent strategies, and prevented and controlled risks to the best of its capacity. The combination of all these efforts enabled the Bank to produce satisfactory operating results.

### **| Progress of business operation amid stability, and achievements in business restructuring**

For 2014, the Group realized RMB124.8 billion net operating income, up 19.1%, and RMB30.1 billion fee-based income, a substantial growth of 57%. Thanks to concerted efforts of the whole bank, the ratio of non-performing loans (“NPLs”) was controlled below the planned level, up 0.27 percentage point over the end of the previous year, indicating overall controllability of asset quality.

## President's Statement

As at the end of the reporting period, the growth of settlement deposits and institutional low-cost deposits together took up nearly 50% of total incremental corporate deposits; personal loans accounted for 26.1% of total loans, up 2.9 percentage points over the end of the previous year; the proportion of loans to the risky retail and wholesale and manufacturing sectors in total corporate loans declined by 6.5 percentage points over the end of the previous year; the share of fee-based income reached 24%, a remarkable increase of 6 percentage points over the previous year; and the proportion of net operating income from retail finance went up to 19.9%, a rise of 0.8 percentage point over the previous year.

### **| Rapid growth of key businesses, and gradual development of unique branding**

In 2014, the Bank continued to lead all joint-stock banks with regard to the balance of corporate deposits, ranking No.1 in both the balance and proportion of corporate Renminbi core deposits, and topped the market with regard to incremental asset custody scale. In addition, the Bank enjoyed rapid development of supply chain finance and cash management businesses, and maintained its leadership in internet finance.

In the meanwhile, the Bank promoted “hard transformation” and “soft transformation” of its business outlets on all fronts. With the development of uniform bank-wide standards for outlet development, team construction of internal trainers in retail banking, quicker introduction of service and marketing norms, and vigorous promotion of performance score management, the outlets markedly enhanced their productivity. In the comprehensive marketing initiative “CITIC Red • Thanksgiving Season”, the Bank obtained 2.12 million new customers through joint marketing of corporate and retail banking, doubled the sales of wealth management, insurance and fund products, and raised the proportion of retail fee-based income in total retail operating income to 42%. Greater efforts in retail product innovation and promotion enabled the Bank to enjoy continuous improvement in customer experience and brand reputation with the good performance of “Xin Jin Bao”, loans backed with home mortgage, online loans and credit card loans.

As at the end of the reporting period, the Bank ranked No.4 in terms of the transaction volumes of both foreign exchange market making and Renminbi interest rate derivatives at the financial market, maintained its No.1 position in cross-border Renminbi business, open market bond issuance scale and syndicated loan scale, and leaped to No. 3 in terms of direct bill discounting among all joint-stock banks.

### **| Withstanding test in risk management, and further improvement of the risk management system**

In 2014, efforts were intensified at the Bank to manage, control and screen risks. Key areas such as iron and steel, coal, local government financing vehicle (“LGFV”), and steel trade were managed by name list; risk screening was practiced in business lines including mutual and joint guarantee, pledge and mortgage of commodities, personal business loans, and financing wealth management; RMB55.9 billion risk loans were intercepted and dissolved with the use of multiple measures; and the loan exit exercise covered 2,401 corporate loan recipient accounts amounted to RMB60.4 billion.

To further improve its risk management, the Bank completed the program for reform of the risk management system, defined the main parties responsible for risk management, and set up “three defense lines” for management of major risks. Meanwhile, the Bank reinforced team construction of chief risk officers, and produced the measures for their performance evaluation. In addition, the Bank actively promoted the categorization of technical function for full-time reviewers and a database of experts shared bank-wide, in a view to cultivating a team of full-time professional reviewers. Further, the Head Office adopted various measures to review and approve loan applications with greater efficiency, such as setting deadlines for loan approval, optimization of the review and approval process, and availability of a green corridor.

More efforts were made by the Bank to intensify internal control and compliance management, implement the responsibility system for case prevention, and toughen the pursuit of liability for occurrence of NPLs. Moreover, the Bank set up the dual-line reporting mechanism whereby the audit function reported to both the Board of Directors/Board of Supervisors and the senior management, started to operate the vertical independent audit system consisting of “one audit department and four audit centers”, and prioritized review of “drawer agreements”. All these further strengthened audit supervision of the Bank.



## | Progress in refined management, and gradual improvement of management efficiency and capacity

In 2014, the Bank ensured credit grant and supported business development to the best of its capacity by increasing active liabilities and mobilizing assets. By prioritizing the implementation of requirements on cost saving and efficiency increase, the Bank reinforced refined management of budgeting for fixed costs, guided branches to enhance efficiency of input and output, and thereby effectively guaranteed attainment of profit targets.

In its efforts to reinforce capital management, the Bank successfully issued RMB37 billion secondary capital instruments, raising its capital adequacy ratio by 1.2 percentage points. With flexible use of the FTP price lever, the Bank reinforced the guidance towards low-cost stable deposits. In addition, an interest rate monitoring and reporting system was set up by the Bank to enable closer-to-market price of FTP.

## | Faster promotion of platform construction, and further diversification of channel development

2014 witnessed the Bank's further attempts for greater synergy within CITIC Group. Among others, the Bank as agency sold RMB90.2 billion financial products for the group, nearly 6 times growth over the previous year, provided "2+1" (2 financial + 1 non-financial) comprehensive services to 318 customers in cooperation with subsidiaries of CITIC Group. The Bank completed preparation work for incorporation of CITIC Financial Leasing Company, and walked faster in its overseas platform construction as was seen in the completion of its three-year plan for overseas development, establishment of a representative office in London, and the increase of its shareholding in CIFL. Vigorous efforts were put in place to promote the construction of the new core system project, which has already completed main-body development and periphery renovation of the core system. In addition, successful docking of the Bank's G2 payment system with the PBC system further consolidated the foundation for operation and management of the Bank.

In line with the orientation of developing "small, smart and multi-business-model" outlets, the Bank defined four business models for its outlets, namely, smart outlets, comprehensive outlets, boutique outlets and community (small and micro) outlets. Quicker construction of e-channels was witnessed in the launch of new-version mobile banking and WeChat banking, optimization of personal internet banking and self-service terminals, and higher e-channel operation ratio of products.

2015 is the beginning year for the Bank to execute its new strategy. Successful work throughout 2015 therefore is of far-reaching implications. In accordance with its 2015-2017 Strategic Plan, the Bank will grasp development opportunities, consolidate business foundation, accelerate business transformation, optimize structural adjustment, deepen institutional reform, safeguard the risk bottom line, and build up capacity for sustainable development. Specifically, the Bank will focus on the following five aspects: (1) complete the three-year development plan and intensify management of strategy execution; (2) pace up transformation of business operation to strive for higher profitability level; (3) toughen risk management and internal control, and resolutely guard the risk bottom line; (4) deepen structural reform for practical improvement of management efficiency; and (5) promote the Party building on all fronts and practice the unique CITIC culture.

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 center round our development goals, accelerate business transformation, reinforce strategy execution, and maximize our efforts to build CNCB into the bank of best integrated financial services!



Li Qingping  
Executive Director and President  
20 March 2015

# Honors

- January**
- In the “2013 Top 10 Chinese Financial Institutions with Excellence in Wealth Management” & “Golden Pixiu Award” initiative jointly sponsored by the *Financial Management* magazine and the “Gold Brand Wealth” (Beijing) Institute, CITIC Bank was honored “Bank of the Year 2013 for Gold Brand Innovative Credit Cards”.
- February**
- The China Foreign Exchange Trade System (CFETS) graded CITIC Bank as “Top 100 Banks of the Year 2013 in Inter-bank Renminbi Market Transactions” and named CITIC Bank “The Best Market-Maker of the Inter-bank Foreign Exchange Market in 2013”.
  - The brand of CITIC Bank was valued at USD3.044 billion and ranked 72th among the “Top 500 Global Bank Brands” published by *The Banker* magazine of the United Kingdom.
- March**
- The China Foundation for Poverty Alleviation (“CFPA”) named the Bank “Ambassador of the Year 2013 for Poverty Reduction”.
- April**
- The Securities Times newspaper named the Bank “The Most Influential Bank in Investment Banking in the China Region in 2014”.
  - “Tian Luo Di Wang” (literally meaning tight encirclement) project of CITIC Bank’s Credit Center won the “2014 Award for Best Customer Relation Management/Best Data Analysis in China” from *The Asian Banker* magazine.
  - The Credit Card Customer Service Center of CITIC Bank was rated “The 2013-2014 Best CCCS Call Center in China” by the International Customer Management Institute (China) and CCCS Committee.
- May**
- When assessing operational quality of financial institutions, the Deutsche Bank granted CITIC Bank the “Award for Excellence in USD and EUR Clearing Efficiency”.
  - CITIC Bank ranked 134th among the “Top 2,000 Global Companies” published by the *Forbes* magazine.
- June**
- The China Banking Association (CBA) granted CITIC Bank the “2013 Award for Excellent Contribution to Public Benefit and Charity”.
  - CITIC Bank won the “Award for Innovation of Online Supply Finance” from the China E-commerce Innovation Promotion Coalition.
- July**
- CITIC Bank ranked 37th in terms of tier-one capital and 48th in terms of total assets out of the “Top 1,000 World Banks” published by *The Banker* magazine of the United Kingdom.
  - ChinaHR.com placed CITIC Bank on the list of “Top 10 Employers among All National Banks” when electing the “Best Employers in the Eye of Chinese University Students”.
  - The *China Securities Daily* rated CITIC Bank No.69 in the “Golden Ox Top 100 Listed Companies in China in 2013”.
  - In its “2014 Comprehensive Assessment of Banks”, Sina Finance honored CITIC Bank “The Most Popular Internet Bank”.



- September**
- *The 21st Century Business Herald* named CITIC Bank “The Bank of the Year for Excellence in Cash Management” in its “Golden Shell Award for Excellent Asset Management in China”.
  - In “FX POLL 2014”, the *Asia Money* magazine rated CITIC Bank “No.1 (Overall) Best Foreign Exchange Service Provider in China”, “No.1 Provider of Best Foreign Exchange Products and Services in China”, “No.1 Best Foreign Exchange Option Provider in China”, and “No.1 in Best Foreign Exchange Research and Market Coverage in China”.
- October**
- CITIC Bank won from CITI Group the “2013 Award for Excellence in USD Clearing”.
  - The China Banking Association (CBA) granted CITIC Bank the “Award for Best Performance”, “Award for Best Management”, and “Award for Best Transactions” in syndicated loans in 2013.
- November**
- The *Securities Daily* granted CITIC Bank the “Jinding Award” at the 10th Annual China Securities Market Conference.
  - In the competition for the “2014 Award for Excellence in Treasury Management in China” jointly sponsored by Treasury Management China and West Lake Finance and Treasury Management Institute, CITIC Bank was rated “The Bank of Best Treasury Management”.
- December**
- *The Securities Times* named CITIC Bank “The Bank of Best Internet Innovation in 2014”.
  - JPMorgan Chase issued CITIC Bank “USD Clearing Quality Accreditation” in its assessment of operational quality of financial institutions worldwide.
  - CITIC Bank won the honor of “The Best Bank for Asset Custody” in the competition for the title “2014 Industry Leaders in China” sponsored by JRJ.com.
  - *The Economic Observer* granted CITIC Bank the honor of “Bank of Excellent Innovation” in its fourth Competition for Banks of Excellence in China.
  - CITIC Bank won the “2014 Award for Best Customer Experience of Online Banking in China” from China Financial Certification Authority (“CFCA”) during the latter’s election of the “The Best E-Banks in China”.
  - Money Week rated CITIC Bank “The Best Bank of the Year 2014 in Auto Finance Service”.
  - CITIC Bank was named “The Best Bank for Wealth Management in 2014” by Eastmoney.com.





## Progress of business operation amid stability, and achievements in business restructuring

The Group realized RMB124.8 billion net operating income, up 19.1%, and RMB30 billion fee-based income, a substantial growth of 57%.

The ratio of non-performing loans (“NPLs”) was controlled below the planned level, up 0.27 percentage point over the end of the previous year, indicating overall controllability of asset quality.





# Management Discussion and Analysis

## Economic, Financial and Regulatory Environments

In 2014 the world economy lingered on in deep post-crisis adjustment, with global recovery remaining uneven and monetary policies of major economies continuing to divide. In the US, acceleration of economic recovery led to official exit of its QE policy. The EU, however, was forced to expand its monetary easing in face with weak economic recovery in the Euro zone. Some emerging economies saw marked slowdown of their economic growth. The global economy was expected to grow 3.3% in 2014, as per statistics of the International Monetary Fund (IMF) in October.

In 2014, the Chinese economy enjoyed steady operation in the overall sense. In the overlap of “shift of economic growth gear, labor pains of restructuring, and digestion of previous stimulus policies”, economic development in China assumed the new normal. Gross domestic product (GDP) of the year reached RMB63.6463 trillion, a growth of 7.4% over the previous year. Investment in fixed assets (excluding those made by rural households) for the whole year totaled RMB50.2005 trillion, up 15.7% over the previous year. Total retail sales of consumer goods reached RMB26.2394 trillion, up 12.0% over the previous year. Import and export of goods registered RMB26.4334 trillion, an increase of 2.3% over the previous year, and trade surplus was RMB2.3489 trillion. Consumer price index (CPI) increased by 2.0% over the previous year and producer’s price index (PPI) decreased by 1.9%.

In 2014, the financial industry in China in general continued to operate in a healthy and steady way. As at the end of 2014, the balance of M2 and M1 supply reached RMB122.84 trillion and RMB34.81 trillion respectively, a growth of 12.2% and 3.2% over the end of the previous year respectively; total social financing for the full year registered RMB16.46 trillion, down RMB859.8 billion over the end of the previous year. Loan balance of financial institutions totaled RMB81.68 trillion, an increase of RMB9.78 trillion; and the aggregate balance of Renminbi deposits rose to RMB113.86 trillion, up RMB9.48 trillion. The average exchange rate of Renminbi against the US dollar for the whole year stood at 6.1428, appreciating 0.8% over the previous year. Domestic banks enjoyed healthy operation and constant growth in business scale, with their operation, management and risk indicators steadily improved to the level of international standards when measured against corresponding regulatory requirements, but were exposed to challenges such as financial disintermediation and rebound of non-performing loans at the same time.

In 2014, the regulators stringently safeguarded the bottom line of financial risk, rendered vigorous support to the real economy, and promoted reform and transformation of the banking sector. Among others, the regulators adopted a series of special measures in succession, including but not limited to setting up special departments to regulate inter-bank business, establishing deposit deviation indicators, adjusting statistical calibers for loans and deposits, and improving ways for small and micro business to repay loans, and soliciting public comments on major regulatory reforms such as the deposit insurance system and measures for regulation of wealth management products. Meanwhile, the regulators further sped up interest rate liberalization, shifting the ceiling of Renminbi deposit interest rate to 1.2 times the benchmark rate, and expanding the daily fluctuation range of the parity exchange rate of Renminbi against the US dollar from 1% to 2%. Further, the CBRC successively promulgated the Measures for Price Management of Services Offered by Commercial Banks and the supplementary Government Pricing Catalogue for Services Offered by Commercial Banks in addition to more intensive inspection of service charges made by commercial banks in a view to standardizing such service charging practices.

## Core Competitiveness Analysis

**Very unique corporate banking business.** In terms of corporate banking business, the Bank is a leader among peers relatively, with its cash management, supply chain finance, asset custody, and factoring, etc., enjoying strong market competitiveness. The Bank is one of the earliest banks in mainland China to provide cash management services for enterprises. With 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. The Bank has always promoted supply chain finance as a strategic core business of its corporate banking, has set up a sound supply chain finance product system, and provided supply chain finance services focusing on core enterprises as well as upper and lower stream corporate customers.

**Early fruits in the transformation of retail banking.** The Bank fully promoted transformation of outlets, set uniform standards for outlet construction, and established a strong team of retail banking internal trainers of up to 1,500 to pace up the introduction of standard services and marketing norms bank-wide. Thanks to its greater efforts in retail product innovation and promotion, the Bank enjoyed continuous improvement in customer experience and brand reputation of retail product such as Xinjinbao, “loans backed with home mortgage”, online loans and credit card loans. Xinjinbao is capable of both bank settlement and fund yield and has hence become an important tool of the Bank for customer expansion. In addition, the Bank launched the “CITIC Red” series of retail banking comprehensive marketing activities whereby, with the integration of “product + service benefits + market events + brand promotion”, five unique “great individual items” of retail banking were created for best customer experience, namely, CITIC going abroad finance, mobile banking, Xinjinbao, loans backed with home mortgage, and CNCB credit card Yueka (“Joy Card”).





## Management Discussion and Analysis

### Constant exhibition of synergy advantages.

Supported by the unique competitive edges of CITIC Group in paying equal attention to financial services and the real economy, the Bank accelerated the construction of an integrated platform to provide customers with a package of integrated financial services. By leveraging the competitive edges of CITIC Group's "full licenses" in financial services, the Bank strengthened the sharing of customer and channel resources with financial companies under CITIC Group and boosted cooperation with these companies in product innovation and comprehensive marketing. As a result, the Bank was able to promote synergy through professional management, incentivize synergy with performance evaluation and profit distribution, and consolidate synergy with rules, policies and processes. Efforts were paced up to explore the development of an integrated platform for the Bank, including, among others, the timely establishment of non-banking financial subsidiaries such as financial leasing companies, construction of the CIFL all-function investment banking platform, and development of an integrated financial services platform.



Efforts were paced up to explore the development of an integrated platform for the Bank, including, among others, the timely establishment of non-banking financial subsidiaries such as financial leasing companies, construction of the CIFL all-function investment banking platform, and development of an integrated financial services platform.

**Continuous innovation in online financial services.** The Bank continued to develop its core competitiveness in the wave of internet economy to the best of its capacity via persistent innovation of concepts, products and marketing. The Bank launched the CyberPayment mobile APP positioned as an open public platform, launched WeChat banking and mobile banking version 3.0, satisfying customer need for new banking experience in the mobile and internet era. The Bank took the industrial lead to initiate the "fully online" cross-border e-commerce foreign exchange payment business. In addition, based on optimizing internet lending to traders with POS terminals, the Bank launched new products such as Huitongda online business lending based on supply chain finance, personal credit consumer loans based on agency payroll payment data, and personal credit consumer loans based on payment of contribution to the public housing fund. All these exhibited the capacity of the Bank in continuous innovation of online financial services.

**Constant enhancement of brand influence:** During the reporting period, the Bank ranked 134th among the "Top 2,000 Global Companies" published by the Forbes magazine, and was awarded "The Best Innovative Online Bank" and "Excellent Bank for Strategic Innovation" during the competition sponsored by authoritative press including Securities Times and The Economic Observer Newspaper. All these further enhanced the Bank's brand influence.

## | Analysis of the Financial Statements

### Overview

During the reporting period, in face with the complex situation, the Group sought development with simultaneous practice of multiple measures, and promoted reform with the formulation of pertinent strategies, achieving stable healthy growth in the overall sense.

**Steady growth of business scale:** As at the end of the reporting period, the Group's total assets reached RMB4.138815 trillion, up 13.67% over the end of the previous year, of which total loans to customers stood at RMB2.187908 trillion, up 12.71% over the end of the previous year; and total deposits from customers amounted to RMB2.849574 trillion, up 7.46% over the end of the previous year.

**Stabilization of profitability:** For the reporting period, the Group realized net profit attributable to the Bank's shareholders of RMB40.692 billion, an increase of 3.87% over the previous year; profit before provisioning of RMB78.247 billion, representing an increase of 21.33% year-on-year; net interest income of RMB94.741 billion, an increase of 10.57% over the previous year; and net non-interest income of RMB30.098 billion, an increase of 57.38% over the previous year.

**Overall controllability of asset quality:** As at the end of the reporting period, the Group's balance of non-performing loans (NPLs) stood at RMB28.454 billion, up RMB8.488 billion or 42.51% over the end of the previous year; and its NPL ratio was 1.30%, up 0.27 percentage point over the end of the previous year. The Group registered a provision coverage ratio of 181.26%, down 25.36 percentage points over the end of the previous year and a ratio of allowance for impairment of loans to total loans of 2.36%, up 0.23 percentage point over the end of the previous year.



## Income Statement Analysis

Unit: RMB million

Item	2014	2013	Increase/decrease	Growth rate (%)
Net interest income	94,741	85,688	9,053	10.57
Net non-interest income	30,098	19,125	10,973	57.38
Operating income	124,839	104,813	20,026	19.11
Operating expenses	(46,796)	(40,435)	6,361	15.73
Asset impairment loss	(23,673)	(11,940)	11,733	98.27
Profit before taxation	54,574	52,549	2,025	3.85
Income tax	(13,120)	(12,832)	288	2.24
Net profit	41,454	39,717	1,737	4.37
Including: Net profit attributable to the Bank's shareholders	40,692	39,175	1,517	3.87

## Operating Income

During the reporting period, the Group realized an operating income of RMB124.839 billion, up 19.11% over the previous year, in which net interest income accounted for 75.9%, down 5.9 percentage points over the previous year; and net non-interest income accounted for 24.1%, up 5.9 percentage points over the previous year.

Item	2014 (%)	2013 (%)	2012 (%)
Net interest income	75.9	81.8	84.1
Net non-interest income	24.1	18.2	15.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## Net Interest Income

During the reporting period, the Group realized a net interest income of RMB94.741 billion, up RMB9.053 billion or 10.57% 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

Item	2014			2013		
	Average balance	Interest	Average yield/cost rate	Average balance	Interest	Average yield/cost rate
<b>Interest-earning assets</b>						
Loans and advances to customers	2,074,393	130,975	6.31	1,827,191	113,001	6.18
Investment in debt securities	347,377	13,992	4.03	366,702	13,754	3.75
Deposits with the Central Bank	506,580	7,554	1.49	466,610	6,988	1.50
Deposits and placements with banks and non-bank financial institutions	276,146	9,834	3.56	309,811	12,292	3.97
Amounts under resale agreements	231,483	12,194	5.27	223,041	11,200	5.02
Receivables investments and others	507,814	31,090	6.12	106,586	6,100	5.72
<b>Subtotal</b>	<b>3,943,793</b>	<b>205,639</b>	<b>5.21</b>	<b>3,299,941</b>	<b>163,335</b>	<b>4.95</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	2,766,590	67,268	2.43	2,469,243	54,213	2.20
Deposits and placements from banks and non-bank financial institutions	773,693	38,168	4.93	501,149	20,613	4.11
Amounts under repurchase agreements	23,280	839	3.60	10,300	467	4.53
Issued debt certificates and others	101,600	4,623	4.55	59,475	2,354	3.96
<b>Subtotal</b>	<b>3,665,163</b>	<b>110,898</b>	<b>3.02</b>	<b>3,040,167</b>	<b>77,647</b>	<b>2.55</b>
Net interest income		94,741			85,688	
Net interest spread <sup>(1)</sup>			2.19			2.40
Net interest margin <sup>(2)</sup>			2.40			2.60

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.

## Management Discussion and Analysis

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	2014 compared with 2013		
	Scale factor	Interest rate factor	Total
<b>Assets</b>			
Loans and advances to customers	15,277	2,697	17,974
Investment in debt securities	(725)	963	238
Deposits with the Central Bank	600	(34)	566
Deposits and placements with banks and non-bank financial institutions	(1,337)	(1,121)	(2,458)
Amounts under resale agreements	424	570	994
Receivables investments and others	22,950	2,040	24,990
<b>Changes in interest income</b>	<b>37,189</b>	<b>5,115</b>	<b>42,304</b>
<b>Liabilities</b>			
Deposits from customers	6,542	6,513	13,055
Deposits and placement from banks and non-bank financial institutions	11,202	6,353	17,555
Amounts under repurchase agreements	588	(216)	372
Issued debt certificates and others	1,668	601	2,269
<b>Changes in interest expense</b>	<b>20,000</b>	<b>13,251</b>	<b>33,251</b>
<b>Changes in net interest income</b>	<b>17,189</b>	<b>(8,136)</b>	<b>9,053</b>

### Net Interest Margin and Net Interest Spread

For the reporting period, the Group's net interest margin stood at 2.40%, down 0.20 percentage point over the previous year, and net interest spread registered 2.19%, down 0.21 percentage point over the previous year.

### Interest Income

During the reporting period, the Group realized an interest income of RMB205.639 billion, up RMB42.304 billion or 25.90% 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 RMB3,299.941 billion in 2013 to RMB3,943.793 billion in 2014, up RMB643.852 billion or 19.51%.

### Interest Income from Loans and Advances to Customers

During the reporting period, the Group achieved RMB130.975 billion interest income from loans and advances to customers, up RMB17.974 billion or 15.91% over the previous year, of which the interest income from loans and advances to customers of the Bank reached RMB127.12 billion, up RMB17.245 billion or 15.70%. Due to impacts of the steadily rising loan pricing level, average yield of loans increased by 0.13 percentage point.

### Classification by Term

#### The Group

*Unit: RMB million*

Item	2014			2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,158,337	73,784	6.37	1,043,876	65,718	6.30
Long and medium-term loans	916,056	57,191	6.24	783,315	47,283	6.04
<b>Total</b>	<b>2,074,393</b>	<b>130,975</b>	<b>6.31</b>	<b>1,827,191</b>	<b>113,001</b>	<b>6.18</b>

The Bank

Unit: RMB million

Item	2014			2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,135,848	72,830	6.41	1,023,538	64,931	6.34
Long and medium-term loans	828,859	54,290	6.55	709,770	44,944	6.33
<b>Total</b>	<b>1,964,707</b>	<b>127,120</b>	<b>6.47</b>	<b>1,733,308</b>	<b>109,875</b>	<b>6.34</b>

Classification by Business

The Group

Unit: RMB million

Item	2014			2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,508,473	96,338	6.39	1,352,818	84,952	6.28
Discounted bills	74,347	3,782	5.09	83,186	4,497	5.41
Personal loans	491,573	30,855	6.28	391,187	23,552	6.02
<b>Total</b>	<b>2,074,393</b>	<b>130,975</b>	<b>6.31</b>	<b>1,827,191</b>	<b>113,001</b>	<b>6.18</b>

The Bank

Unit: RMB million

Item	2014			2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,421,570	93,169	6.55	1,280,166	82,516	6.45
Discounted bills	66,107	3,516	5.32	75,337	4,216	5.60
Personal loans	477,030	30,435	6.38	377,805	23,143	6.13
<b>Total</b>	<b>1,964,707</b>	<b>127,120</b>	<b>6.47</b>	<b>1,733,308</b>	<b>109,875</b>	<b>6.34</b>

Interest Income from Investment in Debt Securities

During the reporting period, the Group's interest income from investment in debt securities stood at RMB13.992 billion, up RMB238 million or 1.73% over the previous year. With yield and risk taken into comprehensive consideration, the Group reinforced adjustment of variety and maturity structure of debt securities. As a result, the Group's average yield of debt securities increased by 0.28 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 RMB7.554 billion, representing an increase of RMB566 million or 8.10% over the previous year. The average balance of deposits with the Central Bank grew RMB39.97 billion due to the growth in both deposits from customers and Renminbi statutory deposit reserve within the year.

## Management Discussion and Analysis

### 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 RMB9.834 billion, down RMB2.458 billion or 20.00% over the previous year, mainly because the average balance of deposits and placements with banks and non-bank financial institutions decreased by RMB33.665 billion and the average yield of such deposits and placements dropped 0.41 percentage point.

### Interest Income from Amounts under Resale Agreements

For the reporting period, the Group's interest income from amounts under resale agreements stood at RMB12.194 billion, up RMB994 million or 8.88% over the previous year, mainly due to the RMB8.442 billion increase in the average balance of amounts under resale agreements and the 0.25 percentage-point rise in the average yield thereof.

### Interest Income from Receivables Investments and others

During the reporting period, the Group's interest income from receivables investments and others stood at RMB31.09 billion, up RMB24.99 billion over the previous year, mainly due to the continuous expansion of investment in fund trust schemes and in asset management schemes for securities brokerages.

### Interest Expense

During the reporting period, the Group's interest expense was RMB110.898 billion, up RMB33.251 billion or 42.82% 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 RMB3,040.167 billion in 2013 to RMB3,665.163 billion in 2014, up RMB624.996 billion or 20.56%; while the average cost rate of interest-bearing liabilities increased from 2.55% in 2013 to 3.02% in 2014, up 0.47 percentage point.

### Interest Expense on Deposits from Customers

During the reporting period, the interest expense on deposits from customers of the Group was RMB67.268 billion, up RMB13.055 billion or 24.08% over the previous year, of which the interest expense on deposits from customers of the Bank was RMB65.279 billion, up RMB12.449 billion or 23.56% over the previous year, primarily due to the fact that the average balance of deposits from customers increased by RMB273.103 billion and the average cost rate increased by 0.24 percentage point.

### The Group

*Unit: RMB million*

Item	2014			2013		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time deposits	1,350,745	46,486	3.44	1,154,956	37,421	3.24
Demand deposits	896,846	6,550	0.73	871,069	5,840	0.67
Subtotal	2,247,591	53,036	2.36	2,026,025	43,261	2.14
Personal deposits						
Time deposits	395,557	13,788	3.49	339,032	10,581	3.12
Demand deposits	123,442	444	0.36	104,186	371	0.36
Subtotal	518,999	14,232	2.74	443,218	10,952	2.47
Total	2,766,590	67,268	2.43	2,469,243	54,213	2.20

## The Bank

Unit: RMB million

Item	2014			2013		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
<b>Corporate deposits</b>						
Time deposits	1,291,735	45,223	3.50	1,105,257	36,541	3.31
Demand deposits	874,670	6,525	0.75	853,549	5,817	0.68
<b>Subtotal</b>	<b>2,166,405</b>	<b>51,748</b>	<b>2.39</b>	<b>1,958,806</b>	<b>42,358</b>	<b>2.16</b>
<b>Personal deposits</b>						
Time deposits	354,200	13,111	3.70	307,694	10,127	3.29
Demand deposits	110,370	420	0.38	91,372	345	0.38
<b>Subtotal</b>	<b>464,570</b>	<b>13,531</b>	<b>2.91</b>	<b>399,066</b>	<b>10,472</b>	<b>2.62</b>
<b>Total</b>	<b>2,630,975</b>	<b>65,279</b>	<b>2.48</b>	<b>2,357,872</b>	<b>52,830</b>	<b>2.24</b>

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

During the reporting period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB38.168 billion, up RMB17.555 billion or 85.16% over the previous year, which was primarily due to the increase of RMB272.544 billion in the average balance of deposits and placements from banks and non-bank financial institutions and the rise of average cost rate of such deposits and placements from 4.11% to 4.93%, an increase of 0.82 percentage point.

## Interest Expense on Amounts Under Repurchase Agreements

During the reporting period, the Group's interest expense on amounts under repurchase agreements was RMB839 million, up RMB372 million or 79.66% over the previous year, which was primarily due to the increase of RMB12.98 billion in the average balance of amounts under repurchase agreements, and which in the meanwhile offset the impact of the 0.93 percentage point drop 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 RMB4.623 billion, an increase of RMB2.269 billion or 96.39% over the previous year, which primarily was 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 RMB30.098 billion, an increase of RMB10.973 billion or 57.38% over the previous year.

Unit: RMB million

Item	2014	2013	Increase/decrease	Growth rate (%)
Net fee and commission income	25,313	16,811	8,502	50.57
Net gain from trading	3,437	1,750	1,687	96.40
Net gain/(loss) from investment securities	834	(203)	1,037	—
Net (loss)/gain from arbitrage	(2)	2	(4)	—
Other net operating gain	516	765	(249)	(32.55)
<b>Total net non-interest income</b>	<b>30,098</b>	<b>19,125</b>	<b>10,973</b>	<b>57.38</b>

## Management Discussion and Analysis

### Net Fee and Commission Income

During the reporting period, the Group realized a net fee and commission income of RMB25.313 billion, an increase of RMB8.502 billion or 50.57% over the previous year, of which fee and commission income amounted to RMB26.972 billion, up 47.24% 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.

Item	<i>Unit: RMB million</i>			
	2014	2013	Increase/decrease	Growth rate (%)
Bank card fees	8,358	5,626	2,732	48.56
Consulting and advisory fees	5,638	4,259	1,379	32.38
Settlement fees	2,213	1,551	662	42.68
Wealth management service fees	3,958	2,491	1,467	58.89
Agency fees	1,795	1,242	553	44.52
Custody and other trusted services commissions	1,522	776	746	96.13
Guarantee fees	3,178	2,347	831	35.41
Others	310	26	284	1,092.31
<b>Subtotal</b>	<b>26,972</b>	<b>18,318</b>	<b>8,654</b>	<b>47.24</b>
<b>Fee and commission expense</b>	<b>(1,659)</b>	<b>(1,507)</b>	<b>(152)</b>	<b>10.09</b>
<b>Net fee and commission income</b>	<b>25,313</b>	<b>16,811</b>	<b>8,502</b>	<b>50.57</b>

### Net gain from trading

For the reporting period, the Group registered RMB3.437 billion net gain from trading, up RMB1.687 billion or 96.40% over the previous year, mainly due to the increase in realized gain from delivered derivatives.

Item	<i>Unit: RMB million</i>			
	2014	2013	Increase/decrease	Growth rate (%)
Net gain from foreign exchange trading	827	1,377	(550)	(39.94)
Derivatives	1,658	179	1,479	826.26
Debt securities	913	192	721	375.52
Financial instruments designated at fair value through profit or loss	39	2	37	1,850.00
<b>Net gain from trading</b>	<b>3,437</b>	<b>1,750</b>	<b>1,687</b>	<b>96.40</b>

### Loss on Asset Impairment

During the reporting period, the Group's asset impairment loss was RMB23.673 billion, increasing by RMB11.733 billion or 98.27% over the previous year, of which impairment loss on loans and advances to customers stood at RMB22.074 billion, up RMB10.747 billion or 94.88% over the previous year.

Item	<i>Unit: RMB million</i>			
	2014	2013	Increase/decrease	Growth rate (%)
Loans and advances to customers	22,074	11,327	10,747	94.88
Off-balance sheet items	4	43	(39)	(90.70)
Securities investment	(7)	(74)	67	—
Others <sup>(Note)</sup>	1,602	644	958	148.76
<b>Total loss on asset impairment</b>	<b>23,673</b>	<b>11,940</b>	<b>11,733</b>	<b>98.27</b>

Note: Including the impairment losses of deposits and placements with banks and non-bank financial institutions, receivables investment, repossessed assets and other assets.

### Operating Expenses

During the reporting period, the Group incurred RMB46.796 billion operating expense, representing an increase of RMB6.361 billion or 15.73% over the previous year, of which staff cost and property & equipment expenses increased by 18.87% and 24.81% respectively over the previous year.

During the reporting period, the Group recorded a cost to income ratio of 37.49%, down 1.09 percentage points over the previous year.

Item	<i>Unit: RMB million</i>			
	2014	2013	Increase/decrease	Growth (%)
Staff cost	21,156	17,797	3,359	18.87
Property and equipment expenses and amortization	7,782	6,235	1,547	24.81
Other general administrative expenses	9,031	8,915	116	1.30
<b>Subtotal</b>	<b>37,969</b>	<b>32,947</b>	<b>5,022</b>	<b>15.24</b>
Business tax and surcharges	8,827	7,488	1,339	17.88
<b>Total operating expenses</b>	<b>46,796</b>	<b>40,435</b>	<b>6,361</b>	<b>15.73</b>
Cost-to-income ratio	37.49%	38.58%		down 1.09 percentage points
percentage points Cost-to-income ratio (deducting business tax and surcharges)	30.41%	31.43%		down 1.02 percentage points

### Income Tax Analysis

During the reporting period, the Group's income tax expense was RMB13.12 billion, up RMB288 million or 2.24% over the previous year. The Group's effective tax rate stood at 24.04%, down 0.38 percentage point over the previous year.

## Management Discussion and Analysis

### Balance Sheet Analysis

As at the end of the reporting period, total assets of the Group reached RMB4,138.815 billion, up 13.67% over the end of the previous year, mainly due to increase in the Group's loans and advances to customers and receivables investment; and total liabilities of the Group reached RMB3,871.469 billion, up 13.52% 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

Item	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	2,136,332	51.7	1,899,921	52.2
Receivables investment	653,256	15.8	300,158	8.2
Investment in debt securities and equity instruments <sup>(1)</sup>	415,740	10.0	346,003	9.5
Cash and deposits with the Central Bank	538,486	13.0	496,476	13.6
Net amount of deposits and placements with banks and non-bank financial institutions	162,171	3.9	254,025	7.0
Amounts under resale agreements	135,765	3.3	286,767	7.9
Others <sup>(2)</sup>	97,065	2.3	57,843	1.6
<b>Total assets</b>	<b>4,138,815</b>	<b>100.0</b>	<b>3,641,193</b>	<b>100.0</b>
Deposits from customers	2,849,574	73.6	2,651,678	77.8
Deposits and placement from banks and non-bank financial institutions	707,940	18.3	601,619	17.6
Amounts under repurchase agreements	41,609	1.1	7,949	0.2
Debt certificates issued	133,488	3.4	76,869	2.3
Others <sup>(3)</sup>	138,858	3.6	72,353	2.1
<b>Total liabilities</b>	<b>3,871,469</b>	<b>100.0</b>	<b>3,410,468</b>	<b>100.0</b>

Notes: (1) Including financial assets measured at fair value through profit or loss for the current period, available-for-sale investments, held-to-maturity investments and investment in associates.

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

(3) Including loans from the Central Bank, financial liabilities measured at fair value through profit or loss for the current period, derivative financial liabilities, staff remunerations 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 RMB2,187.908 billion, up 12.71% over the end of the previous year; loans and advances accounted for 51.7% of total assets, down 0.5 percentage point over the end of the previous year.



The Group

*Unit: RMB million*

Item	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,565,318	71.6	1,435,853	74.0
Discounted bills	68,043	3.1	64,769	3.3
Personal loans	554,547	25.3	440,553	22.7
<b>Total loans and advances to customers</b>	<b>2,187,908</b>	<b>100.0</b>	<b>1,941,175</b>	<b>100.0</b>
Impairment provision for loans and advances to customers	(51,576)		(41,254)	
Net loans and advances to customers	2,136,332		1,899,921	

As at the end of the reporting period, loans and advances of the Bank totalled RMB2,063.478 billion, up 12.16% over the end of the previous year.

The Bank

*Unit: RMB million*

Item	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,465,078	71.0	1,356,527	73.7
Discounted bills	59,888	2.9	57,188	3.1
Personal loans	538,512	26.1	426,129	23.2
<b>Total loans and advances to customers</b>	<b>2,063,478</b>	<b>100.0</b>	<b>1,839,844</b>	<b>100.0</b>
Impairment provision for loans and advances to customers	(51,136)		(40,861)	
Net loans and advances to customers	2,012,342		1,798,983	

Please refer to “Management Discussion and Analysis – Risk Management” of the 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 RMB415.878 billion, up RMB69.67 billion or 20.12% over the end of the previous year.

## Management Discussion and Analysis

### Portfolio Analysis of Investment in Debt Securities and Equity Instruments

Unit: RMB million

Item	31 December 2014		31 December 2013	
	Value	Proportion (%)	Value	Proportion (%)
<b>Debt securities investment</b>				
Held-to-maturity debt securities	177,998	42.8	154,897	44.7
Available-for-sale debt securities	183,382	44.1	172,472	49.8
Trading financial assets	12,746	3.1	10,966	3.2
Financial assets measured at fair value through profit or loss for the current period	838	0.2	50	—
<b>Total debt securities</b>	<b>374,964</b>	<b>90.2</b>	<b>338,385</b>	<b>97.7</b>
<b>Investment funds</b>				
Available-for-sale investment funds	462	0.1	610	0.2
Investment in associates	2	—	2	—
<b>Total investment funds</b>	<b>464</b>	<b>0.1</b>	<b>612</b>	<b>0.2</b>
<b>Equity investments</b>				
Available-for-sale equity investments	1,769	0.4	207	0.1
Interest in associates	870	0.2	2,176	0.6
<b>Total equity investments</b>	<b>2,639</b>	<b>0.6</b>	<b>2,383</b>	<b>0.7</b>
<b>Certificates of deposit and interbank negotiable certificates of deposit</b>				
Trading financial assets	13,923	3.3	—	—
Available-for-sale financial assets	23,888	5.8	4,828	1.4
<b>Total certificates of deposit and interbank negotiable certificates of deposit</b>	<b>37,811</b>	<b>9.1</b>	<b>4,828</b>	<b>1.4</b>
<b>Total investment in debt securities and equity instruments</b>	<b>415,878</b>	<b>100.0</b>	<b>346,208</b>	<b>100.0</b>
<b>Impairment provision for investment in debt securities and equity instruments</b>	<b>(138)</b>		<b>(205)</b>	
<b>Net investment in debt securities and equity instruments</b>	<b>415,740</b>		<b>346,003</b>	
<b>Market value of listed securities in held-to-maturity debt securities</b>	<b>1,350</b>		<b>741</b>	

As at the end of the reporting period, the Group's investment in debt securities reached RMB374.964 billion, an increase of RMB36.579 billion or 10.81% over the end of the previous year, primarily because the Group made proactive adjustments to the structure and scale 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 2014		31 December 2013	
	Value	Proportion (%)	Value	Proportion (%)
Banks and non-bank financial institutions	147,570	39.4	115,964	34.3
Government	85,258	22.7	83,815	24.7
Policy banks	44,306	11.8	47,296	14.0
Public entities	68	—	25	—
Others <sup>(Note)</sup>	97,762	26.1	91,285	27.0
<b>Total debt securities</b>	<b>374,964</b>	<b>100.0</b>	<b>338,385</b>	<b>100.0</b>

Note: Primarily corporate bonds.

## Domestic and Overseas Debt Securities Investment

*Unit: RMB million*

	31 December 2014		31 December 2013	
	Value	Proportion (%)	Value	Proportion (%)
Domestic	362,717	96.7	328,529	97.1
Overseas	12,247	3.3	9,856	2.9
<b>Total debt securities</b>	<b>374,964</b>	<b>100.0</b>	<b>338,385</b>	<b>100.0</b>

## Foreign Currency Denominated Debt Securities Held

As at the end of the reporting period, the Group held a total of USD3.825 billion worth of foreign currency denominated debt securities (equivalent to RMB23.404 billion), of which the Bank held USD1.355 billion, accounting for 35.44% of the total. The Group's impairment provision for foreign currency denominated debt securities investment was USD18 million (equivalent to RMB110 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 2014.

*Unit: RMB million*

Name of Debt Securities	Book value	Maturity Date	Annual interest rate (%)	Provision for impairment
Debt Securities 1	4,000	18 Feb. 2029	5.98%	—
Debt Securities 2	4,000	28 Feb. 2017	4.20%	—
Debt Securities 3	3,144	23 Apr. 2017	4.11%	—
Debt Securities 4	2,850	20 Feb. 2015	3.76%	—
Debt Securities 5	2,631	23 Apr. 2019	4.32%	—
Debt Securities 6	2,578	7 Dec. 2015	4.27%	—
Debt Securities 7	2,202	6 May 2017	3.33%	—
Debt Securities 8	2,044	17 Jan. 2018	4.12%	—
Debt Securities 9	2,000	14 Mar. 2017	3.95%	—
Debt Securities 10	1,795	20 Mar. 2024	6.60%	—
<b>Total debt securities</b>	<b>27,244</b>			

## Management Discussion and Analysis

### Changes in Provision for Investment Impairment Losses

*Unit: RMB million*

Item	As at 31 December 2014	As at 31 December 2013
<b>Beginning balance</b>	205	279
Accruals during the year <sup>(1)</sup>	(7)	(74)
Write-offs	—	—
Transfer in/(out) <sup>(2)</sup>	(60)	—
<b>Ending balance</b>	138	205

Notes: (1) Equal to the net provision for impairment losses recognized in the consolidated income statement 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 2014			31 December 2013		
	Nominal principal	Fair value		Nominal principal	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	298,961	977	754	207,698	1,504	1,316
Currency derivatives	978,918	6,406	6,208	899,683	6,245	5,535
Other derivatives	50,769	843	385	63,255	—	2
<b>Total</b>	1,328,648	8,226	7,347	1,170,636	7,749	6,853

### On-Balance Sheet Interest Receivables

*Unit: RMB million*

Item	31 December 2013	Increase during the current period	Collected during the current period	31 December 2014
Loan interest receivable	6,051	130,975	(128,359)	8,667
Interest receivable for debt securities	6,139	13,992	(13,646)	6,485
Interest on receivables investment	2,092	31,087	(21,989)	11,190
Other interest receivables	1,951	29,585	(30,363)	1,173
<b>Total</b>	16,233	205,639	(194,357)	27,515
Allowances for impairment losses on interest receivables	(688)	(1,286)	584	(1,390)
<b>Net interest receivable</b>	15,545	204,353	(193,773)	26,125

## Repossessed Assets

Item	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Original value of repossessed assets				
— Land, premises and constructions	446		350	
— Others	458		23	
Provisions for impairment of repossessed assets				
— Land, premises and constructions	(156)		(82)	
— Others	(9)		(23)	
<b>Total book value of repossessed assets</b>	<b>739</b>		<b>268</b>	

Unit: RMB million

## Deposits from Customers

## The Group

As at the end of the reporting period, deposits from customers of the Group totalled RMB2,849.574 billion, an increase of RMB197.896 billion or 7.46% over the end of the previous year; and deposits from customers accounted for 73.6% of total liabilities, down 4.2 percentage points over the end of the previous year.

Item	31 December 2014		31 December 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
<b>Corporate deposits</b>						
Demand deposits	969,511	34.0	938,894	35.4	851,951	37.8
Time deposits	1,365,914	48.0	1,198,043	45.2	990,759	43.9
Including: negotiated deposits	102,886	3.6	99,205	3.7	100,108	4.4
<b>Subtotal</b>	<b>2,335,425</b>	<b>82.0</b>	<b>2,136,937</b>	<b>80.6</b>	<b>1,842,710</b>	<b>81.7</b>
<b>Personal deposits</b>						
Demand deposits	147,658	5.2	127,430	4.8	102,120	4.5
Time deposits	366,491	12.8	387,311	14.6	310,311	13.8
<b>Subtotal</b>	<b>514,149</b>	<b>18.0</b>	<b>514,741</b>	<b>19.4</b>	<b>412,431</b>	<b>18.3</b>
<b>Total deposits from customers</b>	<b>2,849,574</b>	<b>100.0</b>	<b>2,651,678</b>	<b>100.0</b>	<b>2,255,141</b>	<b>100.0</b>

Unit: RMB million

## The Bank

As at the end of the reporting period, the Bank's deposits from customers totalled RMB2,699.597 billion, an increase of RMB170.109 billion or 6.73% over the end of the previous year.

Item	31 December 2014		31 December 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
<b>Corporate deposits</b>						
Demand deposits	945,128	35.0	919,663	36.4	833,520	38.8
Time deposits	1,300,408	48.2	1,143,519	45.2	948,090	44.1
Including: negotiated deposits	102,040	3.8	98,340	3.9	99,340	4.6
<b>Subtotal</b>	<b>2,245,536</b>	<b>83.2</b>	<b>2,063,182</b>	<b>81.6</b>	<b>1,781,610</b>	<b>82.9</b>
<b>Personal deposits</b>						
Demand deposits	133,223	4.9	113,377	4.4	86,953	4.1
Time deposits	320,838	11.9	352,929	14.0	280,019	13.0
<b>Subtotal</b>	<b>454,061</b>	<b>16.8</b>	<b>466,306</b>	<b>18.4</b>	<b>366,972</b>	<b>17.1</b>
<b>Total deposits from customers</b>	<b>2,699,597</b>	<b>100.0</b>	<b>2,529,488</b>	<b>100.0</b>	<b>2,148,582</b>	<b>100.0</b>

Unit: RMB million

## Management Discussion and Analysis

### Breakdown of Deposits from Customers by Currency

Unit: RMB million

Item	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
RMB	2,528,282	88.7	2,411,528	90.9
Foreign currencies	321,292	11.3	240,150	9.1
<b>Total</b>	<b>2,849,574</b>	<b>100.0</b>	<b>2,651,678</b>	<b>100.0</b>

### Breakdown of Deposits by Geographical Location

Unit: RMB million

Item	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim <sup>(Note)</sup>	733,731	25.7	697,913	26.3
Yangtze River Delta	662,812	23.3	638,334	24.1
Pearl River Delta and West Strait	423,903	14.9	386,531	14.6
Central region	429,345	15.1	373,731	14.1
Western region	373,237	13.1	348,232	13.1
Northeastern region	77,525	2.7	85,365	3.2
Overseas	149,021	5.2	121,572	4.6
<b>Total deposits from customers</b>	<b>2,849,574</b>	<b>100.0</b>	<b>2,651,678</b>	<b>100.0</b>

Note: Including the Head Office.

### Breakdown of Deposits by Remaining Maturity

#### The Group

Unit: RMB million

Item	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits	1,034,980	36.3	478,493	16.8	577,728	20.3	224,456	7.9	19,768	0.7	2,335,425	82.0
Personal deposits	255,039	9.0	113,404	4.0	104,769	3.7	40,936	1.3	1	—	514,149	18.0
<b>Total</b>	<b>1,290,019</b>	<b>45.3</b>	<b>591,897</b>	<b>20.8</b>	<b>682,497</b>	<b>24.0</b>	<b>265,392</b>	<b>9.2</b>	<b>19,769</b>	<b>0.7</b>	<b>2,849,574</b>	<b>100.0</b>

#### The Bank

Unit: RMB million

Item	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits	1,010,574	37.4	425,525	15.8	567,165	21.0	222,504	8.3	19,768	0.7	2,245,536	83.2
Personal deposits	240,604	8.9	75,460	2.8	97,081	3.6	40,915	1.5	1	—	454,061	16.8
<b>Total</b>	<b>1,251,178</b>	<b>46.3</b>	<b>500,985</b>	<b>18.6</b>	<b>664,246</b>	<b>24.6</b>	<b>263,419</b>	<b>9.8</b>	<b>19,769</b>	<b>0.7</b>	<b>2,699,597</b>	<b>100.0</b>

## Shareholders' Equity

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

Unit: RMB million

Item	2014						Total Shareholders' Equity
	Share Capital	Capital Reserve	Surplus Reserve and General Risk Provision	Undistributed Profit	Other comprehensive income	Minority Shareholders' Equity	
1 Jan. 2014	46,787	49,296	59,835	76,690	(7,007)	5,124	230,725
1. Net profit	—	—	—	40,692	—	762	41,454
2. Other comprehensive income	—	—	—	—	5,174	6	5,180
3. Owner's input or reduction of capital	—	—	—	—	—	1,843	1,843
4. Profit distribution	—	—	10,006	(21,796)	—	(66)	(11,856)
31 Dec. 2014	46,787	49,296	69,841	95,586	(1,833)	7,669	267,346

## 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 2014	31 December 2013
Credit commitments		
— Banker's Acceptance bills	712,985	695,944
— Letters of guarantee issued	124,008	114,950
— Letters of credit issued	134,766	199,762
— Irrevocable loan commitments	188,338	137,331
— Credit card commitments	124,106	95,217
<b>Subtotal</b>	<b>1,284,203</b>	<b>1,243,204</b>
Operating leasing commitments	14,084	14,775
Capital commitments	8,413	2,727
Pledged assets	71,219	7,819
<b>Total</b>	<b>1,377,919</b>	<b>1,268,525</b>

## Management Discussion and Analysis

### Cash Flow Statement Analysis

#### Operating Cash Flow

Net operating cash flow registered RMB34.150 billion, representing an increase of RMB170.378 billion over the previous year, which was primarily due to the net cash inflow from financial assets held under resale agreements, loans from Central Bank, and deposits, which off-set cash outflow in the forms of loans and advances to customers and receivables investments.

#### Cash Flow Used in Investing Activities

Net cash flow used in investing activities recorded RMB48.285 billion, up RMB37.961 billion over the previous year, which was primarily due to the increase in net investments and prepayments on purchase of fixed assets.

#### Cash Flows Generated from Financing Activities

Net cash flows generated from financing activities reached RMB44.394 billion, up RMB32.672 billion over the previous year, which was primarily due to the net increase in proceeds from issued debt certificates and due to payment of dividends.

Unit: RMB million

Item	2014	Increase/ Decrease (%)	Major cause
<b>I. Operating cash flow</b>	<b>34,150</b>	—	
Including: Net increase in interbank business (Note)	404,263	(2,614.23)	Decrease in bills under resale agreements
Net increase in loans and advances to customers	(237,111)	(17.85)	Increase in aggregate loans
Net increase in receivables investments	(353,337)	44.97	Increase in asset management schemes for securities brokerages
Net increase in loans from Central Bank	50,050	—	Increase in standing lending Facilities
Net increase in deposits	197,153	(51.39)	Decrease in incremental corporate deposits
<b>II. Cash Flow Used in Investing activities</b>	<b>(48,285)</b>	<b>367.70</b>	
Including: Proceeds from redemption of investments	409,437	(14.41)	Decrease in disposal and repayment of investments
Payments on investments	(446,451)	(7.67)	Increase in held-to-maturity investments and available-for-sale investments
Payments on purchase of fixed assets and other assets	(11,432)	116.02	Increase in prepayments on acquisition of fixed assets
<b>III. Cash Flows Generated from Financing Activities</b>	<b>44,394</b>	<b>278.72</b>	
Including: Proceeds from Issued debt certificates	97,826	221.86	Issuance of subordinated debts and inter-bank deposit certificates
Principal repayment for issued debt certificates	(39,745)	325.67	Repayment of matured deposit certificates and inter-bank deposit certificates
Payment of dividends	(11,856)	68.94	Distribution of cash dividends

Note: Including deposits with banks, placements with banks and non-bank financial institutions, financial assets held under resale agreements, deposits from banks, placements from banks and non-bank financial institutions, and financial assets sold under repurchase agreements.



## Items Measured at Fair Value

*Unit: RMB million*

Item	2014	2013	Changes in fair value for the year	Equity changes at fair value incurred cumulatively during the year
Financial assets at fair value through the profit and loss	27,509	11,018	110	—
Financial assets derivatives	8,226	7,749	-641	—
Available-for-sale financial assets	209,404	177,960	—	723
Investment properties	280	277	2	—
<b>Total</b>	<b>245,419</b>	<b>197,004</b>	<b>-529</b>	<b>723</b>
Financial liabilities at fair value through the profit and loss	573	—	1	—
Financial liabilities derivatives	7,347	6,853	1,589	—
<b>Total</b>	<b>7,920</b>	<b>6,853</b>	<b>1,590</b>	<b>—</b>

## 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 8.93% core tier-one capital adequacy ratio, up 0.15 percentage point over the end of the previous year, 8.99% tier-one capital adequacy ratio, up 0.21 percentage point over the end of the previous year, and 12.33% capital adequacy ratio, up 1.09 percentage points over the end of the previous year.

*Unit: RMB million*

Item	31 December 2014	31 December 2013	Increase/decrease over the end of the previous year
Net core tier-one capital	262,786	228,311	15.10
Net tier-one capital	264,582	228,380	15.85
Net capital	362,848	292,212	24.17
Risk-weighted assets	2,941,627	2,600,494	13.12
Core tier-one capital adequacy ratio	8.93%	8.78%	up 0.15 percentage point
Tier-one capital adequacy ratio	8.99%	8.78%	up 0.21 percentage point
Capital adequacy ratio	12.33%	11.24%	up 1.09 percentage points

## Management Discussion and Analysis

### Segment Report

#### Business Segments

Major business segments of the Group cover corporate banking, retail banking and financial market. Data of these business segments mainly came from the Group's management accounting system.

Unit: RMB million

Business Segment	2014				2013			
	Segment Operating Income	Proportion (%)	Segment Profit before taxation	Proportion (%)	Segment Profit before taxation	Proportion (%)	Segment Profit before taxation	Proportion (%)
Corporate banking	65,163	52.2	25,265	46.3	60,361	57.6	32,202	61.3
Retail banking	25,233	20.2	1,324	2.4	20,470	19.5	1,732	3.3
Financial market business	36,358	29.1	31,571	57.9	25,662	24.5	21,520	41.0
Other business	(1,915)	(1.5)	(3,586)	(6.6)	(1,680)	(1.6)	(2,905)	(5.6)
<b>Total</b>	<b>124,839</b>	<b>100.0</b>	<b>54,574</b>	<b>100.0</b>	<b>104,813</b>	<b>100.0</b>	<b>52,549</b>	<b>100.0</b>

#### Geographical Segments

The table below lists operating results of the Group for the reporting period by geographical segment.

Unit: RMB million

Geographical Segments	31 December 2014				2014	
	Total assets <sup>(Note)</sup>		Total liabilities		Profit before taxation	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta	832,355	20.2	828,692	21.4	6,468	11.9
Pearl River Delta and West Strait	567,700	13.7	564,494	14.6	2,260	4.1
Bohai Rim	916,047	22.2	906,031	23.4	8,516	15.6
Central region	510,466	12.4	503,804	13.0	7,716	14.1
Western region	468,004	11.3	460,468	11.9	8,316	15.2
Northeastern region	89,173	2.2	88,544	2.3	331	0.6
Head Office	1,946,061	47.1	1,742,187	45.0	18,135	33.3
Hong Kong	199,498	4.8	178,132	4.6	2,832	5.2
Inter-segment adjustment	(1,399,806)	(33.9)	(1,400,883)	(36.2)	—	—
<b>Total</b>	<b>4,129,498</b>	<b>100.0</b>	<b>3,871,469</b>	<b>100.0</b>	<b>54,574</b>	<b>100.0</b>

Note: Excluding deferred income tax assets.

Unit: RMB million

Geographical Segments	31 December 2013				2013	
	Total assets <sup>(Note)</sup>		Total liabilities		Profit before taxation	
	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)	—	—
<b>Total</b>	<b>3,632,759</b>	<b>100.0</b>	<b>3,410,468</b>	<b>100.0</b>	<b>52,549</b>	<b>100.0</b>

Note: Excluding deferred income tax assets.

## | Business Overview

### Corporate Finance Business

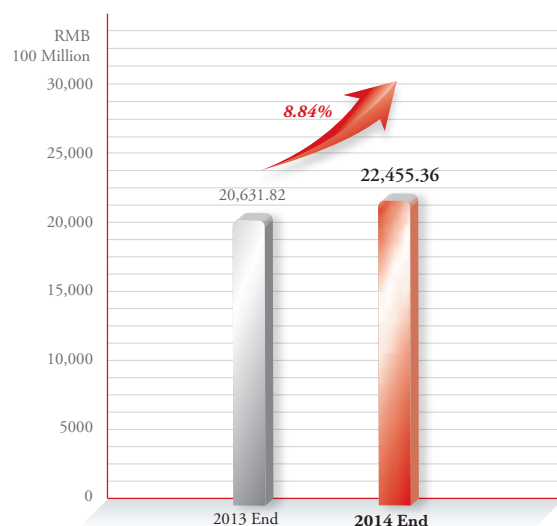
#### Business Overview

During the reporting period, in face with business challenges such as macro economic slowdown, financial disintermediation, interest rate liberalization, impact of internet finance and fiercer horizontal competition, the Bank paced up operational transformation of its corporate finance business, reinforced restructuring of products, customers and income on the basis of inheriting its traditional advantages in corporate banking, and accelerated development of key businesses including supply chain finance, cash management, factoring, and asset custody. As a result, the Bank achieved sustained, rapid and coordinated growth of its corporate banking business. During the reporting period, the Bank realized RMB62.676 billion operating income from its corporate finance business, accounting for 52.38% of its total operating income, and RMB5.068 billion non-interest income from corporate finance, 17.94% of the Bank's total non-interest income.

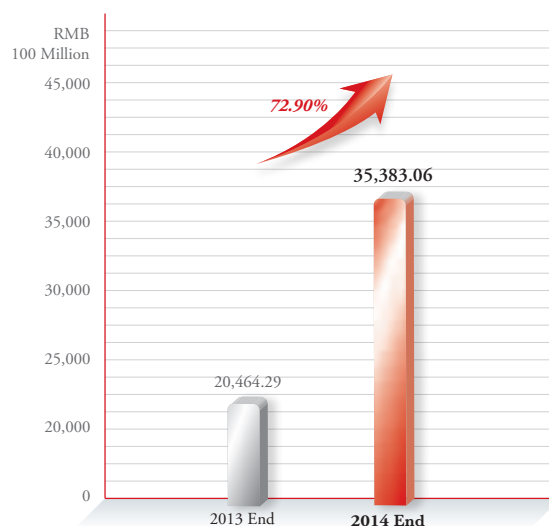
The Bank made proactive efforts to transform the growth model of its corporate liabilities business. As a proactive response to interest rate liberalization the Bank appropriately promoted coordinated growth of market-based deposits, and made more intensive marketing efforts for low-cost liabilities such as corporate settlement deposit and institutional deposit. As at the end of the reporting period, the number of corporate deposit customers reached 355,700 accounts, up 3.98% over the end of the previous year, and corporate deposit balance of the Bank reached RMB2,245.536 billion, up 8.84% over the end of the previous year.

The Bank made efforts to transform the operational model of its corporate banking assets. According to the concept of “developing scale from existing assets and making profit from incremental assets”, the Bank drove forward restructuring of its corporate banking assets. Among others, the Bank expanded the channels for business application of assets, adjusted credit structure, paced up asset turnover, optimized distribution of resources, and endeavored to provide corporate customers with integrated financial service solutions. In addition, the Bank continued to expand financial services for the modern service sector. In parallel with efforts to tap incremental demands of the core market, the Bank also kept pioneering into emerging market segments. Products were innovated to continue the expansion of its competitive advantages as an early starter in financial services, in the hope of building such financial services to be a core source of the Bank's unique market value. As at the end of the reporting period, the Bank's corporate loan balance registered RMB1,524.966 billion, up 7.87% over the end of the previous year, of which the balance of Renminbi corporate general loans registered RMB1,350.982 billion, a growth of RMB113.024 billion over the end of the previous year.

#### Balance of Corporate Deposits



#### Scale of Asset Custody



## Management Discussion and Analysis

### Customer Mix of Corporate Banking

During the reporting period, in order to push forward development of its corporate finance business and reinforce the service philosophy of “customer focus”, the Bank constructed a system for stratified differentiated management of corporate customers, name listing 101 core strategic customers to be directly managed by the Head Office. The Bank tailor made differentiated integrated financial service solutions for each and every of these Head-Office level core strategic customers, launched marketing guidelines for 7 priority industries including automobile, electricity, telecommunication and construction engineering, and newly concluded head-office-to-head-office strategic cooperation agreements with 11 core strategic customers, achieving breakthroughs in marketing of key projects including cash management, debt issuance, bill pool and project finance, etc.

As at the end of the reporting period, daily average balance of deposits from core strategic customers of the Bank stood at RMB191.807 billion, an increase of RMB40.794 billion or 27.01% over the end of the previous year; and non-interest business income from core strategic customers reached RMB845 million, an increase of RMB178 million or 26.68% over the previous year.

### Institutional Banking

During the reporting period, the Bank continued to reinforce professional operation of its institutional banking business, built systematic marketing service platforms for institutional customers, and deepened partnership with institutional customers in public areas such as public finance, social security, land and resources, housing and urban/rural construction, medical care, education, and tobacco, etc. With focus placed on customer needs, the Bank developed professional integrated financial service solutions such as “Social Security e+”, “Tobacco Finance” and “Smart Tourism”, intensified innovation of products, and researched/developed and extended informatized products including concentrated fiscal e-payment, “Bank-Hospital Partnership”, “Bank-School Partnership”, automatic investment plan of lottery, online consumer loans based on payment of contribution to the public housing reserve, etc. During the reporting period, the Bank put into practice over one hundred informatization projects, effectively upgrading the quality of services for institutional customers.

As at the end of the reporting period, the Bank recorded approximately 23,800 institutional customers in all types. During the reporting period, the Bank achieved RMB712.815 billion average daily balance of deposits from institutional customers, which accounted for 34.34% of the average daily balance of corporate deposits, represented an increase of RMB114.597 billion over the previous year, and exceeded the average growth rate of corporate deposits of the Bank.

### Supply Chain Finance

The Bank took the initiative to adjust the structure of its supply chain finance business, i.e., gradually shifted the business perspective of its supply chain finance from traditional bulk commodity to counter cyclical consumer goods. Internet technologies were made full use of to accelerate the development of supply chain finance business for e-commerce traders in line with the general trend of enterprises developing their core business operation models online. In addition to the successful online operation of direct-link projects such as Haier Group online financing, FAW Mazda Motor, and Volkswagen China, the Bank also continued to boost the construction of a centralized management platform for supply chain finance, intensified risk control, and thus ensured healthy sustainable business development.

As at the end of the reporting period, the number of credit-receiving enterprises in the Bank’s supply chain finance business reached 8,774 accounts, an increase of 739 accounts or 9.20% over the end of the previous year; financing balance reached RMB251.189 billion, an increase of RMB34.632 billion or 15.99% over the end of the previous year; such business led to deposit balance of RMB149,398 billion as at the end of the reporting period, an increase of RMB1.312 billion or 0.89% over the end of the previous year.

### Cash Management

The Bank made vigorous efforts to pace up product innovation of cash management, realized online operation of intelligent deposit, agency payment, enterprise total-process business services, seller's online finance backed with pledge of inventories in B2B e-commerce and e-tendering financial service system, etc. Research and development of products such as corporate settlement cards, electronic entrusted loans, online finance backed with pledge of receivables in B2B e-commerce were driven forward. More efforts were made to promote the construction of a multi-bank fund management system and the deployment of cloud service platforms. Following the wave of internet finance development, the Bank continued to refine the Depository System for Excess Reserves from Third-Party Payment Institutional Customers and the monetary supervision system for fund sales and settlement, kept expanding its service provision into the telecom and insurance sectors, and became the exclusive supervisory bank for fund payment of Yu'E Bao and China Telecom Tianyi Bao, substantially upgrading the comprehensive service capacity and market influence of its cash management business.

As at the end of the reporting period, the Bank recorded 206,500 accounts of cash management customer, representing an increase of 38,200 accounts or 22.67% over the end of the previous year. During the reporting period, the volume and number of cash management transactions stood at RMB38.07 trillion and 45.0978 million respectively, up RMB9.75 trillion or 34.46% and 14.3135 million or 46.49% over the previous year respectively. The transaction substitution rate of cash management reached 69.2%.

### Factoring Business

The Bank worked hard to better regulate, standardize, centralize and informatize basic products and business processes of the factoring business. Its promotion of the factoring business was focused on five priority areas, namely, factoring for urbanization construction projects, lease factoring, reverse factoring, government procurement factoring and international factoring. Meanwhile, regional development of the factoring business was characterized by regional market features and layout of the Bank's outlets. As a result, the Bank achieved two-way breakthroughs in both priority areas and key regions.

As at the end of the reporting period, the financing balance of the Bank's factoring business reached RMB48.653 billion, up RMB20.488 billion or 72.75% over the end of the previous year. During the reporting period, the Bank realized RMB97.359 billion effective financing through factoring, up RMB56.388 billion or 137.63% over the previous year, and RMB493 million intermediary income from the factoring business, up RMB266 million or 116.96% over the previous year.

### Asset Custody Business

The Bank sped up its efforts to innovate products and cultivate market uniqueness of its custody business and gradually built up unique leading competitiveness in areas such as public offering funds and products from securities brokerages. As per the statistics produced by the China Banking Association (CBA)<sup>1</sup> about the domestic custody industry, as at the end of 2014, the Bank ranked No.3 in terms of current-year incremental asset custody scale and No.4 in terms of year-on-year incremental asset. The Bank's market shares in terms of asset custody scale and asset custody income stood at 6.56% and 4.11% respectively, up 0.71% and 1.64% over the end of the previous year respectively, growing for three consecutive years. The Bank recorded the highest scale growth in terms of custody of public offering funds and funds of securities brokerages with the former ranking No.3 in the whole industry and No.1 of all joint-stock banks and the latter ranking No.2 in the whole industry.

As at the end of the reporting period, assets under the Bank's custody was RMB3.538306 trillion, an increase of 72.90% over the end of the previous year, of which the scale of pension under contract totaled RMB69.143 billion, including an incremental amount of RMB23.632 billion, or an increase of 33.76% over the end of the previous year. During the reporting period, the Bank realized commission of RMB1.522 billion from custody and other entrusted business, an increase of 96.13% over the previous year.

<sup>1</sup> The China Banking Association (CBA) covered 25 banks in its statistics about the custody industry, including large national state-owned banks, joint-stock banks and some local commercial banks. The market shares related to custody scale and income refer to the shares of the Bank among all the 25 banks.



### Retail Finance Business

#### Business Overview

During the reporting period, the Bank initiated the second transformation of its retail strategy on all fronts. The goal is to construct a bank of best customer experience in three years. By means of further optimizing its management mechanism, concentrating capacity of its outlets, and building competitiveness in retail business channels, products and human resources, the Bank aims to provide customers with all-round integrated “great retail” services and realize sustainable rapid development of its retail banking business.

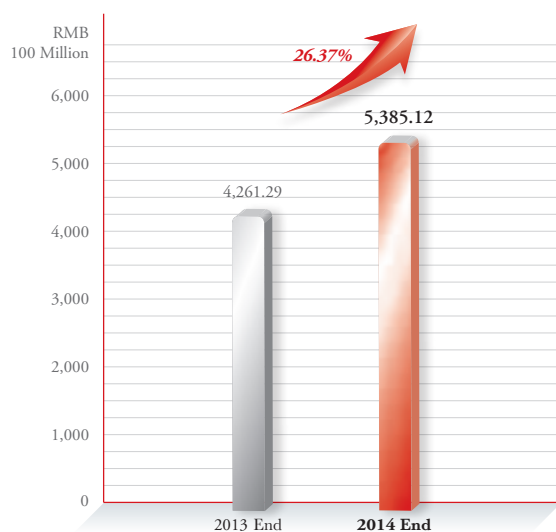
As at the end of the reporting period, the number of personal customers of the Bank was 44.756 million accounts, up 16.32% over the end of the previous year; the Bank’s balances of personal deposits and personal loans recorded RMB454.061 billion and RMB538.512 billion respectively, down 2.63% and up 26.37% over the end of the previous year respectively; AUM<sup>1</sup> of personal customers was RMB911.867 billion, up 25.77% over the end of the previous year. During the reporting period, sales of personal wealth management products totaled RMB2.062947 trillion, up 131.57% over the previous year; agency sales of public offering funds and products from securities brokerages amounted to RMB166.78 billion, up 248.12% over the previous year; and insurance sales on agency basis amounted to RMB11.357 billion, up 165.41% over the previous year. During the reporting period, the Bank achieved RMB23.789 billion operating income and RMB9.909 billion non-interest income from retail finance respectively, accounting for 19.88% of its total operating income and 35.07% of its total non-interest income, respectively.

#### Wealth Management

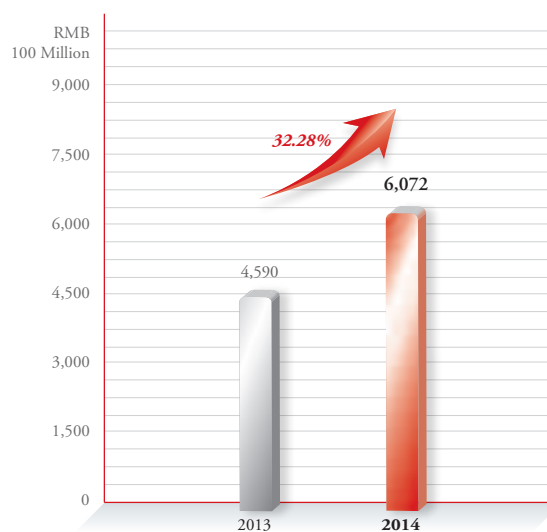
During the reporting period, the Bank intensified product and business innovation of wealth management and private banking businesses with constant launch of unique differentiated products and services, deepened management of customers by name list and marketing among key customer groups, and continuously improved its stratified customer operation system. Further, by leveraging the competitive edges of CITIC Group’s “full licenses” in financial services, integrating competitive resources of CITIC Group in brand, products, services and channels, and actively expanding its own overseas businesses, the Bank endeavored to create the “Family Wealth Management” integrated financial services platform. At the same time, the Bank exerted vigorous efforts to construct professional wealth management consulting teams to improve professional quality and integrated customer service competency of the teams in a continuing manner.

As at the end of the reporting period, 364,479 people held VIP accounts at the Bank each with over RMB500,000 AUM, representing an increase of 72,408 accounts or 24.79% over the end of the previous year; and AUM balance of VIP customers reached RMB627.174 billion, up RMB130.562 billion or 26.29% over the end of the previous year; Private banking customers each with more than RMB6 million AUM numbered 13,643 accounts, representing an increase of 2,160 accounts or 18.81% over the end of the previous year; and AUM balance of private banking customers stood at RMB201.564 billion, representing an increase of RMB40.259 billion or 24.96% over the end of the previous year.

#### Balances of Personal Loans



#### Trading Volume of Credit Cards



<sup>1</sup> To improve service standard, the Bank standardized and improved the categorization of retail customers, adopting AUM as the uniform standard for customer categorization. AUM stands for Assets Under Management, includes the deposit and investment banking of the customers etc.

### Consumer Finance<sup>1</sup>

With a good grasp of the major trend of rising domestic consumption, the Bank introduced “comprehensive credit grant based on home mortgage”, an innovative product for mobilization of residential properties, a core quality asset for credit grant. In the meantime, the Bank realized “one application, multiple rounds of loan grants” to meet consumer needs for finance of various rational consumption. In addition to expansion of external cooperation channels and its own sales channels, the Bank prioritized the promotion of auto finance discount products, which not only benefited customers with discounts and less loan repayment burden, but also achieved rapid growth of business scale.

As at the end of the reporting period, the Bank recorded RMB332.491 billion loan balance for consumer finance, up RMB66.893 billion or 25.19% over the end of the previous year. Customer operation recorded new achievements, e.g., average retail loan products per customer recorded 3.88 products, an increase of 0.93 product over the end of the previous year. During the reporting period, incremental consumer finance loans stood at RMB127.607 billion, up RMB22.164 billion or 21.02% over the previous year, and 186.7 thousand accounts were opened due to newly granted loans. Consumer loans enjoyed a more optimal structure as is seen in substantial improvement of average pricing level and over 15 percentage points rise in the pricing of newly granted consumer loans.

### Small Enterprise Finance<sup>2</sup>

Continuous implementation of the strategy of “focusing on small and micro enterprises and retail enterprises” enabled the Bank to further expand its base customer groups. As at the end of the reporting period, the Bank registered 33,787 accounts of small enterprise customers, representing an increase of 6,166 accounts or 22.32% over the end of the previous year; balance of loans to small enterprises per account recorded RMB3.61 million, down RMB0.63 million or 14.86% over the end of the previous year, indicating further downward inclination of the customer mix; and balance of loans to small enterprises reached RMB121.847 billion, an increase of RMB4.694 billion over the end of the previous year, indicating stable business scale.

### Credit Card

In line with the business philosophy of “smart development”, the Bank made proactive efforts to explore new operation models based on the internet and Big Data, boosted cross-sector cooperation in internet finance, promoted product innovation, optimized customer mix and harvested marked growth of business performance.

Further efforts were made by the Bank to deepen market operation of credit cards and accelerate innovation of the marketing system. Thanks to the use of a series of mobile, internet, and social media-based innovative marketing activities, the Bank successfully enhanced customer experience. By tapping into Big Data, refined segmented operation of customers, and continuous optimization of customer mix and transaction structure, the Bank markedly increased customer activity and profit per customer. With the use of internet co-brand card products, the Bank entered into strategic



cooperation with champion internet BATs (namely, Baidu, Alibaba and Tencent) and became the only bank in the industry that enjoys in-depth comprehensive cooperation with BATs.

<sup>1</sup> Consumer finance covers finance for housing, commercial property, private cars, business cars, education and comprehensive consumption.

<sup>2</sup> Small enterprise customers include small/micro enterprise legal person customers and personal business loan customers (excluding commercial housing and commercial vehicle business), of which small/micro enterprise legal person customers refer to small and micro enterprises satisfying the “criteria set by the four Ministries” and receiving no more than RMB10 million (inclusive) credit grant each.

## Management Discussion and Analysis

As at the end of the reporting period, the Bank issued a cumulative number of 24.596 million credit cards, up 18.37% over the end of the previous year. During the reporting period, the Bank registered RMB607.2 billion credit card transaction value, up 32.28% over the previous year; and realized RMB13.29 billion income from its credit card business, representing a growth of 49.62% over the previous year. For the reporting period, the Bank registered rapid development of online channels with online income achieving breakthrough growth and internet platform operation attaining preliminary scale. During the reporting period, the Bank issued 1.4195 million credit cards online, earned RMB1.907 billion via internet channels, up 279.27% over the previous year, and realized RMB44.359 billion transactions via internet channels, up 108.08% over the previous year.

### E-banking

The Bank continued to promote two-way balanced development of e-banking, namely, internet-based financial services and finance-based internet business. For the reporting period, the Bank realized RMB1.146 billion income from e-banking, up 48.06% over the previous year.

With regard to internet-based financial business, the Bank reinforced its efforts to integrate various e-channels and promote the construction of an e-channel “Express Way” for optimal customer experience and higher customer satisfaction. The Bank online operated its WeChat banking and mobile banking version 3.0, satisfying customer need for new banking experience in the mobile and internet era. Its personal internet banking attained new functionalities such as Xinjinbao, inquiry of personal credit records, conclusion of contracts for purchase of bulk consumer goods, and bank/futures-company margin depositary services, and optimized existing modules for wealth management, fund, money transfer and payment. Self-service terminal including ATM upgraded interfaces and processes, resulting in markedly higher use efficiency, simplifying cash withdrawal procedure from 9 to 4 steps and inquiry procedure from 7 to 3 steps, and reducing average transaction time by 5 seconds. As at the end of the reporting period, personal internet banking customers of the Bank numbered 13.9052 million accounts, representing an increase of 34.85% over the end of the previous year; and mobile banking customers of the Bank totaled 6.4524 million accounts, an increase of 88.73% over the end of the previous year. During the reporting period, the value of personal internet banking transactions stood at RMB8.97 trillion, up 67.15% over the previous year; the value of personal mobile banking business recorded RMB116.146 billion, 5.87 times the previous-year figure; and the transaction substitution rate of personal e-banking reached 93.16%, up 1.54 percentage points over the previous year.

In respect of finance-based internet business, the Bank launched its CyberPayment mobile APP positioned as an open public platform. As at the end of the reporting period, the number of registered customers reached 9.22 million accounts. The Bank took the industrial lead to launch “fully online” cross-border e-commerce foreign exchange payment business. During the “11 November” shopping frenzy, AliPay handled 1.08 million cross-border transactions via the Bank’s system for a single day, totaling RMB252 million settlement funds and taking up 58% of the total cross-border AliPay transaction volume. As at the end of the reporting period, the Bank had concluded strategic cooperation agreements with 17 Third Party Payment Institutions qualified for pilot cross-border e-commerce foreign exchange payment, and thus became one of the domestic banks enjoying the largest number of cooperation partners

In respect of online financing, the Bank kept enriching its fully online loan product line based on Big Data analysis technique. By optimizing internet lending to traders with POS terminals, the Bank launched Huitongda online business lending based on supply chain finance, personal credit consumer loans based on agency payroll payment data, and personal credit consumer loans based on payment of contribution to the public housing reserve. For the reporting period, the Bank granted RMB13.086 billion online loans in total, with the balance of online loans standing at RMB1.389 billion.

## Financial Market Business

### Business Overview

In 2014, the Bank harvested good operating results by reinforcing its interaction with the capital market, the money market and the international capital market, grasping the opportunities available from interest rate and exchange rate liberalization in China, and intensifying product innovation and asset management. During the reporting period, the Bank realized RMB35.427 billion operating income from its financial market business, accounting for 29.61% of its total operating income, and RMB12.664 billion non-interest income from its financial market business, accounting for 44.82% of its total non-interest income.

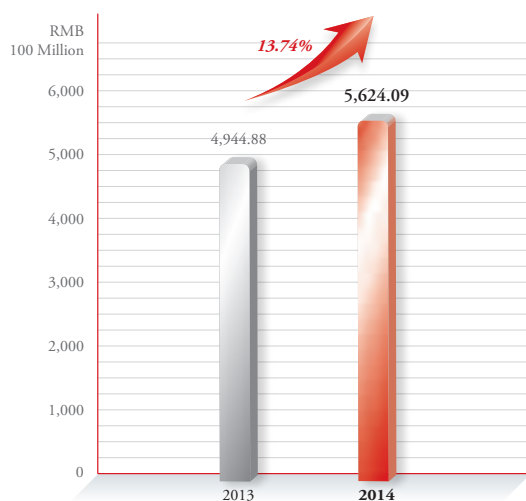
### Financial Market Business

The Bank continued to practice the prudent fund management principle and strategy and conducted money market transactions such as Renminbi inter-bank borrowings and bond repos. With changing supply and demand of market funds and fluctuation of interest rate, the Bank did active money market business and made full use of money market business as a major tool for financing, which, while meeting the requirements of liquidity management, also improved returns on short-term fund operation. In addition, the Bank issued inter-bank certificates of deposit, expanded the sources of active liabilities, diligently performed its duties and responsibilities as a tier-one trader at the open market, and optimized its asset and liability structure with flexible use of innovative monetary tools.

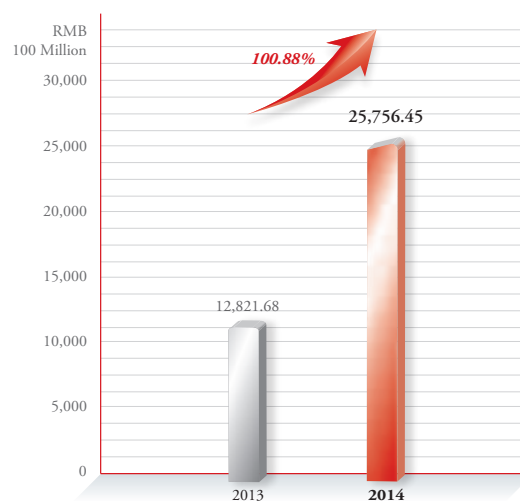
In face with substantial fluctuation of the exchange rate market during the reporting period, the Bank made comprehensive use of innovative exchange rate portfolio products including forward FOREX sales and purchase and options to satisfy customer needs for exchange rate risk management as well as value preservation and appreciation. Thanks to its active participation in inter-bank market transactions and performance of duties and responsibilities as a market maker, the Bank was able to maintain its leader status in the inter-bank market. In addition, the Bank continued to push forward its Renminbi denominated bond market making business and interest rate derivatives market making business to proactively meet customer demand for interest rate risk management, prudently promote development of group subscription business with the selection of premium products, and built up its capability for market pricing and trend judgment. Through diligent business innovation, using Shibor as the benchmark interest rate, the Bank made the first deal of standard interest rate swap at the inter-bank market during the reporting period.

The Bank adopted a prudent investment strategy for Renminbi denominated debt securities investment business. Due to its good grasp of market trend, appropriate extension of portfolio duration, strenuous efforts to pioneer into new product investment opportunities and optimization of asset structure, the Bank was able to balance return on asset and market risk. In terms of investment in foreign currency denominated debt securities, the Bank was able to further improve stability of overall return on asset and resilience to risks due to its effective control of overall portfolio duration and emphasis on the selection of debt securities that were of controllable risk and higher returns. Further, the Bank continued to push forward development of gold lease and precious metal self-operated trading, with both businesses realizing rapid growth during the reporting period.

### Financing Scale from Investment Banking Customers



### Recruiting Scale of Wealth Management Products



## Management Discussion and Analysis

### International Business

The Bank launched the “CITIC International Business Full Connect” brand to develop itself into a leading medium-sized commercial bank in trade-related and cross-border financial services. Focused on innovation, grouping, integration and profitability, the Bank launched innovative products such as Qu Jian Ying and Bao Hui Tong. The Bank expanded its channels of intermediary income. By grasping its opportunities as an early starter in concentrated operation of cross-border funds, the Bank established business partnership with over 140 cross-border group companies. During the reporting period, the Bank completed successfully selling of RMB FOREX option, the first of its kind in China, and achieved a historical breakthrough in setting up overseas institutions, i.e., preparation for establishment of its London Office went on smoothly, gaining approval by CBRC and PRA respectively and completing the respective registration procedures.

During the reporting period, the Bank achieved USD377.065 billion in import & export foreign exchange receipts and payments, up 17.8% year-on-year, and realized RMB378.100 billion cross-border Renminbi foreign exchange receipts and payments, a growth of 48% year-on-year. During the reporting period, the Bank’s import & export foreign exchange receipts and payments as well as cross-border Renminbi foreign exchange receipts and payments ranked No.5 among all Chinese commercial banks according to the monthly report on statistics of international balance of payment, released by the State Administration of Foreign Exchange; and realized RMB4.111 billion fee-based income from international business, up 22.5% over the previous year.

### Investment Banking Business

Focusing on profitability enhancement, the Bank made great efforts to build up market adaptability of its investment banking business, and highlighted the business development model of “commercial banking + investment bank” to provide all-round investment banking services to customers. During the reporting period, the Bank underwrote the very first municipal bond, also called project return note, and debt financing tool for venture capital enterprises in the market, achieving double breakthroughs in both maturity and category of bond underwriting, became the first commercial bank to provide financing for MOF demonstration projects with cooperation between the government and social capital(PPP model), successfully participated in fund issuance for ownership restructuring of the state-owned Sinopec Sales Co., Ltd., and produced the solution on provision of integrated financial services for ownership reform of SOEs.

During the reporting period, the Bank’s investment banking business recorded RMB562.409 billion cumulative financing for customers, up by 13.74% over the previous year; and realized RMB4.904 billion income, up by 23.17% over the previous year. During the reporting period, both the scale and number of debt financing tools underwritten by the Bank took the first place among all joint-stock banks (as per Wind Info rankings of aggregate scale and numbers of bond underwritings in 2014). Meanwhile, the Bank maintained its first place among the leading small and medium-sized joint-stock banks for syndicated loans in Mainland China (as per Bloomberg Press rankings).

### Interbank Business

With regard to its inter-bank business, the Bank persistently focused its business operation on eight categories of customers, namely, banks, securities brokerages, financial companies, fund companies, trust companies, insurance companies, financial leasing companies and futures companies. By optimizing the construction of its marketing system, and enriching inter-bank products and services, the Bank essentially accomplished full coverage of mainstream inter-bank products, and improved both the width and depth of inter-bank cooperation.

During the reporting period, the Bank concluded strategic cooperation agreements with 40 inter-bank customers, third-party depositary agreements with 87 securities brokerages, and margin trading and short selling agreements with 24 securities brokerages. In addition, the Bank qualified itself with the China Financial Futures Exchange, Zhengzhou Commodities Exchange and Dalian Commodities Exchange for conduct of futures margin depositary business, and thereby became one of the first joint-stock banks to be shortlisted for futures margin depositary business.

As at the end of the reporting period, the Bank's balance of Renminbi and foreign currency denominated inter-bank assets (including deposits and placements with financial institutions) reached RMB129.499 billion, a decrease of RMB93.775 billion or 42.00% over the end of the previous year; while its balance of Renminbi and foreign currency denominated inter-bank liabilities (including deposits and placements from financial institutions) registered RMB717.065 billion, an increase of RMB107.319 billion or 17.60% over the end of the previous year.

### Special Business Area: Wealth Management Business

During the reporting period, the Bank implemented the risk management requirements of regulatory policies, i.e., “professional uniform business management”, “ring-fence principle” and “the principle of five separations”. Aiming at “returning wealth management business to the essence of asset management”, the Bank launched net-worth products and wealth management direct financing tools, constructed a wealth management product line that is diversified and prudent in the overall style, and accelerated the transformation of wealth management business in general towards asset management. During the reporting period, the Bank earned RMB4.6 billion income from wealth management business, up 66.22% over the previous year, and earned RMB21.875 billion yield for customers, up 30.58% over the previous year.

During the reporting period, the Bank's accumulative sales of wealth management products in all definitions reached RMB2.575645 trillion, up 100.88% over the previous year, of which wealth management products developed and sold by the Bank amounted to RMB2.408477 trillion; agency sales of public offering funds and products from securities brokerages amounted to RMB152.524 billion; agency recommendation of trust plans amounted to RMB3.287 billion; and agency sales of insurance products resulted in insurance premium of RMB11.357 billion.

As at the end of the reporting period, ongoing wealth management products of the Bank in all definitions totaled RMB583.034 billion, representing an increase of RMB156.194 billion or 36.59% over the end of the previous year, of which wealth management products developed and sold by the Bank amounted to RMB515.881 billion; agency sale of wealth management products including public offering funds and products from securities brokerages amounted to RMB56.664 billion; agency recommendation of trust plans amounted to RMB9.084 billion; and agency financing of limited-partnership wealth management products totaled RMB1.406 billion.

### Service Quality Management

In line with the realities, the Bank developed its Program of Actions for Better Protection of Consumer Rights and Interests and Higher Quality Services to Customers. Customer services were further standardized from eight perspectives, namely, improved institutional management, organized service training, strengthened education of the public, protected safety of customer information, standardized management of service prices, built up outlet capacity for service provision, organized election of role models, and upgraded efficiency of handling customer complaints. By means of third-party mysterious person monitoring, video inspection and cross examination between branches the Bank reinforced inspection of service provision at the outlets, resulting in an even better system for management of service quality. In the “Competition for Five-Star Outlets in Provision of Standard High-quality Services and the 1,000 Best Role Model Units in 2014” organized by the CBA, 43 sub-branches of the Bank was honored “Five-Star Outlets in Provision of Standard High-quality Services” and 39 sub-branches were placed on the list of the “1,000 Best Role Model Units”.



### 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 Life 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 agency sold 18 products of CITIC Securities and China Securities totaling RMB670 million in value, 43 products of CITIC-Prudential Insurance and Tianan Insurance valued at RMB4.89 billion in total, 63 products of CITIC-Prudential Fund Management and China AMC totaling RMB73.11 billion in value, and agency recommended RMB10.28 billion and RMB1.24 billion products for CITIC-CP Asset Management and CITIC Trust, respectively. In addition, CITIC Securities, CITIC-Prudential Life 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 mutual access to outlets, joint organization of marketing events and display of publicity 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 depository 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 135 wealth management products and realized RMB112.21 billion sales revenues thereof in cooperation with CITIC Securities, CITIC Trust and CITIC-CP Asset Management.

Third-party depository business: The Bank shared 2,883 institutional customers in third-party depository business and 400,000 personal customers with CITIC Securities, CITIC Securities (Zhejiang), CITIC Securities (Shandong) and China Securities.

Custody business: The Bank cooperated extensively with CITIC Securities, CITIC Trust, CITIC-Prudential Fund Management and CITIC-Prudential Insurance in areas such as asset management of securities brokerages, fund, trust, insurance, PE and annuities, with the balance of custody for cooperation projects within CITIC Group reaching RMB251.22 billion, and custodian commission income amounting to RMB76.381 million during the reporting period, of which intra-group annuity cooperation registered 514 accounts of customers and RMB14.45 billion business scale.

Bond underwriting: The Bank and CITIC Securities jointly underwrote RMB16.1 billion debt financing tools for customers through underwriting of short-term commercial papers, medium-term notes and asset-backed securities. As one of the major co-underwriters, the Bank underwrote RMB4 billion super-short-term commercial papers for CITIC Corporation Limited.

Co-brand credit cards: The Bank has issued a cumulative number of 20,000 “CNCB/CITIC-Prudential Co-brand Credit Cards” and 68,000 “CNCB/Loyalty Co-brand Cards” in cooperation with CITIC-Prudential Insurance and CITIC Loyalty Business Technology Co., Ltd., respectively.

### Information Technology

During the reporting period, the Bank pushed forward the new-generation core banking system project in an orderly manner, including: starting the sixth round of integration testing and completing the system cutover solution as planned after successful development of the core systems and supplementary renovation periphery systems. The first-phase of the corporate data warehouse and uniform financial statement platform went live, resulting in a uniform bank-wide foundation for data analysis. In the meanwhile, the bank efficiently responded to the market competition requirements via successful delivery of multiple innovative products in the banking industry, e.g. Xinjinbao, online housing provident fund loans, Haier supply-chain finance, agency service of visa fees for the UK and Irish Embassies in Beijing. In addition, the Bank completed the roll out of the PBC CNAPS II program and the construction of the CNAO financial audit information platform. The independent researched and developed cross-platform mobile APP framework is an industrial leader and successfully applied to the WeChat banking and the new version of mobile banking systems. In proactive response to the national strategy on security control, the Bank committed itself to research and development of the “CITIC Cloud” platform whereby the historical data inquiry has entered into pilot run on the basis of the Big Data Platform.

Further, the Bank reinforced the internal refined management and objective management of information technology, including: institutionalized processes by adopting the management tools; enhanced internal control and risk management for development, testing and operation, kept promotion risk combing and rectification of important information system; sorting out and improving relevant regulations; reinforcing safety production management and control, kept optimization the performance of the information systems, sped up the construction of the information security protection system and the adoption of the security related technologies; optimized processes for change management and emergency management, and carried out emergency simulation test. During the reporting period, the information system maintained safe, stable and efficient.

### Domestic Distribution Channels

#### Branches

Outlet construction was paced up in a steady manner. During the reporting period, the Bank newly set up 157 institutions and outlets, up 14.63% over the previous year. These new outlets include 5 branches respectively located in the Shanghai Free Trade Zone, Guilin, Yueyang, Ganzhou and Sanya, and 152 sub-branches. As at the end of the reporting period, the Bank had 1,230 outlets in 121 large and medium cities in Mainland China, including 40 tier-1 branches (directly managed by the Head Office), 76 tier-2 branches, 8 out-of-town sub-branches and 1,106 outlets.

With regard to outlet growth, the Bank will follow the trend of developing “small, smart and multi-business-model” outlets, and optimize regional and municipal layout of outlets to diversify business models of the outlets, realize the function of outlets as a major retail marketing channel and thereby provide strong support to the second transformation of its retail banking business.

#### Self-Service Outlets and Self-Service Terminals

During the reporting period, in order to reinforce risk prevention of self-service banking transactions, the Bank 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 2,987 self-service banks and installed 11,128 self-service terminals (ATM, CDM and CRS) in Mainland China.

#### Online Banking Platform

Please refer to “Management Discussion and Analysis” – “E-Banking” of the report.

## Management Discussion and Analysis

### 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 49.65 million incoming calls, including 42.87 million automated phone answering service calls and 6.78 million manual service calls, achieving a 20-second manual response rate of 84.74%, a customer satisfaction rate of 98.85% in general, and a customer satisfaction rate of 98.82% regarding the handling of customer complaints. By actively making outgoing calls to customers totaling 745,300 person-times for the reporting period, the Bank's Customer Service Center proactively provided customer care and telephone notice, etc.

### Subsidiary Business

#### CITIC International Financial Holdings Limited

CIFH, a controlled subsidiary of the Bank, is an investment holding company incorporated in Hong Kong in 2002. As at the end of reporting period, CITIC Bank and BBVA held 70.32% and 29.68% equity interest in CIFH respectively. CIFH specializes in commercial banking business and non-banking financial services.

CIFH conducts its commercial banking business mainly via CNCBI, its wholly-owned subsidiary. CNCBI is a licensed bank incorporated and registered in Hong Kong. It has 35 branches in Hong Kong, 1 branch in Macau, Shanghai, New York, Los Angeles and Singapore respectively, and branches in Beijing, Shanghai and Shenzhen via CNCBI (China) Limited. During the reporting period, CIFH continued to assist CNCBI in strengthening the latter's cross-border interaction with the Bank, building the Bank's overseas platform and developing Renminbi cross-border business.

In terms of non-banking financial services, CIFH holds 40% equity interest in CIAM. CIAM is primarily engaged in asset management and direct investment business. During the reporting period, the CIFH board of directors decided to sell its entire 20.03% equity interest in CITIC Capital. Delivery of the relevant transaction thereof has been completed.

As at the end of the reporting period, CIFH had total assets of HKD249.65 billion, an increase of 15.7% over the previous year. For the reporting period, CIFH realized a net profit of HKD3.014 billion, up 33.6% over the previous year.

- CNCBI: CNCBI made diligent efforts to promote product innovation and diversification, provided more efficient and convenient services, met customer needs for trade, investment and risk hedging on all fronts, and consequently achieved rapid growth in all financial indicators. For the reporting period, CNCBI achieved operating income of HKD6.006 billion, a growth of 26.51% over the previous year, and net profit of HKD2.801 billion, an increase of 31.17% over the previous year.

CNCBI kept boosting business cooperation between its Hong Kong Headquarters and overseas branches, accelerated the consolidation and cultivation of the network for transfer of customers between CITIC Group and the Bank, and achieved rapid growth in the lending scale and business income of its corporate and cross-border business. As at the end of the reporting period, CNCBI achieved HKD111.486 billion loans from its corporate and cross-border business, up 24.6% over the end of the previous year. During the reporting period, CNCBI realized HKD2.564 billion net interest income and HKD540 million non-interest income from corporate and cross-border business, representing an increase of 33.9% and 50.5% over the pervious year respectively.

CNCBI made best use of the opportunities arising from the operation of the Shanghai-Hong Kong Stock Connect and Hong Kong's relaxation of the restrictions on personal Renminbi conversion. Specifically, CNCBI rapidly launched a series of diversified Renminbi wealth management services and investment products including Renminbi stock-linked investment products and Renminbi currency-linked deposits, and thereby achieved rapid growth in personal deposit and loan business and the number of customers. During the reporting period, CNCBI became the first commercial bank in Hong Kong SAR to provide WeChat banking services, which, plus the successive initiation of other innovative services such as mobile payment, mobile telephone wealth management upgrading and electronic statements greatly improved its capacity for customer attraction and service. As at the end of the reporting period, deposits from personal and business customers of CNCBI recorded HKD88.042 billion, up 19.0% over the previous year. During the reporting period, CNCBI realized HKD1.157 billion net interest income and HKD669 million non-interest income in this business area, representing an increase of 7.6% and 43.3% over the previous year respectively.

- CIAM: Focusing its investment target areas on environmental protection and agriculture, CIAM attempted to get rid of the traditional PE investment model in its investment strategy, rearranged some of its resources to join early projects and concurrently tried to connect with the capital market as fast as possible, which not only expanded financing channels for the projects but also increased liquidity of investment. During the reporting period, CIAM successfully injected an energy-saving air-conditioner project into a Hong Kong listed company, and combined one of its affiliated listed companies and another Hong Kong listed company in design and production of lithium cells and electrical vehicles. In agricultural investment, CIAM jointly set up an agricultural investment fund in cooperation with the Chongqing Municipal Government.

### China Investment and Finance Limited

CIFL is a controlled subsidiary of the Bank established in 1984 and located in Hong Kong SAR with a registered capital of HKD25 million. The Bank holds 95% and CNCBI holds the rest 5% equity interest in CIFL. The business scope of CIFL covers lending (CIFL holds a money lender license in Hong Kong) and investment (including fund investment, equity investment and long-term equity investment, etc.).

CIFL positions it as the company to “build CNCB’s overseas investment and financing platform combining licensed and non-licensed businesses, and integrating on-shore and off-shore businesses. As such, CIFL actively promoted the construction of domestic and overseas investment and financing platforms, maintained a sound momentum of development and achieved rapid growth in business performance. With persistent orientation towards higher profitability, stronger combination of equity and debt investment, innovation of product mix, and more intensive domestic and overseas interaction with branches of the Bank, CIFL achieved rapid growth of cross-border structured financing business. During the reporting period, CIFL enjoyed marked growth in platform construction. The two equity investment fund management companies that CIFL invested in Mainland China already started operation.

CIFL realized net after-tax profit equivalent to RMB63.9856 million during the reporting period, up 77.71% over the previous year. As at the end of the reporting period, CIFL had total assets equivalent to RMB2.594 billion, up 88.79% over the end of 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 RMB739.93 million, up 14.17% over the end of the previous year; a capital adequacy ratio of 35.61%, a provision coverage ratio of 253.38%, and a provision to loan ratio of 2.53%. During the reporting period, the rural bank realized a net profit of RMB12.346 million, daily average deposit balance of RMB660.1 million, up 27.37% over the previous year.


综合业务

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综合业务

中信银行  
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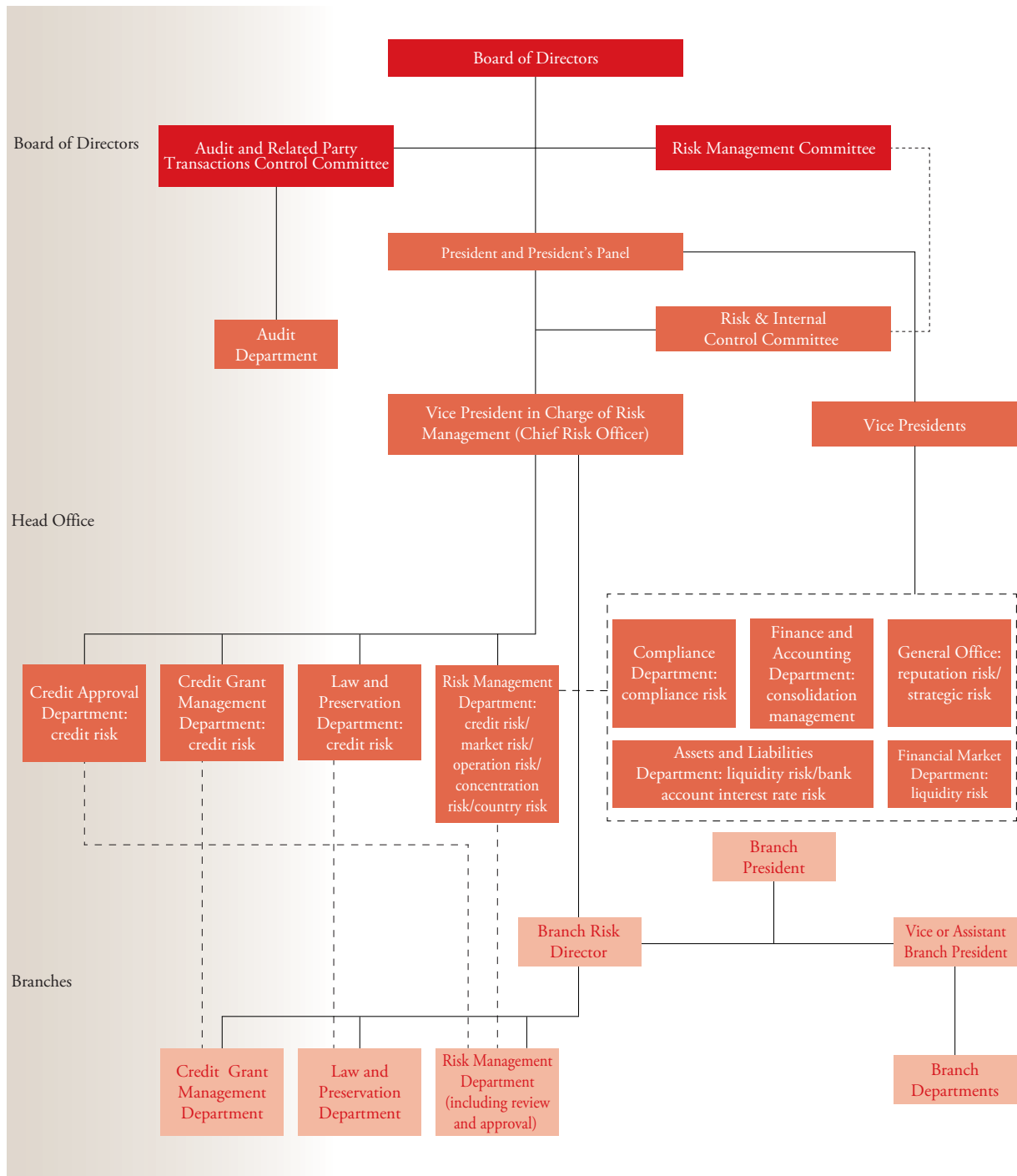
## Withstanding test in risk management, and further improvement of the risk management system

Efforts were intensified at the Bank to manage, control and screen risks. Multiple measures were adopted to intercept and dissolve risk loans. Moreover, the Bank completed the program for reform of the risk management system, defined the main parties responsible for risk management, and clarified the “three defense lines” for risk management. Meanwhile, the Bank implemented the responsibility system for case prevention, and toughened the pursuit of liability for occurrence of NPLs.



## Risk Management

### Risk Management Structure



## Risk Management System and Techniques

For better top-level design of risk management and with approval from the Board of Directors, the Bank issued a new program for reform of the risk management system (“the Reform Program”) to further improve its risk management system in an comprehensive, consistent, independent and professional manner. The Reform Program determined risk management responsibilities for the Board of Directors, the Board of Supervisors and the senior management, defined the main parties responsible for risk management at its different-level outlets, and set up “three defense lines” for management of major risks, namely, the mechanism for assessment of risk management capability of the branches, qualification management of risk managers, and improvement of both the chief risk officer incentive/constraint mechanism and the mechanism for pursuit of NPL responsibilities. The Reform Program is conducive to the clarification of division of duties for risk management, enhancement of the Bank’s risk management capability, and development of comprehensive, independent and professional risk management, and thereby provides a strong guarantee for further development of the Bank. In 2015, the Bank will make proactive efforts to push forward early implementation of the Reform Program.

In line with current status of implementing Basel III Accord, the Bank has revised the target and roadmap of the implementation of Basel III Accord and systematically arranged all the relevant projects. The implementation process is now on schedule. During the reporting period, the Bank has accomplished the optimization of corporate customer rating models as well as retail application scorecards, and those models have been applied in credit approval and credit policy making process. Meanwhile, the market risk internal model approach project is in orderly progress, and the results of market risk measurement such as value at risk and stress testing are applied in daily risk management.

## 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 its 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, the Chinese economy was in high to medium growth rate, optimization and upgrading of economic structure, and change of economic development drivers from production elements and investment to innovation. The Bank responded proactively to changes in the external environment, made timely adjustment to its credit grant policy, reinforced credit risk management in key areas and diligently sought business transformation.

**LGFV loans:** During the reporting period, the Bank strictly implemented the policy on quota management of total on–and off-balance sheet LGFV loans in all definitions. On the principle of “total quantity control, classified management, differentiated treatment, and gradual risk dissolution”, the Bank optimized the structure of LGFV loans, highlighted priority areas, and prevented business risk of LGFV.

**Property financing:** During the reporting period, the Bank granted property loans in a prudent manner on the principle of “total quantity control, differentiated treatment, higher access thresholds, and tighter management”. The Bank managed real estate enterprises by name list, and strictly controlled the total quantity of on–and off-balance sheet property credit grant; paid close attention to the risk of property market polarization and leaned its credit grants towards geographical areas stable in property demand and active in property transactions; prioritized credit support to general residential projects and raised the access bars for both property projects and customers; strictly required security for loan projects and closed management of projects, and reinforced risk monitoring, control and management of existing loans.

**Key industries financing:** During the reporting period, the Bank rendered strong support to the development of green economy, cycling economy and low-carbon economy and made great efforts to optimize customer mix. With regard to industries suffering from severe overcapacity, major support was given to strongly competitive premium enterprises compliant with the requirements of technological upgrading, carbon emission constraints and green standards, while proactive exit was made from enterprises that were unsatisfactory in business operation, poor in market competitiveness, backward in production capacity, and non-compliant with environmental regulations. Safeguarding its risk bottom line, the Bank strictly forbade the provision of any form of incremental credit grant to additional capacity projects of industries suffering from severe overcapacity, and refrained from financing construction projects that failed to follow lawful procedures.

**Off-balance sheet financing such as wealth management and bond underwriting:** The Bank stringently observed regulatory policies, returned to the very nature of asset management, allocated basic assets in a compliant manner, and refrained from areas restricted or banned by regulators. Meanwhile, the Bank reinforced total-process risk management of wealth management and bond underwriting, i.e., investigated, reviewed and approved financing wealth management business according to criteria no inferior to those applied to its self-operating credit grant to toughen risk control, and continued to practice risk line management.

## Management Discussion and Analysis

### Risk Management of Small Enterprise Loans and Consumer Finance

During the reporting period, in response to changes in the macroscopic economic situation and regulatory requirements, the Bank strictly implemented the government's macro control policy to ensure operational compliance and risk controllability of its small enterprise finance and consumer finance business, combed its business management system, optimized its business operation handbooks, and intensified routine training and management to build up professional quality and risk awareness of its human resources.

At the same time, by standardizing the processes for granting loans to small enterprises and individual consumers, implementing the "embedded" review and approval system and promoting the construction of a "credit factory", the Bank improved business efficiency while ensuring independent risk control. Meanwhile, the Bank enhanced its quantitative risk management techniques, optimized the scorecards for housing mortgage loans, auto finance, personal business loans and small/micro business legal persons, constructed a new retail credit management system, and set up nodes for systemic risk control, so as to improve the quality of risk control and monitoring of small enterprise finance and consumer finance business.

In addition, the Bank introduced diversified post-lending monitoring and management measures, and used multiple means including earmarked inspection, systematic monitoring and asset quality announcement to ensure healthy and compliant development of small enterprise finance and consumer finance.

### Risk Management of Credit Card Business

With regard to risk management of credit card business, the Bank followed the philosophy of "restructuring, risk control and higher profitability", deepened "all-round total-process" reform of "the risk policy system", and improved the construction of "a multi-dimension full-lifecycle measurement and management platform" to strictly guard the risk bottom line. Before lending, the Bank constructed and implemented the pre-lending integrated credit assessment system to optimize credit resource allocation via all-round upgrading of credit assessment, enriched and consolidated the tools for management of customer groups to deepen restructuring of customer groups. After lending, the Bank kept improving its early warning mechanism, exited from and compressed customers with high potential risks in advance, and increased support to high-value customers to optimize the set-up of loan structure. With simultaneous use of multiple channels and measures to collect credit card debts and equal attention paid to debt collection and disposal, the Bank improved recovery of non-performing assets and reinforced write-off of bad debts.

### Risk Management in Financial Market Business

The Bank prudently conducted its securities investment business and provided customers with risk mitigation and value added 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 regarded bonds issued overseas by premium Chinese issuers as key credit investment targets.

### Loan Monitoring and Post-Lending Management

In response to the severe economic situation during the reporting period and for the purpose of preventing extensive outbreak of systemic risk and stabilizing asset quality of the Bank in the course of its strategic transformation and structural adjustment, the Bank focused its work on "controlling loan asset quality and promoting healthy business development", prioritized risk control in key risk areas and refined basic management efforts relating to systems, mechanisms, tools and human resources. During the reporting period, the Bank made priority efforts to reinforce the following work:

Effectively strengthened risk process management and control and stabilized loan asset quality, including: (1) Explicitly defined loan asset quality control targets and monitored branch attainment of the targets on a monthly basis; (2) Improved the performance evaluation method with more emphasis placed on assessment of loan asset quality; (3) Strengthened on-site guidance and experience exchanges for branches with regard to risk dissolution; (4) Reinforced causal analysis of incremental non-performing loans ("NPLs") and tightened accountability for NPLs at branches.

Effectively strengthened risk monitoring of key areas and proactively prevented and dissolved systemic credit risk, including: (1) Constructed and improved the bank-wide risk early warning system on the basis of the risk monitoring and dissolution mechanism targeting “ten customers of priority concern” for better capacity of risk early warning and risk dissolution; (2) Prioritized efforts to toughen risk monitoring and screening of key areas and key businesses, e.g., overcapacity industries such as iron and steel, coal, coking, paper making, ship building and PV, subsidiaries of central SOEs, large local SOEs, large private companies closely connected with the government, trade finance, mutual and joint guarantee, personal business loans, small and micro enterprises, etc.; (3) Distributed PBC information on non-performing and delinquent loans of enterprises bank-wide on a weekly basis; (4) Intensified dynamic analysis and monitoring and management of delinquent loans, and constructed a retail business monitoring system; (5) Tightened post-investment management of off-balance sheet businesses including financial wealth management for effective dissolution of credit risk and reputation risk; (6) Increased efforts for proactive exit from and restructuring of risky loans, exiting from 2,401 risky loan accounts involving total loans of RMB60.4 billion for the whole year, and vigorously compressed and exited from risky credit grants to overcapacity industries such as steel trade and coal; and (7) Carried out on-site inspection of key branches and key credit grant business and quality inspection of loans bank-wide.

Effectively promoted IT development for gradual enhancement of loan management tools and approaches, including: (1) Completed planning of the risk early warning management system and design of the management system needs; (2) Completed online operation, upgrading and optimization of the collaterals management system; (3) Completed determination of system demands for management of corporate credit lines and establishment of the project on such credit line management; (4) Basically completed establishment of the project on construction of the asset management platform (“AMP”) and preparation of business needs thereof; and (5) Constantly promoted standardization of the credit grant process and IT development of management approaches.

Effectively enhanced human resources development for loan management, with the level of specialized professional management enjoying constant improvement. The Bank organized trainings for full-time post-lending personnel bank-wide, trainings on post-lending management of retail banking, trainings on post-investment management of financial wealth management, trainings on risk classification and provisioning management, trainings for personnel engaged in loan disbursement and verification management, trainings on collaterals management, and trainings on the construction of data analysis systems.

### Credit Risk Analysis

#### Distribution of Loans

##### *Concentration of Loans by Geographic Region*

As at the end of the reporting period, the Group’s total loan balance was RMB2.187908 trillion, an increase of RMB246.733 billion or 12.71% over the end of the previous year. The Group’s loans to the Bohai Rim, the Yangtze River Delta and the Pearl River Delta ranked the top three, recording RMB576.598 billion, RMB512.214 billion and RMB319.360 billion, respectively, accounting for 26.35%, 23.41% and 14.60% of the Group’s total loans respectively. In terms of growth rate, the overseas market, the central region, the Pearl River Delta and the western region recorded the highest numbers, reaching 25.16%, 14.99%, 14.70% and 14.54% respectively, all being higher than the Group’s average loan growth rate.

#### The Group

Unit: RMB million

	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	512,214	23.41	476,101	24.53
Bohai Rim <sup>(1)</sup>	576,598	26.35	513,609	26.46
Pearl River Delta and West Strait	319,360	14.60	278,425	14.34
Central region	306,274	14.00	266,342	13.72
Western region	292,793	13.38	255,620	13.17
Northeastern region	64,071	2.93	57,920	2.98
Overseas	116,598	5.33	93,158	4.80
<b>Total Loans</b>	<b>2,187,908</b>	<b>100.00</b>	<b>1,941,175</b>	<b>100.00</b>

Note: (1) Including the Head Office.

## Management Discussion and Analysis

### The Bank

*Unit: RMB million*

	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	509,464	24.69	472,973	25.71
Bohai Rim <sup>(1)</sup>	573,158	27.77	511,075	27.77
Pearl River Delta and West Strait	317,718	15.40	275,914	15.00
Central region	306,274	14.84	266,342	14.48
Western region	292,793	14.19	255,620	13.89
Northeastern region	64,071	3.11	57,920	3.15
<b>Total Loans</b>	<b>2,063,478</b>	<b>100.00</b>	<b>1,839,844</b>	<b>100.00</b>

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 RMB1.565318 trillion, up RMB129.465 billion or 9.02% over the end of the previous year; and personal loan balance of the Group reached RMB554.547 billion, up RMB113.994 billion or 25.88% over the end of the previous year. Personal loans grew faster than corporate loans, with its balance proportion further going up to 25.35%. Balance of discounted bills increased slightly, up RMB3.274 billion over the end of the previous year.

### The Group

*Unit: RMB million*

	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,565,318	71.54	1,435,853	73.97
Personal loans	554,547	25.35	440,553	22.69
Discounted bills	68,043	3.11	64,769	3.34
<b>Total loans</b>	<b>2,187,908</b>	<b>100.00</b>	<b>1,941,175</b>	<b>100.00</b>

### The Bank

*Unit: RMB million*

	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,465,078	71.00	1,356,527	73.73
Personal loans	538,512	26.10	426,129	23.16
Discounted bills	59,888	2.90	57,188	3.11
<b>Total loans</b>	<b>2,063,478</b>	<b>100.00</b>	<b>1,839,844</b>	<b>100.00</b>

#### Concentration of Loans by Sector

As at the end of the reporting period, two sectors, namely, manufacturing and wholesale & retail ranked the top two in terms of corporate loans from the Group, accounting aggregately for 43.11% of the Group total corporate loans, down 6.45% over the end of the previous year, and with their loan balances amounting to RMB384.521 billion and RMB290.107 billion respectively. In terms of growth rate, loans to water conservancy, environment and public utilities management, real estate, construction and leasing and commercial services grew faster, up 55.21%, 39.36%, 24.38% and 23.87% over the end of the previous year respectively, all being higher than the Group's average loan growth rate.

## The Group

*Unit: RMB million*

	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	384,521	24.58	412,819	28.75
Transportation, warehousing and postal service	138,230	8.83	135,778	9.46
Production and supply of power, gas, water	51,828	3.31	56,817	3.96
Wholesale and retail	290,107	18.53	298,847	20.81
Real estate	179,677	11.48	128,930	8.98
Water conservancy, environment and public utilities management	111,524	7.12	71,853	5.01
Leasing and commercial services	83,809	5.35	67,657	4.71
Construction	101,834	6.51	81,873	5.70
Public and social organizations	19,304	1.23	16,992	1.18
Others	204,484	13.06	164,287	11.44
<b>Total corporate loans</b>	<b>1,565,318</b>	<b>100.00</b>	<b>1,435,853</b>	<b>100.00</b>

## The Bank

*Unit: RMB million*

	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	377,992	25.79	406,726	29.98
Transportation, warehousing and postal service	136,345	9.31	134,002	9.88
Production and supply of power, gas, water	51,468	3.51	56,419	4.16
Wholesale and retail	275,963	18.84	287,087	21.16
Real estate	160,821	10.98	116,735	8.61
Water conservancy, environment and public utilities management	111,466	7.61	71,722	5.29
Leasing and commercial Services	83,514	5.70	67,428	4.97
Construction	100,456	6.86	81,048	5.97
Public and social organizations	19,304	1.32	16,992	1.25
Others	147,749	10.08	118,368	8.73
<b>Total corporate loans</b>	<b>1,465,078</b>	<b>100.00</b>	<b>1,356,527</b>	<b>100.00</b>



## Management Discussion and Analysis

### Breakdown of Loans by Type of Guarantee

As at the end of the reporting period, the Group's loan guarantee structure was further optimized. The balance of collateral and pledge loans stood at RMB1.213170 trillion, up RMB236.349 billion over the end of the previous year, and their proportion reached 55.45%, 5.13 percentage points higher over the end of the previous year; and the balance of unsecured and guaranteed loans amounted to RMB906.695 billion, up RMB7.110 billion over the end of the previous year, accounting for 41.44% of total loans, down 4.90 percentage points over the end of the previous year.

#### The Group

*Unit: RMB million*

Type of Guarantee	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	392,960	17.96	399,860	20.60
Guaranteed loans	513,735	23.48	499,725	25.74
Collateral loans	953,053	43.56	740,650	38.15
Pledge loans	260,117	11.89	236,171	12.17
<b>Subtotal</b>	<b>2,119,865</b>	<b>96.89</b>	<b>1,876,406</b>	<b>96.66</b>
Discounted bills	68,043	3.11	64,769	3.34
<b>Total loans</b>	<b>2,187,908</b>	<b>100.00</b>	<b>1,941,175</b>	<b>100.00</b>

#### The Bank

*Unit: RMB million*

Type of Guarantee	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	368,639	17.86	382,075	20.77
Guaranteed loans	469,234	22.74	463,191	25.17
Collateral loans	917,020	44.45	705,499	38.35
Pledge loans	248,697	12.05	231,891	12.60
<b>Subtotal</b>	<b>2,003,590</b>	<b>97.10</b>	<b>1,782,656</b>	<b>96.89</b>
Discounted bills	59,888	2.90	57,188	3.11
<b>Total loans</b>	<b>2,063,478</b>	<b>100.00</b>	<b>1,839,844</b>	<b>100</b>

### 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 on 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 2014	31 December 2013	31 December 2012
Percentage of loans to the largest single customer (%) <sup>(1)</sup>	≤10	2.75	3.41	3.80
Percentage of loans to the top 10 customers (%) <sup>(2)</sup>	≤50	12.14	14.68	20.98

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

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

## The Group

*Unit: RMB million*

		31 December 2014		
Sector		Amount	Percentage in total loans (%)	Percentage in regulated capital (%)
Borrower A	Public and social organizations	9,978	0.46	2.75
Borrower B	Manufacturing	5,778	0.26	1.59
Borrower C	Mining	4,433	0.20	1.22
Borrower D	Transportation, warehousing and postal service	3,974	0.18	1.10
Borrower E	Transportation, warehousing and postal service	3,841	0.18	1.06
Borrower F	Transportation, warehousing and postal service	3,795	0.17	1.05
Borrower G	Transportation, warehousing and postal service	3,475	0.16	0.96
Borrower H	Transportation, warehousing and postal service	3,246	0.15	0.89
Borrower I	Real estate	3,000	0.14	0.83
Borrower J	Manufacturing	2,500	0.11	0.69
<b>Total loans</b>		<b>44,020</b>	<b>2.01</b>	<b>12.14</b>

As at the end of the reporting period, total balance of loans from the Group to the top 10 corporate customers amounted to RMB44.02 billion, accounting for 2.01% of its total loans and 12.14% of its net capital.

## 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).

In 2014, the Bank continued to reinforce centralized management of loan classification and enhance the system for classified management of credit asset risks. While adhering to the core criteria, i.e., “safety of loan recovery”, 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 chief risk officers at the branches review the results; and finally the Head Office finalizes the identification. To those loans with material changes in risk profiles, the Bank conducts dynamic adjustment to loan classification.

## Management Discussion and Analysis

During the reporting period, thanks to continuing collaboration with the external auditor, the Bank completed sample review of credit asset risk classification, and further enhanced truthfulness and accuracy of loan classification.

### The Group

Unit: RMB million

	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	2,091,293	95.58	1,898,053	97.78
Special mention	68,161	3.12	23,156	1.19
Sub-standard	14,618	0.67	11,680	0.60
Doubtful	11,773	0.54	6,310	0.33
Loss	2,063	0.09	1,976	0.10
<b>Total Loans</b>	<b>2,187,908</b>	<b>100.00</b>	<b>1,941,175</b>	<b>100.00</b>
<b>Performing loans</b>	<b>2,159,454</b>	<b>98.70</b>	<b>1,921,209</b>	<b>98.97</b>
<b>Non-performing loans</b>	<b>28,454</b>	<b>1.30</b>	<b>19,966</b>	<b>1.03</b>

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 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,967,981	95.37	1,797,573	97.70
Special mention	67,612	3.28	22,632	1.23
Sub-standard	14,554	0.71	11,643	0.63
Doubtful	11,335	0.54	6,041	0.33
Loss	1,996	0.10	1,955	0.11
<b>Total Loans</b>	<b>2,063,478</b>	<b>100.00</b>	<b>1,839,844</b>	<b>100.00</b>
<b>Performing loans</b>	<b>2,035,593</b>	<b>98.65</b>	<b>1,820,205</b>	<b>98.93</b>
<b>Non-performing loans</b>	<b>27,885</b>	<b>1.35</b>	<b>19,639</b>	<b>1.07</b>

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 RMB193.240 billion over the end of the previous year, accounting for 95.58% of the total loans, and representing a drop of 2.20 percentage points over the end of the previous year. The balance of special-mention loans rose by RMB45.005 billion, accounting for 3.12% of the total loans, up 1.93 percentage points 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 more 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; and (2) Economic downturn and difficult operation of the real economy led to tight fund chain and mounting credit risk, which in turn resulted in the rise in special-mention loans.

As at the end of the reporting period, the balance of the Group's non-performing loans (NPLs), recognized in accordance with the regulatory risk classification standard, stood at RMB28.454 billion, up RMB8.488 billion over the end of the previous year; and its NPL ratio was 1.30%, up 0.27 percentage point over the end of the previous year. The Group's continuous rise in NPLs was mainly due to impacts of the larger economic environment, business deterioration of pro-cyclic industries and enterprises, increasing spread of risks from the mutual guarantee and joint guarantee community, and reluctance of banks to lend, which led to higher probability of default, worse credit risk and more NPLs.

In 2014, the Group worked hard to improve loan quality and further reinforced disposal of non-performing loans. During the reporting period, the Group digested RMB21.320 billion NPL principal by means of collection and write-off, etc., with the speed of disposal being faster than that in previous years.

During the reporting period, the Group witnessed a “dual rise” trend of both NPL balance and NPL ratio, which was consistent with the current macroscopic economic situation. At the beginning of 2014, the Group already made sufficient preliminary judgment and response preparation regarding the changing trend of loan quality. Thanks to its pertinent measures for risk prevention and dissolution, the Group was able to put the changes in NPLs under control.

#### Migration of Loans

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

	31 December 2014	31 December 2013	31 December 2012
Migration ratio from normal loans (%)	3.21	1.51	1.16
Migration ratio from special mention loans (%)	30.16	27.20	6.35
Migration ratio from sub-standard loans (%)	58.23	45.98	24.06
Migration ratio from doubtful loans (%)	38.19	17.94	5.70
Migration ratio from performing loans to non-performing loans (%)	1.03	0.67	0.36

As at the end of the reporting period, the Bank's migration ratio from performing to non-performing loans was 1.03%, up 0.36 percentage point over the same period of the previous year. The main underlying reason was higher probability of default on the part of the borrowers due to the overlapping impacts of multiple factors in a time of economic downturn, which led to more loans migrating from performing to non-performing categories. Moreover, there was also a marked increase in the ratios of migration from sub-standard and doubtful loans compared with those of the same period last year, mainly because the Group intensified its write-off efforts.

#### Loans Overdue

##### The Group

	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	2,111,964	96.53	1,905,586	98.17
Loans overdue <sup>(1)</sup> :				
1-90 days	43,034	1.97	15,424	0.79
91-180 days	8,986	0.41	3,872	0.20
181 days or above	23,924	1.09	16,293	0.84
<b>Subtotal</b>	<b>75,944</b>	<b>3.47</b>	<b>35,589</b>	<b>1.83</b>
<b>Total loans</b>	<b>2,187,908</b>	<b>100.00</b>	<b>1,941,175</b>	<b>100.00</b>
Loans overdue for 91 days or above	32,910	1.50	20,165	1.04
Restructured loans <sup>(2)</sup>	13,724	0.63	6,176	0.32

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.

## Management Discussion and Analysis

### The Bank

*Unit: RMB million*

	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,990,328	96.46	1,805,447	98.13
Loans overdue <sup>(1)</sup> :				
1-90 days	40,913	1.98	14,524	0.79
91-180 days	8,705	0.42	3,837	0.21
181 days or above	23,532	1.14	16,036	0.87
<b>Subtotal</b>	<b>73,150</b>	<b>3.54</b>	<b>34,397</b>	<b>1.87</b>
<b>Total loans</b>	<b>2,063,478</b>	<b>100.00</b>	<b>1,839,844</b>	<b>100.00</b>
Loans overdue for 91 days or above	32,237	1.56	19,873	1.08
Restructured loans <sup>(2)</sup>	13,204	0.64	5,603	0.30

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 increasing amount of overdue loans due to impact of the economic downturn. As at the end of the reporting period, balance of overdue loans reached RMB75.944 billion, up RMB40.355 billion over the end of the previous year, with the proportion of overdue loans in total loans increasing by 1.64 percentage points over the end of the previous year, of which 56.67% were short-term and temporary loans with a maturity of less than 3 months. The increase in overdue loans was mainly because the borrowers suffered tight fund chains or even break of fund chains as a result of longer cycles of cash recovery, reduction of bank loans, and greater difficulty in accessing finance, etc.

The Group managed and controlled loan restructuring in a stringent prudent manner. As at the end of the reporting period, the Group's restructured loans was RMB13.724 billion, up RMB7.548 billion over the end of the previous year, and proportion of restructured loans increased by 0.31 percentage point over the end of the previous year, mainly because the Group restructured some of the loans eligible for restructuring as one of the methods of risk mitigation.

#### *Breakdown of NPLs by Product*

### The Group

*Unit: RMB million*

	31 December 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	22,823	80.21	1.46	16,406	82.17	1.14
Personal loans	5,614	19.73	1.01	3,560	17.83	0.81
Discounted bills	17	0.06	0.02	—	—	—
<b>Total</b>	<b>28,454</b>	<b>100.00</b>	<b>1.30</b>	<b>19,966</b>	<b>100.00</b>	<b>1.03</b>

**The Bank**

*Unit: RMB million*

	31 December 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	22,268	79.86	1.52	16,091	81.93	1.19
Personal loans	5,600	20.08	1.04	3,548	18.07	0.83
Discounted bills	17	0.06	0.03	—	—	—
<b>Total</b>	<b>27,885</b>	<b>100.00</b>	<b>1.35</b>	<b>19,639</b>	<b>100.00</b>	<b>1.07</b>

As at the end of the reporting period, the Group's balance and ratio of corporate NPLs increased by RMB6.417 billion and 0.32 percentage point over the end of the previous year respectively; while the balance and ratio of personal NPLs grew by RMB2.054 billion and 0.2 percentage point over the end of the previous year respectively. The rise in NPLs and NPL ratios was mainly due to the significant increase in credit risk of private SMEs and sole proprietorships engaged in manufacturing and trade.

*Breakdown of NPLs by Geographic Location*

**The Group**

*Unit: RMB million*

	31 December 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	9,240	32.47	1.80	10,567	52.93	2.22
Bohai Rim	7,151	25.13	1.24	3,995	20.01	0.78
Pearl River Delta and West Strait	5,140	18.07	1.61	2,311	11.57	0.83
Central region	3,453	12.14	1.13	1,126	5.64	0.42
Western region	1,276	4.48	0.44	976	4.89	0.38
Northeastern region	1,923	6.76	3.00	759	3.80	1.31
Overseas	271	0.95	0.23	232	1.16	0.25
<b>Total</b>	<b>28,454</b>	<b>100.00</b>	<b>1.30</b>	<b>19,966</b>	<b>100.00</b>	<b>1.03</b>

**The Bank**

*Unit: RMB million*

	31 December 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	9,231	33.10	1.81	10,559	53.77	2.23
Bohai Rim	7,108	25.49	1.24	3,950	20.11	0.77
Pearl River Delta and West Strait	4,894	17.55	1.54	2,268	11.55	0.82
Central region	3,453	12.38	1.13	1,126	5.73	0.42
Western region	1,276	4.58	0.44	977	4.98	0.38
Northeastern region	1,923	6.90	3.00	759	3.86	1.31
<b>Total</b>	<b>27,885</b>	<b>100.00</b>	<b>1.35</b>	<b>19,639</b>	<b>100.00</b>	<b>1.07</b>

As at the end of the reporting period, the Group's NPLs were mainly concentrated in the Yangtze River Delta, the Bohai Rim and the Pearl River Delta, with the aggregate NPL balance reaching RMB21.531 billion, accounting for 75.67% of the Group's total NPL balance. The Bohai Rim registered the largest amount of NPL increment, i.e., RMB3.156 billion, and a 0.46 percentage point rise in NPL ratio, followed by the Pearl River Delta which recorded an NPL increment of RMB2.829 billion and a 0.78 percentage point rise in NPL ratio, with the sum of the two regions taking up 70.51% of the total NPL increment of the Group. The major underlying causes were: (1) Mainly dependent on the real economy and private SMEs, the coastal and economically developed areas were weak in risk resilience and prone to worse credit risk in a time of economic downturn; and (2) Due to concentration of overcapacity industries, industrial restructuring accelerated the exposure of the Bohai Rim to credit risk.



## Management Discussion and Analysis

### Breakdown of Corporate NPLs by Sector

#### The Group

*Unit: RMB million*

	31 December 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	8,758	38.37	2.28	6,454	39.34	1.56
Transportation, warehousing and postal service	323	1.42	0.23	175	1.07	0.13
Production and supply of power, gas and water	83	0.36	0.16	94	0.57	0.17
Wholesale and retail	11,025	48.31	3.80	8,059	49.12	2.70
Real estate	96	0.42	0.05	306	1.87	0.24
Leasing and commercial services	82	0.36	0.07	118	0.72	0.16
Water conservancy, environment and public utilities management	—	—	—	75	0.46	0.11
Construction	548	2.40	0.54	576	3.51	0.70
Public and social organizations	—	—	—	—	—	—
Others	1,908	8.36	0.93	549	3.34	0.33
<b>Total</b>	<b>22,823</b>	<b>100.00</b>	<b>1.46</b>	<b>16,406</b>	<b>100.00</b>	<b>1.14</b>

#### The Bank

*Unit: RMB million*

	31 December 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	8,470	38.04	2.24	6,319	39.27	1.55
Transportation, warehousing and postal service	323	1.45	0.24	175	1.09	0.13
Production and supply of power, gas and water	82	0.37	0.16	95	0.59	0.17
Wholesale and retail	10,924	49.05	3.96	8,055	50.06	2.81
Real estate	87	0.39	0.05	305	1.89	0.26
Leasing and commercial services	82	0.37	0.07	118	0.73	0.16
Water conservancy, environment and public utilities management	—	—	—	75	0.47	0.11
Construction	548	2.46	0.55	576	3.58	0.71
Public and social organizations	—	—	—	—	—	—
Others	1,752	7.87	1.19	373	2.32	0.32
<b>Total</b>	<b>22,268</b>	<b>100.00</b>	<b>1.52</b>	<b>16,091</b>	<b>100.00</b>	<b>1.19</b>

As at the end of the reporting period, the Group's NPLs were mainly concentrated in wholesale & retail and manufacturing. NPL balances of the two sectors, accounting aggregately for 86.68% of the Group total, increased by RMB2.966 billion and RMB2.304 billion respectively over the end of the previous year, and their corresponding NPL ratios increased by 1.10 percentage points and 0.71 percentage point over the end of the previous year respectively. Increase in NPLs was mainly because the above-mentioned two sectors were both pro-cyclic. During the economic downturn, with a poor real economy and weak risk resilience at upper and lower-stream circulation points, enterprises in these sectors were universally trapped in production and operation difficulties, hence the worse credit risk, more NPLs and higher NPL ratios in these sectors.

As at the end of the reporting period, the Group's NPL balances of five sectors, namely, real estate, water conservancy, environment and public utilities management, leasing and commercial services, construction and production and supply of power, gas and water went down by RMB210 million, RMB75 million, RMB36 million, RMB28 million and RMB11 million respectively over the end of the previous year, with the corresponding NPL ratios going down by 0.18, 0.11, 0.09, 0.17 and 0.01 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

	As of 31 December 2014	As of 31 December 2013
Beginning balance	41,254	35,325
Accruals during the year <sup>(1)</sup>	22,074	11,327
Reversal of impairment allowances <sup>(2)</sup>	(460)	(275)
Transfer out <sup>(3)</sup>	—	(42)
Write-offs	(11,610)	(5,305)
Recoveries of loans and advances written off in previous years	318	224
<b>Ending balance</b>	<b>51,576</b>	<b>41,254</b>

- 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

	As of 31 December 2014	As of 31 December 2013
Beginning balance	40,861	34,877
Accruals during the year <sup>(1)</sup>	21,924	11,245
Reversal of impairment allowances <sup>(2)</sup>	(457)	(271)
Transfer out <sup>(3)</sup>	—	(30)
Write-offs	(11,489)	(5,169)
Recoveries of loans and advances written off in previous years	297	209
<b>Ending balance</b>	<b>51,136</b>	<b>40,861</b>

- 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.

## Management Discussion and Analysis

As at the end of the reporting period, the Group's balance of provision for loan impairment registered RMB51.576 billion, representing an increase of RMB10.322 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) and ratio of balance of provision for loan impairment to total loans (i.e., provision to loan ratio) were 181.26% and 2.36% respectively. The provision coverage ratio decreased by 25.36 percentage points over the end of the previous year, while the provision to loan ratio increased by 0.23 percentage point over the end of the previous year.

In 2014, the Group accrued RMB22.074 billion provision for loan impairment, up 94.88% over the previous year. The reasons for increasing such provisioning were: (1) the Group made a proactive response to the risk of economic downturn by means of enhancing its risk hedging capability; and (2) with more vigorous writing-off efforts, the Group needed to increase provisions as much as possible to get well prepared for write-offs.

### Management of Market Risk

Market risk refers to the risk of on- and off-balance sheet businesses 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.

### 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 re-pricing risk, yield curve risk, benchmark risk and option risk. With re-pricing 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 risk.

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 followed changes in the external macro economic situation and its internal business structure, made timely adjustments to its loan re-pricing lifecycle management policy, took the initiative to manage sensitivity gap of interest rates, and prevented excessive concentration of interest rate risk. Further, 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.

Interest rate gaps of the Bank as at the end of the reporting period are detailed 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	90,731	2,040,792	1,464,802	436,593	105,897
Total liabilities	94,871	2,583,078	815,383	295,701	82,436
Interest rate gap	(4,140)	(542,286)	649,419	140,892	23,461

#### 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	93,457	1,887,267	1,450,909	425,784	105,219
Total liabilities	81,062	2,479,239	777,888	289,562	79,162
Interest rate gap	12,395	(591,972)	673,021	136,222	26,057

### Management of Foreign Exchange Risk

Foreign exchange risk refers to the risk of on- and off-balance sheet business of a bank incurring losses due to unfavorable changes of exchange. The Bank measures foreign exchange risk mainly through the analysis of foreign exchange exposures that consist 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 foreign exchange risk by matching foreign currency denominated assets with corresponding foreign currency denominated liabilities, and at the same time making appropriate use of financial derivatives. For businesses with potential foreign exchange risk, the Bank set corresponding risk limits to control its foreign exchange risk at a tolerable level.

Foreign Exchange rate risk of the Bank is mainly impacted by the fluctuations of Renminbi exchange rate against the US dollar. During the reporting period, the Renminbi exchange rate against the US dollar registered marked two-way fluctuations, with Renminbi depreciated about 2.4% against the US dollar for the whole year. Thanks to its strict control of the risk exposure of foreign exchange related businesses and more intensive routine risk monitoring and early warning reporting, the Bank was able to control its exchange rate risk below the acceptable level against such market fluctuations.

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

#### The Group

Item	Unit: RMB million			
	USD	HKD	Other currencies	Total
Net on-balance sheet position	(620)	(10,699)	(9,494)	(20,813)
Net off-balance sheet position	(14,798)	25,585	17,848	28,635
<b>Total</b>	<b>(15,418)</b>	<b>14,886</b>	<b>8,354</b>	<b>7,822</b>

#### The Bank

Item	Unit: RMB million			
	USD	HKD	Other currencies	Total
Net on-balance sheet position	(23,200)	(3,202)	(3,460)	(29,862)
Net off-balance sheet position	4,322	1,840	11,790	17,952
<b>Total</b>	<b>(18,878)</b>	<b>(1,362)</b>	<b>8,330</b>	<b>(11,910)</b>

### Liquidity Risk Management

Liquidity risk refers to the risk that the Bank is unable to obtain adequate capital in a timely manner and at reasonable cost to repay matured debts, perform other payment obligations and meet other capital needs for conduct of normal business. The objective of liquidity risk management of the Bank is to effectively identify, measure, monitor and control liquidity risk by constructing a robust liquidity risk management framework, and thereby meet liquidity needs in a timely manner and at reasonable cost.

The Bank pursues a unified liquidity risk management model. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and 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 pursuant to 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 according to the requirements of regulatory authorities and within the Group's master policy framework of liquidity risk management.

## Management Discussion and Analysis

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

						<i>Unit: RMB million</i>	
Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total	
(1,267,078)	(273,261)	458,253	496,476	329,029	523,927	267,346	

### The Bank

						<i>Unit: RMB million</i>	
Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total	
(1,244,559)	(242,983)	436,825	456,349	319,205	530,886	255,723	

## 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 established and improved risk management regulations focusing on key areas including supply chain finance, wealth management business and loan collateral management, promoted the application of three major management tools, namely, operation risk and control self assessment, key risk indicators, and loss data collection, improved the key risk indicator system, and thereby enhanced the level of operation risk management.

## 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 requirements on anti-money laundering, the Bank diligently fulfilled its anti-money laundering obligations through solid efforts in risk management against money laundering.

The Bank intensified its efforts to construct an internal control framework for anti-money laundering purpose. Among others, the Bank developed the Measures of CITIC Bank on Customer ID identification and Storage/Management of Customer ID Information and Trading Records, defined division of duties for internal organizations and personnel at all levels, and standardized relevant measures for customer ID identification and data storage/management. During the reporting period, the Bank exerted active efforts to develop anti-money laundering regulations for the Shanghai Free Trade Zone, and define internal control requirements on anti-money laundering, anti-terrorist financing and the three rules on business conduct (i.e., on the basis of "understanding your customers, understanding your business and due diligence", banks in the Shanghai Free Trade Zone may directly handle relevant business transactions upon personal or institutional order of receipt and/or payment).

In addition, the Bank intensified routine anti-money laundering risk monitoring, analyzed and reported large-sum suspicious transactions, and standardized manual identification and analysis processes and methods. These efforts improved the quality of suspicious transaction reporting and reduced the number of such reports by 15% year-on-year. To optimize functions of its anti-money laundering system, the Bank classified and reformed priority levels, added the suspicious transaction white-list function and rules on exemption of the transaction code reporting obligation, strengthened manual re-input and re-submission of data, and completed the instructions on business needs of the newly established anti-money laundering risk management system, and used information technology to upgrade its anti-money laundering risk management and control level. By learning from best peer practices, the Bank drew upon experiences of role model banks in piloting the integrated anti-money laundering project, and thereby developed its own mindset of centralized anti-money laundering operation and processing model that matched its own operation and management features and improved the efficiency and quality of its anti-money laundering efforts.

## I Capital Management

The Bank practices total capital management, covering management of regulatory capital, economic capital and book capital in general and capital adequacy ratio management, capital planning, capital allocation, capital evaluation and financing management, etc. in particular.

Capital adequacy ratio management is one of the core areas for the Bank's capital management, reflecting the capacity of the Bank for prudent operation and risk prevention. The Bank calculates, manages and discloses its own and the Group's capital adequacy ratios according to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC in June 2012. On the one hand, the Bank improved its capital supply capability by means of increasing internal capital accumulation and making appropriate use of external capital for capital replenishment. On the other hand, the Bank reduced capital consumption by controlling capital growth rate, optimizing capital structure, and increasing risk mitigation. Simultaneous use of these two types of measures ensured that capital ratios of both the Bank and the Group at all levels met both regulatory requirements and internal management needs, and effectively supported healthy and sustainable development of all businesses.

Availing itself of the opportunity to implement the strategy on "low capital consumption", the Bank continued to strengthen the total-process management system covering capital planning, allocation, evaluation, measurement and monitoring. By taking into comprehensive consideration multiple factors including the internal and external business environments, regulatory policies, and its own strategy development plan and risk preference, and with the use of scenario simulation and stress testing, the Bank predicted future capital supply and demand in a forward-looking manner, and put forward internal and external capital replenishment measures where and when necessary. In its practice of the economic capital evaluation system with "economic profit" and "return on risk capital" at the core, the Bank kept intensifying the capital constraint and allocation mechanisms to guide its business units towards rational deployment of capital structure under the relevant capital constraints, and further promoted the intensive development model that focused on capital saving and efficient output to facilitate its own transformation from a bank of large scale to a bank of better value.

## I Management of Financial Statement Consolidation

The Bank pushed forward management of financial statement consolidation in an orderly manner, and continued to promote development of better regulations and framework on such management. During the reporting period, management of financial statement consolidation was added to the Articles of Association, as well as the rules of procedure of the shareholders' general meeting, the board of directors, and the board of supervisors. The Overall Work Program of CITIC Bank on Management of Financial Statement Consolidation, the Administrative Measures of CITIC Bank on Consolidation of Subsidiaries' Financial Statements, and the Administrative Measures of CITIC Bank on Risk Management of Consolidating Subsidiaries' Financial Statements were formulated and released, further defining the overall framework of the Bank on management of financial statement consolidation and division of duties between its internal departments and thereby establishing guidance and standards on such management for both the Bank and the Group.

## I 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 of the Bank 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.



## Management Discussion and Analysis

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 (%) <sup>(Note)</sup>
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%
2013	2.520	11,790	39,175	30.10%

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 2014 financial statements prepared in accordance with PRC GAAP and IFRS, respectively, were both RMB38.990 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 was accrued at RMB3.899 billion as at the end of the current period. The Bank allocated the general reserve of RMB6.1 billion. No discretionary reserve was allocated.

In consideration that the Bank has proposed to make a private offering of A Shares to China Tobacco Corporation, and that the proposal has been adopted by the board of directors and the shareholders' general meeting, in pursuant to the CSRC Administrative Measures on Securities Issuance and Underwriting, i.e., "where a listed company has programs on profit distribution or on transfer of capital reserve to share capital that have not been submitted to the shareholders' general meeting for voting or that have been adopted by the shareholders' general meeting via voting but are not yet implemented, the company may not issue securities until such aforementioned programs are implemented". In order not to affect the progress of the private offering and promote long-term development of itself, the Bank will not make dividend distribution in cash, nor will the Bank transfer capital reserve to share capital for 2014. Pending future distribution, the retained non-distributed profit will be used, continuously, for the Bank's replenishment of capital, with the return on capital thereof estimated at around 16.00% as per the 2014 ROE of the Bank.

The present proposal on profit distribution ("the proposal") is in compliant with the relevant provisions of the Bank's Articles of Association and has clearly defined dividend distribution criteria and proportion. After full discussions at the Strategic Development Committee of the Board of Directors, the proposal was deliberated and approved at the meetings of the Board of Directors and the Board of Supervisors of the Bank on 20 March 2015, and will be submitted to the 2014 Annual General Meeting of the Bank for deliberation, approval and official implementation thereafter. The independent non-executive directors of the Bank have collectively produced their independent opinion as follows: "The Bank's proposal on distribution of profit for 2014 is consistent with the interests of all shareholders of the Bank. We, as independent non-executive directors of the Bank, endorse the proposal and agree to submit the proposal to the 2014 Annual General Meeting for deliberation."

When the proposal is submitted to the 2014 Annual General Meeting for deliberation, the Bank will facilitate investors' online voting in accordance with relevant regulatory requirements, and disclose the voting results by the range of shareholding proportions of its voting A shareholders. The shareholding proportions are classified into three ranges, i.e., below 1%, 1%-5%, and above 5%. Shareholders holding individually less than 1% of the Bank's A shares will be further classified into two categories, i.e., those with more than RMB500,000 capitalization of shares and those with less than RMB500,000 capitalization of shares, so that the voting results of A shareholders will be disclosed in more details.

## Shareholdings in Other Listed Companies and Financial Enterprises

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

Unit: RMB

No.	Stock code	Stock name	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in shareholder's equity during the reporting period	Accounting item	Source of investment
1	00762	China Unicom (HK)	7,020,000.00	—	3,281,515.00	—	3,648,201.81	(366,686.81)	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,509,605.39	—	81,808,091.52	144,907.00	68,698,961.41	13,109,130.11	Available-for-sale financial assets	Gift/Bonus share
3	MA	Mastercard International	201,629.69	—	3,994,613.45	11,813.07	3,860,489.40	134,124.05	Available-for-sale financial assets	Bonus share
Total			14,731,235.08		89,084,219.97	156,720.07	76,207,652.62	12,876,567.35		

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	3,937,500.00	—	Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	22	—	440,164.75	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,063,241.29	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	12,778,976.68	—	—	Available-for-sale financial assets	Bonus share
Total	132,710,234.79			131,032,382.72	3,937,500.00	—		

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with net value of RMB124 million as at the end of the reporting period.

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

In 2014, the MOF issued the following accounting standards for enterprises and regulations on accounting methods: Accounting Standards for Enterprises No. 9 – Employee Compensation (Revised), Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements (Revised), Accounting Standards for Enterprises No. 33 – Consolidated Financial Statements (Revised), Accounting Standards for Enterprises No. 39 – Measurement of Fair Value, Accounting Standards for Enterprises No. 40 – Arrangement of Joint Operation, Accounting Standards for Enterprises No. 41 – Disclosure of Interests in Other Entities, Accounting Standards for Enterprises No. 2 – Long-term Equity Investment (Revised), Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments (Revised) and Differences between Financial Liabilities and Equity Instruments and Relevant Regulations on Accounting Methods. The Group adopted in 2013 in advance Accounting Standards for Enterprises No. 9 – Employee Compensation (Revised), Accounting Standards for Enterprises No. 30 – Presentation 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, and adopted in 2014 Accounting Standards for Enterprises No. 41 – Disclosure of Interests in Other Entities, Accounting Standards for Enterprises No. 2 – Long-term Equity Investment (Revised), Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments (Revised) and Differences between Financial Liabilities and Equity Instruments and Relevant Regulations on Accounting Methods.

The aforementioned changes in accounting policies had no significant impact on the financial statements of the Group for FY 2014 and FY 2013.

During the reporting period, there was no occurrence of significant changes in accounting estimation and significant accounting errors within the Group.

### **Outlook**

#### **Environment and Opportunities of the Banking Sector**

Looking forward to 2015, we believe China will continue to face complex internal and external environments. The world economy will linger on in deep post-crisis adjustment, i.e., mild recovery in general albeit with growth impetus remaining inadequate and weak recovery hard to improve in the short run. The Chinese economy, caught in the overlap of shift of growth gear, labor pains of restructuring and digestion of previous stimulation policies, will enter a new phase of development. In face with accelerating market-oriented financial reform, interest rate liberalization, and intensifying financial disintermediation, the banking sector will face ever fiercer competition but also new opportunities for business development.

“Stabilizing growth” brings along new opportunities for capital construction and investment. As per the spirit of the Central Economic Work Conference, “stabilizing growth” will remain a primary task for China’s economic work in 2015, with focus to be placed on infrastructure construction which area will enjoy vigorous development whether in consideration of domestic regional development or with regard to the “Go Abroad” strategy represented by “One Belt, One Road”.

Upgrading of industrial structure brings along new opportunities to business development. The Chinese economy is transforming from manufacturing to service dominance at a faster pace. With its share in GDP growing to 48% in 2014, the service sector tops all industries in the national economy and registers continuing emergence of new consumption hotspots including but not limited to online consumption, information consumption, cultural consumption, and tourism/leisure consumption. These will not only create huge demand for consumer finance, but also provide opportunities for banks to pace up the development of retail banking. Meanwhile, strategic emerging industries represented by high-end equipment, information network and integrated circus also enjoy enormous room for further development.

Regional restructuring brings along new opportunities for spatial layout of the banking industry. The government has basically formed the strategies on “One Belt, One Road”, integration of Beijing, Tianjin and Hebei Province, and three blocks along the Yangtze River Economic Belt as well as four free trade zones respectively located in Shanghai, Guangdong, Tianjin and Fujian. This creates an enabling environment for banks to optimize regional layouts, tapping regional financial development features and boosting financial innovation. Among others, the “One Belt, One Road” strategy involves 26 countries and regions, whose trade volumes with China sum up to USD 1 trillion, 1/4 of China’s total international trade, and holds enormous potentials for bilateral financial cooperation between concerned enterprises in infrastructure, trade and investment and energy, which will provide rare opportunities for banks to go international.

Cross-sector innovation brings along new opportunities for integrated financial services. With cross-market, cross-sector and cross-area financial innovation, and extensive involvement of securities, insurance, fund and trust in credit grant, the need for cross-sector “banking + non-banking” integrated financial services will rise drastically. As such, all major financial institutions are enthusiastically constructing integrated financial service platforms covering all types of financial licenses, giving rise to an increasingly clear trend of the banking sector going towards integrated business operation.

Development of the internet brings along new opportunities for business innovation. Channel revolution and information revolution as a result of technological advancement are overturning traditional business models. With increased use of internet technologies, Big Data and cloud computation, banks enjoy a broad prospect in promoting innovation of products, channels, services and management.

### Analysis of Significant Risk Factors

Slowdown of economic growth exposes asset quality management of banks and control to new challenges. At present, the Chinese economy suffers from continuing decline of growth rate, consecutively negative growth of PPI, overcapacity of the manufacturing sector, declining property sales, and gradual exposure of risks in some key locations and industries. Moreover, the crash of commodity prices has led to frequent occurrence of cases in trade and financing areas, exposing banks to the severe test of preventing both operation risk and cases of irregularities.

Interest rate liberalization puts forward new challenges to the traditional profitability model of banks. At the end of 2014, the PBC launched an asymmetrical interest rate cut, and expanded the fluctuation range of deposit interest rate from 1.1 to 1.2 times of benchmark interest rate. In the future, interest rate liberalization will accelerate; and liabilities business, increasingly assuming the features of fixed-term inter-bank wealth management, will markedly drive up cost of liabilities and reduce interest spread. Because of these, profit growth of banks will face enormous pressures.

Financial disintermediation exposes banks’ customers expansion to new challenges. Deepening financial disintermediation gives rise to a changing trend in enterprises’ choice of financing ways, i.e., large group corporations finance internationally, big enterprises borrow from the market, small enterprises borrow from non-government sources, and new enterprises use PE finance. This situation challenges the status of banks as the major channel of financing.

Intensifying horizontal competition raises new challenges to the business model of banks. In 2014, the CBRC relaxed the market access of new banks and has hitherto approved applications for establishment of the first group of five pilot private banks. Meanwhile, non-banking financial institutions are developing rapidly, breaking the barrier that separates them from banks. Use of Big Data and internet/mobile technologies gives sudden rise to the new force of internet finance, which, by penetrating into third-party payment in the first place and gradually into other banking areas such as P2P micro credit, asset management and supply chain finance, is changing the layout of market competition.

Tougher regulation constitutes a new challenge to compliant operation of banks. The regulators have produced a series of policy measures to reinforce regulation over inter-bank business, inspection of service charges, regulation over deposit deviation, and management of local debts. “Easy access, stringent regulation” has become an important orientation of banking regulation. In the future, non-compliance will fetch rising costs with boundaries of lawful operation more clearly defined and regulatory accountability more vigorously enforced.

### Countermeasures

In 2015, against such a complex external environment and risk situation, the Bank will strive to become the bank of best integrated financing services by grasping development opportunities, consolidating business foundation, accelerating business transformation, optimizing structural adjustment, deepening institutional reform, safeguarding risk bottom line, and building up capacity for sustainable development in accordance with its overall strategic arrangements.

**Consolidate competitiveness in corporate business to build capacity for value creation:** The Bank will improve its customer service system, construct standard mechanisms and processes for identification, adjustment and exit of corporate customers, and deepen classified stratified management of customers. At the same time, efforts will be made to develop a more competitive product platform, i.e., boost integration of product resources and innovation of business models, with focus to be placed on the creation of a two-wheel “great asset management + great transaction” driven service model. The marketing management mechanism will be smoothed and institutional construction for business synergy boosted to speed up the development of a “product manager + customer manager” marketing service model.

**Deepen second transformation of retail business to improve business performance and contribution:** The Bank will pace up “hard transformation” and “soft transformation” of outlets to push forward take-off of production capacity. Specifically, efforts will be made to refine customer operation and management, and build unique customer group competitiveness by prioritizing the development of financial services to six major customer groups, namely, white-collars, people going abroad, pensioners, those in need of agency payment, business owners and professional managers. To catch up with and surpass its peers in the development of key businesses, the Bank will expand its share in the low-cost deposit market, accelerate development of wealth management business, facilitate the growth of small enterprise and personal loan, and support leap-forward development of credit cards.

**Enhance financial market innovation to cultivate new profit growth points:** The Bank will focus on the currency market, the capital market and the international market to construct platforms for internationalization and integration at faster paces, endeavor to create “great individual items” in cross-border trade finance, interest rate and exchange rate services, direct finance and bill business, build capacity for arrangement of multi-channel finance, capacity for innovative product design, and capacity for development of integrated service programs, and increase contribution of intermediary income from the financial market segment.

**Promote inter-connection and integration of channels to build online financial platforms:** The priority is to further construct an “express way” of e-channels, namely, build up competitiveness in mobile banking, construct a direct-sale bank and a smart-community O2O platform, boost marketing and recommendation functionalities of online channels, and optimize e-channel transaction process in a continuous manner to effectively improve customer experience. Meanwhile, inter-connection and integration of online and offline channels will be accelerated and Big Data and cloud computation further utilized to enhance capacity for data mining, analysis and response. Proactive efforts will be made to construct an internet financial service platform, boost financial business cooperation for the e-supply chain, and benefit corporate customers with online “financial + non-financial” products and services.

**Intensify internal control and risk management to firmly guard the bottom line of risk:** Great efforts will be exerted at the Bank to promote reform of the risk management system. Among others, the Bank will keep enhancing total risk management, pay close attention to collection and disposal of NPLs, prioritize internal control and compliance management, implement risk prevention and control responsibilities on all fronts, improve forward-looking features and sensitivity of risk prevention and control, and expedite the transformation from passive risk control to active risk operation to move the risk control points forward, firmly safeguard the risk bottom line and prevent the occurrence of significant risks and major cases.

**Deepen institutional reform to effectively improve management efficiency:** In its attempt to adjust its management structure at a faster pace, the Bank needs to optimize organizational structure of the Head Office as well as management systems of the branches and sub-branches, intensify management of subsidiaries’ financial statement consolidation, and thereby construct an efficient and effective operation system. It is also imperative for the Bank to deepen the reform of its innovation system so as to fully realize the role of the Product Innovation Management Committee, improve planning and comprehensive management of innovative efforts, and create an innovative culture. In the reform of its performance evaluation framework, the Bank will uphold the principles of “full coverage, focus on priorities, and classified evaluation”, take both short and long-term objectives into consideration, and adapt the performance evaluation framework to realize its strategic transmission function. Meanwhile, models for allocation of resources including credit, expenses and remunerations will be enhanced to optimize management of assets and liabilities and improve input-output efficiency and capacity of pricing management.

Implement the strategy on developing the Bank with science and technology and build a process-oriented bank on all fronts: The Bank will regard commissioning of the “new core businesses” as its top priority for 2015 by reinforcing organizational management, defining division of duties, promoting participation of the whole bank, and ensuring smooth business switch and commissioning of the new cores to the best of its capacity. Construction of strategic projects including integrated operation, great individual items, great asset management, channel integration and implementation of the New Capital Accord will be accelerated to effectively realize the strong supporting role of science and technology in bank-wide execution of strategies, pace up process optimization, improve customer experience and enhance business efficiency.

Deepen reform of human resources to build up stratified teams of talents: The Bank will adjust and optimize its job set-up to fully implement requirements of the Head Office job system, and at the same time initiate the project on construction of job systems at branches to promote reform of human resources at the branches. More intensive efforts will be in place to develop managerial talents, including enhancement of the competitive mechanism for selection and promotion of talents, cultivation of reserve talents, and construction of mechanisms for regular exchange of talents. The development of core talents will be reinforced by the establishment of a core talent database focusing on professional/technical positions, and improvement of the mechanisms for performance evaluation and survival of the fittest. Cultivation of young talents will gain more momentum. Career planning of employees will be improved.

### Business Plan for 2015

In 2015, the Bank will exert proactive efforts to increase income, strictly prevent and dissolve risks, control balance of NPLs, and expand business scale in a positive reliable manner. Meanwhile, the Bank will adjust and optimize its business structure, customer mix and profit composition. Business scale of the Bank is expected to continue its stable growth, at a rate of 12% approximately, while growth of net operating income is expected to decline somewhat compared with the previous year due to impacts of interest rate cut and liberalization.

## I Management of Corporate Social Responsibility

The Bank has disclosed the 2014 Social Responsibility Report on the official website of SSE ([www.sse.com.cn](http://www.sse.com.cn)), official website of SEHK (<http://www.hkexnews.hk>) as well as the website of the Bank (<http://bank.ecitic.com>). Please refer to the 2014 Social Responsibility Report disclosed on 20 March, 2015 for details of the social responsibility and public benefit activities of the Bank.



# *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 in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group for loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, there were 53 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary and usual course of business where the Group acted as defendant/respondent with an aggregate disputed amount of RMB339 million.

During the reporting period, the Bank was not aware of any events that were widely questioned by public 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 2014.

## | **Material Acquisitions, Disposals or Restructurings of Assets**

In August 2014, the Board of Directors of the Bank deliberated and adopted the Proposal on Establishment of CITIC Financial Leasing Company, giving its consent to the Bank's independent sponsorship and incorporation of CITIC Financial Leasing Company, Ltd. ("the Leasing Company") with a registered capital of RMB4.0 billion. As the end of 20th March, 2015, the CBRC has approved the Bank's application for preparation of the Leasing Company which will officially open for business after completion of the preparation and with approval from competent regulators.

On 23 December 2014, the Board of Directors of the Bank deliberated and adopted the Proposal on CITIC Bank's Acquisition of BBVA's Equity in CIFH, giving consent to the Bank's acquisition of BBVA's 2,213,785,908 ordinary shares in CIFH. Upon completion of the acquisition, the Bank will hold 100% equity interest of CIFH, which is more conducive to the Bank's control and governance of CIFH and improvement of its overseas strategic layout. The aforementioned matter of acquisition still needs approval by the shareholders' general meeting of the Bank. Please refer to the related announcements published on the official website of SSE ([www.sse.com.cn](http://www.sse.com.cn)), the official website of SEHK (<http://www.hkexnews.hk>) as well as the website of the Bank (<http://bank.ecitic.com>) for detailed information.

## | **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.

## | **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, strict risk review and approval and better post-lending management. As at the end of the reporting period, the balance of credit extended to related parties by the Bank totaled RMB12.779 billion, of which the balance of credit extended to CITIC Group and its subsidiaries totaled RMB10.941 billion, and the corresponding figures for BBVA stood at RMB1.838 billion. With sound underlying quality, all of the above-mentioned credit granted to related shareholders together with the credit 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

In 2014, the Bank entered into framework agreements on seven categories of continuing connected transactions respectively with CITIC Group and its associates, as well as BBVA and its associates, and conducted transactions within the corresponding approved annual caps of 2014. According to the applicable provisions of Chapter 14A of the Hong Kong Listing Rules and Chapter 10 of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, 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 concluded between the Bank and CITIC Group in March 2014, the third-party escrow services between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to or from independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined on the basis of relevant market rates and subject to periodic reviews. In 2014, the annual cap for the Bank's transactions under the Third-Party Escrow Service Framework Agreement was RMB60 million while the actual amount incurred under this framework agreement as at the end of the reporting period was RMB17 million.

#### Asset Custody Services

According to the Asset Custody Services Framework Agreement concluded between the Bank and CITIC Group in March 2014, the asset custody services, account management services and third-party regulatory services provided between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to or from independent third parties. The service fees payable to each other shall be determined on the basis of relevant market rates and subject to periodic reviews. In 2014, the annual cap for the Bank's transactions under the Asset Custody Services Framework Agreement was RMB67 million while the actual amount incurred under this framework agreement as at the end of the reporting period was RMB137 million.

#### Financial Consulting and Asset Management Services

According to the Financial Consulting and Asset Management Services Framework Agreement entered into between the Bank and CITIC Group in March 2014, the financial consulting and asset management services provided between the Bank and CITIC Group and its associates have no fixed prices or rates. The prices and rates applicable to a particular type of service shall be determined through fair and reciprocal negotiations between the parties and on terms no more favorable than those available to or from independent third parties and may be calculated on the basis of the scale, rate and duration of the service. In 2014, the annual cap for the Bank's transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB500 million while the actual amount incurred under this framework agreement as at the end of the reporting period was RMB50 million.

## Significant Events

### Capital Transactions

According to the Capital Transactions Framework Agreement entered into between the Bank and CITIC Group in March 2014, the Bank and CITIC Group and its associates shall conduct capital transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. Such transactions shall be priced according to the following principle: The two parties shall use the prevailing market prices or the rates generally applicable to similar transactions with independent third parties. Specifically, for foreign exchange and precious metal transactions, precious metal leasing, money market transactions and bond transactions, the two parties shall determine the prices for their transactions in line with openly available market prices; for agency settlement of bonds, the two parties shall determine the prices and rates for their transactions pursuant to prevailing industry rules; and, for financial derivatives business, the two parties shall determine the prices for their transactions pursuant to activeness of the concerned derivatives market, openly available market price offers and the Bank's management requirements on various risks. In 2014, the annual cap for realized gains, realized losses, unrealized gains or losses (as the case may be) of the transactions under the Capital Transactions Framework Agreement was RMB1.5 billion respectively and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB4.3 billion each. As at the end of the reporting period, net gains and losses incurred under the framework agreement recorded RMB15 million, while fair value of financial derivatives recorded as assets was RMB17 million and that of financial derivatives recorded as liabilities was RMB8 million.

### Asset Transfer

According to the Asset Transfer Framework Agreement entered into between the Bank and CITIC Group in March 2014 and approved by the 2013 Annual General Meeting, the transactions of asset transfer 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 transfer prices payable by the transferee shall be determined according to the following principles: (1) For transfer of general assets, as per regulatory requirements, credit assets shall be transferred on the principle of totality. When transferring a credit asset, the transferor shall use the loan principal as the transaction price, and take post-transfer obligations to be performed by the Bank into priority consideration in addition to the consideration of market supply and demand; (2) For transfer of securitized assets, the Bank, when transferring a credit asset to a related party, shall use the loan principal as the transaction price, and determine the interest rate for transfer of the securitized credit asset with reference to the yields of similar Chinese interbank market products as disclosed by the China Bond Information website and the China Money website, in combination with price enquiries made with investors, with specific terms (such as price, volume, total price and payment) to be determined upon conclusion of agreements for individual transactions; and (3) At present, there are no statutory government-prescribed prices for asset transfer. When statutory government-prescribed prices are available in the future, asset transfer shall be priced with reference to such statutory government-prescribed prices. In 2014, the Bank's annual cap for the transactions under the Asset Transfer Framework Agreement was RMB47.1 billion. Actual amount incurred under this framework agreement as at the end of the reporting period was RMB26.165 billion, not exceeding the Bank's approved cap of the year.

### Wealth Management and Investment Services

According to the Wealth Management and Investment Services Framework Agreement entered into between the Bank and CITIC Group in March 2014 and approved by the 2013 Annual General Meeting, the Bank and CITIC Group and its associates shall apply general market practices and normal commercial terms in their ordinary and usual course of business. The Bank shall provide CITIC Group and its associates with wealth management and investment services including non-principal-guaranteed wealth management and agency services, principal-guaranteed wealth management, and proprietary fund investment, while CITIC Group and its associates shall provide the Bank with intermediary services of wealth management (such as trust services and management services). The two parties shall price their services through fair and reciprocal negotiations, on normal commercial terms, in line with the categories and scopes of wealth management services, and with real-time adjustments made according to changes in market price. In 2014, the Bank's annual cap for the service fees of non-principal-guaranteed wealth management and agency services under the Wealth Management and Investment Service Framework Agreement was RMB3.6 billion, the annual cap for period-end balance of principals of principal-guaranteed wealth management services was RMB26.7 billion, the annual cap for yields on customer wealth management was RMB1.2 billion, the annual cap for period-end balance of investment funds was RMB80.0 billion, and the annual cap for the Bank's investment returns and service fees payable to intermediaries was RMB6.3 billion. As at the end of the reporting period, the actual amount incurred for the service fees of non-principal-guaranteed wealth management and agency services under this framework agreement was RMB292 million, the period-end balance of principals of principal-guaranteed wealth management services was RMB1.112 billion, yields on customer wealth management was RMB146 million, period-end balance of investment funds was RMB8.989 billion, and the Bank's investment returns and service fees payable to intermediaries was RMB402 million.

#### Comprehensive Services

According to the Comprehensive Services Framework Agreement entered into between the Bank and CITIC Group in March 2014, CITIC Group and its associates shall provide the Bank with comprehensive services including but not limited to medical insurance and enterprise annuity, procurement of goods and services, outsourcing service, value-added service, advertising service, technological service and property lease. The Bank and CITIC Group and its associates shall apply prevailing market prices or applicable rates of independent third-party transactions to the services provided under the Comprehensive Services Framework Agreement, and shall determine prices and rates of a particular type of services through fair and reciprocal negotiations and with reference to applicable market prices and rates. In 2014, the Bank's annual cap for the transactions under the Comprehensive Services Framework Agreement was RMB800 million while the actual amount incurred under this framework agreement as at the end of the reporting period was RMB671 million.

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

##### Capital Transactions

According to the Framework Agreement on Capital Transactions entered into between the Bank and BBVA in March 2014, the Bank and BBVA and its associates shall conduct capital transactions during their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. Such transactions follow the following pricing principle: the two parties shall use the prevailing market prices or the rates generally applicable to similar transactions with independent third parties. Specifically, for foreign exchange and precious metal transactions, precious metal leasing, money market transactions and bond transactions, the two parties shall determine the prices for their transactions in line with openly available market prices; for agency settlement of bonds, the two parties shall determine the prices and rates for their transactions pursuant to prevailing industry rules; and, for financial derivatives business, the two parties shall determine the prices for their transactions pursuant to activeness of the concerned derivatives market, openly available market price offers and the Bank's management requirements on various risks. In 2014, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of transactions under the Capital Transactions Framework Agreement was RMB700 million each, that for the fair value of derivative financial instruments recorded as assets was RMB1.4 billion, and that for the fair value of derivative financial instruments recorded as liabilities was RMB1.3 billion. As at the end of the reporting period, net losses incurred under the framework agreement recorded RMB125 million, while fair value of financial derivatives recorded as assets was RMB152 million and that of financial derivatives recorded as liabilities was RMB103 million.

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 27 March 2014 made by the Bank in respect of each of the disclosed continuing connected transactions.

## Significant Events

### Connected Transactions in Joint External Investment

During the reporting period, the Bank did not have any connected transactions arising from joint external investment with its related parties.

### Material Contracts and their Performance

The Bank did not have any material custody, contracting or leasing of any assets of other companies that took place during the reporting period, or that took place in previous periods but went on to the reporting period; nor did other companies custody, contract or lease any material assets of the Bank.

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 RMB124.008 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, Wu Xiaoqing, Wong Luen Cheung Andrew and Yuan Ming**

During the reporting period, the Bank was not engaged in any other significant contract.

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

As at the end of the reporting period, shareholders holding 5% or more shares in the Bank were CITIC Corporation Limited and BBVA.

On 16 April 2012, CITIC Corporation Limited undertook that, within five years as of the delivery of its acquisition of CITIC Bank equity, it will not transfer such acquired stake in CITIC Bank (except for circumstances where CITIC Corporation 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 Corporation 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 Corporation Limited's acquisition of the Bank's shares was delivered, on which same date the above undertaking of CITIC Corporation Limited became effective.

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, on which same date the above undertakings by BBVA became effective.

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 2013 Annual General Meeting, the Bank continued to employ KPMG Huazhen as its domestic auditor and KPMG as its overseas auditor for 2014. 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 respective durations of 8 and 9 consecutive years. Jin Naiwen and Wang Lipeng, signing CPAs for auditing of the Bank's A-share financial statements, have both served the Bank for two year.

As at the end of the reporting period, the Bank paid RMB9.70 million as statutory audit service fees to KPMG and KPMG Huazhen for their auditing of its 2014 financial statements (excluding the audit performed for the financial statements of the Bank's overseas subsidiaries and the Bank's internal control over financial reporting); the Group's overseas subsidiaries paid HKD9.03 million as statutory audit service fees to KPMG; and the Group's domestic subsidiaries paid RMB420,000 as statutory audit service fees to KPMG Huazhen.

The Bank engaged KPMG Huazhen to audit its internal control over financial reporting in 2014 and paid RMB1.10 million as service fee for such audit in 2014.

Except for the above-mentioned audit assurance service fees, the Bank paid approximately RMB6.97 million to KPMG Huazhen as non-statutory audit service fees during the reporting period.

## | Amendment of the Articles of Association

During the reporting period, according to the CBRC Guidelines on Corporate Governance of Commercial Banks, the CBRC Notification on Intensifying Management of Equity Pledge by Commercial Banks, and the Interim CBRC Regulatory Guidelines on Financial Statement Consolidation of Banks, the Bank sorted out the provisions of its Articles of Association. The amendment of the Articles of Association was adopted by the 2013 Annual Shareholders' General Meeting of the Bank held in May 2014, and became effective in September 2014 with approval from the CBRC.

Please refer to the Circular for the 2013 Annual General Meeting published by the Bank on the official website of SEHK (<http://www.hkexnews.hk>) as well as the website of the Bank (<http://bank.ecitic.com>) on 25 April 2014 for detailed information about the amendment of the Articles of Association. Investors may check the full version of the prevailing Articles of Association on the above websites.

## | Equity Incentive Scheme

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

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

All proceeds raised by the Bank were used in accordance with the purposes disclosed in the prospectuses for the IPO and the rights issue, namely, all the proceeds were used to replenish the capital of the Bank and to increase the capital adequacy ratios and risk resilience 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 or requirement for rectification before a deadline by other regulators that may have any material impact on the business operation of the Bank.

## | Reserves

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



## Significant Events

### | Distributable Reserves

Details on distributable reserves of the Bank are described “Financial Statements – Consolidated Statement on Changes in Shareholders’ Interests” of the report.

### | Donations

The Bank’s donation for the reporting period amounted to approximately RMB14.616 million in total.

### | Fixed Assets

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

### | Retirement and Benefits

Please refer to Note 44 to the Financial Statements herein for details on the retirement benefits for employees provided by the Bank.

### | Public Float

Please refer to Note 50 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 of the Bank 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, transfer of capital reserve to share capital, or other means permitted by laws and administrative regulations as approved by the relevant authorities.

### | Issuance of Shares

The Bank’s issuance of shares during the reporting period is detailed in “Changes in Share Capital and Shareholdings of Substantial Shareholders – Issuance and Listing of Securities” of the report.

### | Equity Interest of Main Shareholders

Please refer to “Changes in Share Capital and Shareholdings of Substantial Shareholders – Interests and Short Positions Held by Substantial Shareholders and Other Person” of the report for detailed information.

### | 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 duration of share holding starting from the date when the individual investor obtained the Company’s share and ending the record date is more than one year, listed companies shall, in respect of the individual income tax thereof, pay withholding tax at a rate of 5% of the dividends; if the duration of share holding starting from the date when the individual investor obtained the Company’s share and ending the record date is less than one year (inclusive), listed companies shall, in respect of the individual income tax thereof, pay withholding tax at a rate of 5% of the dividends for the time being, 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 paid 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 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 “interest, dividend and bonus income”, which shall be withheld by the withholding agents according to 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) SAR. 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 file an application; and (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 Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-Share Holders That 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 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 or Other Social Safety Issues

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

## | Bankruptcy and Reconsolidation

During the reporting period, the Bank was not involved in any matters relating to bankruptcy and reconsolidation.

## | 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.

## Progress in refined management, and gradual improvement of management efficiency and capacity

The Bank ensured credit grant and supported business development to the best of its capacity by increasing active liabilities and mobilizing assets. In its efforts to reinforce capital management, the Bank made flexible use of the FTP price lever and thereby enabled its business development to match market demands in better ways.







# Changes in Share Capital and Shareholdings of Substantial Shareholders

## Changes in Share Capital

### Table on Changes of Shareholdings

	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:								0	0
1. Shares held by the state								0	0
2. Shares held by state-owned legal persons								0	0
3. Other shares held by domestic investors									
Including: non-state-owned legal persons									
Shares held by domestic natural persons									
4. Foreign-held shares								0	0
Including: legal persons								0	0
Shares held by overseas natural persons									
Shares not subject to restrictions on sale:	46,787,327,034	100.00				0	0	46,787,327,034	100.00
1. Renminbi denominated ordinary shares	31,905,164,057	68.19				0	0	31,905,164,057	68.19
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares	14,882,162,977	31.81				0	0	14,882,162,977	31.81
4. Others									
<b>Total shares</b>	<b>46,787,327,034</b>	<b>100.00</b>				<b>0</b>	<b>0</b>	<b>46,787,327,034</b>	<b>100.00</b>

### 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 from 2007 to 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.

### Equity Financing in Progress

To ensure sustainable healthy development of the Bank's business operation, further improve integrated competitiveness, risk resilience and sustainable profitability of the Bank, and adapt the Bank to the increasingly stringent capital regulation requirements, the board of directors of the Bank adopted relevant proposals including the Proposal on Private Offering of A Shares, agreeing to the offering of 2,462,490,897 (2,462,490,897th inclusive) Renminbi denominated domestically listed ordinary shares (A shares) at RMB4.84 per share and at RMB1.00 par value per share to China Tobacco Corporation. The aforementioned proposal on the private offering of A shares was adopted via voting at the Bank's 2nd Extraordinary Shareholder's General Meeting in 2014, the A Shareholders Class Meeting in 2014 and H Shareholders Class Meeting in 2014, has been approved by the CBRC but is subject to the approval by the CSRC prior to subsequent implementation.

Please refer to the related announcements published on 29 October 2014, 16 December 2014 and 16 March 2015 on the official website of SSE ([www.sse.com.cn](http://www.sse.com.cn)), the official website of SEHK (<http://www.hkexnews.hk>) as well as the website of the Bank (<http://bank.ecitic.com>) for detailed information.

### Tier-two Capital Bonds

With approval from CBRC and PBC, the Bank issued RMB6 billion, RMB16.5 billion and RMB20 billion worth of subordinated debts in 2006, 2010 and 2012. Please refer to the 2011 and 2012 Annual Reports of the Bank for details regarding the Bank's issuance of subordinated debts in 2006, 2010, and 2012.

On 26 August 2014, with approval from CBRC and PBC, the Bank successfully issued RMB37.0 billion tier-two capital bonds and used the proceeds financed thereof for replenishment of its tier-two capital.

### Issuance of Other Bonds

During the reporting period, with approval from PBC and NDRC, the Bank issued RMB1.5 billion bonds in Hong Kong.

### Internal Employee Shares

There are no internal employee shares issued by the Bank.



## Changes in Share Capital and Shareholdings of Substantial Shareholders

### Information on Shareholders

#### Total Number of Shareholders

As at the end of the reporting period, the Bank had a total of 332,895 shareholders, including 295,236 A-share holders and 37,659 H-share holders. As at the end of the fifth trading day prior to the disclosure date of 2014 Annual Results Announcement (i.e. 13 March 2015), the total number of shareholders of the Bank stood at 377,948, including 340,839 A-share holders and 37,109 H-share holders.

#### Shareholdings of the Top 10 Shareholders and the Top 10 Non-Restricted 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 Corporation Limited	State-owned	A-share, H-share	31,406,992,773	67.13%	0	81,910,800	0
2	Hong Kong Securities Clearing Company Nominee Limited	Foreign	H-share	12,098,295,033	25.86%	0	4,726,345,097	Unknown
3	NSSF	State-owned	A-share	256,602,409	0.55%	0	-81,910,800	Unknown
4	China Construction Bank	State-owned	H-share	168,599,268	0.36%	0	0	Unknown
5	Customer Credit Transaction Collateral Securities Account of CIC Securities Limited Liability Company	Other	A-share	63,577,485	0.14%	0	61,147,010	Unknown
6	NSSF Portfolio 113	State-owned	A-share	45,394,612	0.10%	0	45,394,612	Unknown
7	NSSF Portfolio 108	State-owned	A-share	45,040,604	0.10%	0	45,040,604	Unknown
8	Customer Credit Transaction Collateral Securities Account of China Galaxy Securities Limited	Other	A-share	38,188,000	0.08%	0	25,062,545	Unknown
9	Dongfeng Automobile Group Corporation Limited	State-owned	A-share	31,034,400	0.07%	0	0	Unknown
9	Industry and Commerce Bank of China Limited	State-owned	A-share	31,034,400	0.07%	0	0	Unknown
9	Hebei Construction Investment (Group) Limited Liability Corporation	State-owned	A-share	31,034,400	0.07%	0	0	Unknown

- Notes: (1) The shareholdings of H-share holders were calculated based on the Bank's share register maintained with the H-share registrar of the Bank.
- (2) As at the end of the reporting period, BBVA confirmed that it held 9.6% of the Bank's shares via Hong Kong Securities Clearing Company Nominee Limited. As of 13 March 2015, BBVA has reduced, via agreement transfer and other means, its shareholding of the Bank to 1,883,463,605 shares, accounting for roughly 4.03% of the Bank's total issued shares.
- (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.

## Changes in Share Capital and Shareholdings of Substantial 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	9,659,539,995 <sup>(L)</sup>	64.91 <sup>(L)</sup>	H-share
	2,998,747,666 <sup>(S)</sup>	20.15 <sup>(S)</sup>	
	24,329,608,919 <sup>(L)</sup>	76.26 <sup>(L)</sup>	A-share
CITIC Group	9,659,539,995 <sup>(L)</sup>	64.91 <sup>(L)</sup>	H-share
	28,938,928,294 <sup>(L)</sup>	90.70 <sup>(L)</sup>	A-share
CITIC Corporation Limited	7,018,100,475 <sup>(L)</sup>	47.16 <sup>(L)</sup>	H-share
	710 <sup>(S)</sup>	0.00 <sup>(S)</sup>	H-share
	28,938,928,294 <sup>(L)</sup>	90.70 <sup>(L)</sup>	A-share
CITIC Limited	2,468,064,479 <sup>(L)</sup>	16.58 <sup>(L)</sup>	H-share
	28,938,928,294 <sup>(L)</sup>	90.70 <sup>(L)</sup>	A-share
CITIC Polaris Limited	7,018,099,055 <sup>(L)</sup>	47.16 <sup>(L)</sup>	H-share
	28,938,928,294 <sup>(L)</sup>	90.70 <sup>(L)</sup>	A-share
JPMorgan Chase & Co.	946,583,048 <sup>(L)</sup>	6.36 <sup>(L)</sup>	
	174,623,000 <sup>(S)</sup>	1.17 <sup>(S)</sup>	H-share
	293,299,968 <sup>(P)</sup>	1.97 <sup>(P)</sup>	

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 Corporation Limited is the controlling shareholder of the Bank. CITIC Limited is the single direct controlling shareholder of CITIC Corporation Limited. CITIC Group is the controlling shareholder of CITIC Limited, and the de facto controller of the Bank. CITIC Corporation Limited directly owns 28,938,928,294 A shares and 2,468,064,479 H shares of the Bank, accounting for 61.85% and approximately 5.28% of the total issued share capital of the Bank respectively. In total, CITIC Corporation Limited holds 31,406,992,773 shares of the Bank, approximately 67.13% of the Bank's total share capital.

Advocated and supported by Mr. Deng Xiaoping, CITIC Group was established in 1979 by Mr. Rong Yiren. Since then, CITIC Group has fully played its important role as the pilot corporation for economic reform and the window for opening up in China. With fruitful explorations and innovation in many areas, CITIC Group has built itself a sound image and reputation at home and abroad. At present, CITIC Group has developed into a large comprehensive multinational conglomerate, paying equal attention to financial services and the real economy. Its financial services cover multiple industries and areas, including but not limited to banking, securities, trust, insurance, fund and asset management. In the real economy, CITIC Group does business in real estate, project contracting, resources, energy, infrastructure, machinery manufacturing, and information technology, enjoying strong integrated competitiveness and a sound momentum of development.

In December 2011, approved by the State Council, 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 as a whole was restructured into a wholly state-owned company. To complete the afore-mentioned capital contribution, CITIC Group transferred its entire equity in the Bank to CITIC Limited as capital contribution, as a result of which CITIC Limited holds 28,938,929,004 shares in the Bank both directly and indirectly, accounting for 61.85% of the Bank's total share capital. The above-mentioned share transfer was approved by the State Council, MOF, CBRC, CSRC and the Hong Kong Monetary Authority. In February 2013, the relevant transfer formalities for the above-mentioned share transfer were officially completed with the approval from the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

In October 2013, BBVA transferred to CITIC Limited 2,386,153,679 H shares it held in the Bank, about 5.10% of the total share capital of the Bank, after which CITIC Limited increased its shareholding of the Bank to 66.95%.

In August 2014, CITIC Group injected its main business assets entirely into its Hong Kong listed subsidiary CITIC Pacific, and renamed it CITIC Limited. The former CITIC Limited was renamed CITIC Corporation Limited. CITIC Limited is a 100% shareholder of CITIC Corporation Limited.

In September 2014, CITIC Corporation Limited bought 81,910,800 H shares to increase investment in the Bank with the conclusion of a transfer agreement, after which CITIC Corporation Limited holds a sum of 31,406,992,773 A + H shares in the Bank, about 67.13% of the Bank's total share capital.

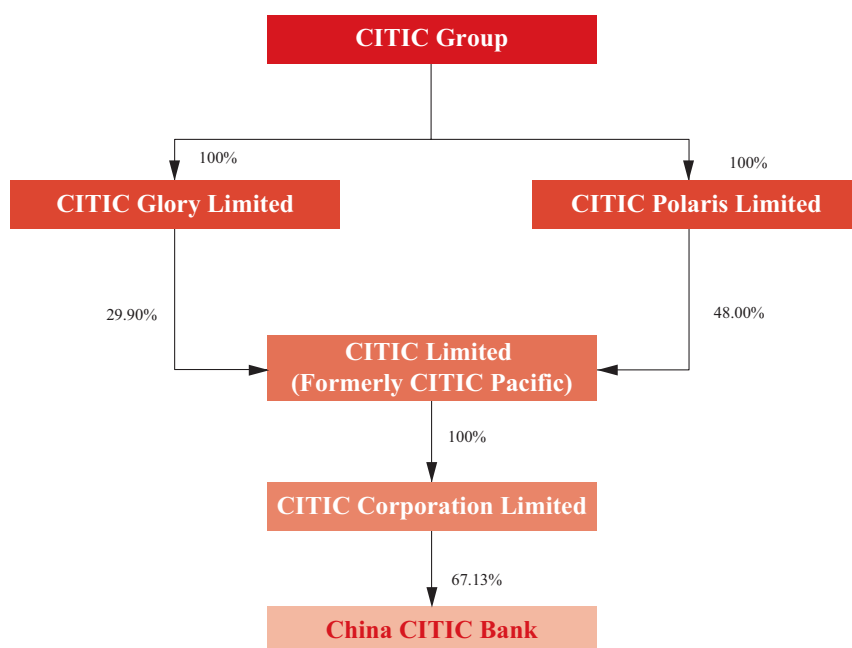
As at the end of the reporting period, CITIC Group had a registered capital of RMB184.19816 billion with Chang Zhenming being its legal representative and 10168558-X being its organizational code. Its business scope covers: information services under value-added telecommunication services Category II (only restricted to internet information services which exclude press, publication, education, medical and health care, pharmaceuticals, and medical devices but include electronic advertising services, and will expire on 9 January 2019), and dispatch of required workers to overseas projects consistent with its resources, scale and performance; 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 projects that require prior approval according to law may only start operation upon approval by competent authorities.)

## Changes in Share Capital and Shareholdings of Substantial Shareholders

As at the end of the reporting period, CITIC Corporation Limited had a registered capital of RMB139.00000 billion with Chang Zhenming being its legal representative and 71783170-9 being its organizational code. Its business scope covers: investment in and management of domestic and overseas financial enterprises and related industries covering banking, securities, insurance, trust, 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 industry: information infrastructure, basic telecommunications and value-added telecom services; commercial and trade services and other industries; environment protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, import and export, commerce; education, publication, media, culture and sports, consulting services, grant of shareholder loans to its domestic and overseas subsidiaries; capital operation, asset management; domestic and overseas project design, construction, contracting and sub-contracting, and labor export, and other business items approved by competent authorities.

As at 31 December 2013, CITIC Group recorded total assets of RMB4,299.7 billion, realized net assets attributable to shareholders of the parent company of RMB37.8 billion, and recorded net decrease of cash and cash equivalents of RMB133.8 billion.

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



Note: CITIC Glory Limited and CITIC Polaris Limited are both wholly-owned affiliated subsidiaries of CITIC Group incorporated on the British Virgin Islands.

## Changes in Share Capital and Shareholdings of Substantial Shareholders

Equity interests in major domestic and overseas listed companies held or controlled by CITIC Corporation Limited and CITIC Limited are listed as follows:

No.	Name of listed company	Stock code	Shareholding percentage (%)	Shareholding entities
1	CITIC Offshore Helicopter Corporation Limited	SZ.000099	39.53%	CITIC Offshore Helicopter Limited Liabilities Company 39.53%
2	CITIC Heavy Industries Co., Ltd.	SH.601608	71.04%	CITIC Corporation Limited 63.87% CITIC Investment Holdings Limited 4.78% CITIC Automobiles Limited 2.39%
3	CITIC Resources Holdings Limited	HK.1205	59.42%	Keentech Group Ltd 49.50% CITIC Australia Pty Limited 9.54% Extra Yield International Ltd. 0.38%
4	Asia Satellite Telecommunications Holdings Limited	HK.1135	74.43%	Bowenvale Ltd 74.43%
5	CITIC Dameng Mining Industries Ltd	HK.1091	49.26%	Highkeen Resources Limited 38.98% APEXHILL INVESTMENTS LIMITED 10.28%
6	CITIC Telecom International	HK.1883	59.23%	Richtone Enterprises Inc. 4.02% Ease Action Investments Corp. 37% Silver Log Holdings Ltd 18.21%
7	Dah Chong Hong Holdings Limited	HK.1828	56.08%	Multiple subsidiaries of CITIC Pacific Limited 56.08%
8	Daye Special Steel Co., Ltd.	SZ.000708	58.13%	CITIC Pacific (China) Investment Limited 28.18% Hubei Xinye Steel Limited 29.95%
9	CITIC Securities Company Limited	SH.600030 HK.6030	20.3%	CITIC Corporation Limited 20.3%

Note 1: The table only lists the major listed subsidiaries whose shares are held and/or controlled by CITIC Corporation Limited and CITIC Limited.

Note 2: The shareholding percentages listed in the table are those of the direct shareholders of the subsidiaries.

Note 3: In January 2015, CITIC Corporation Limited reduced its equity in CITIC Securities via the secondary market, after which its shareholding in CITIC Securities went down to 17.14%.

Other equity interests in major domestic and overseas listed companies held or controlled by CITIC Group are listed as follows:

No.	Name of listed company	Stock code	Shareholding percentage (%)	Shareholding entities
1	CITIC Limited	HK.0267	77.90%	CITIC Polaris Limited 48.00% CITIC Glory Limited 29.90%

Note 1: The table only lists the major listed subsidiaries whose shares are held and/or controlled by CITIC Group.

Note 2: The shareholding percentages listed in the table are those of the direct shareholders of the subsidiaries.

## 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 Corporation Limited.

## *Preference* Shares

On 20 March 2015, the Board of Directors of the Bank deliberated and adopted the Proposal on the Plan for Non-public Offering of Preference Shares, giving the consent to the issuance at par of no more than 350 million (inclusive) preference shares, with the par value thereof set at RMB100 per share. The above-mentioned plan is still pending approval via voting by poll at the 2014 Annual Shareholders' General Meeting, the 2015 First General Meeting of A Shareholders and the 2015 First General Meeting of H Shareholders, after which the plan need verification and approval by the CBRC and CSRC for subsequent implementation.

Please refer to the related announcements published on the official website of SSE ([www.sse.com.cn](http://www.sse.com.cn)), the official website of SEHK (<http://www.hkexnews.hk>) as well as the website of the Bank ([bank.ecitic.com](http://bank.ecitic.com)) for detailed information.



# Directors, Supervisors, Senior Management and Staff

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

### Board of Directors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Chang Zhenming	Chairman, Non-executive Director	Male	Oct. 1956	Aug. 2013-May 2015	0	0
Zhu Xiaohuang	Non-executive Director	Male	July 1956	Jan. 2013-May 2015	0	0
Dou Jianzhong	Non-executive Director	Male	Feb. 1955	May 2012-May 2015	0	0
Li Qingping	Executive Director, President	Female	Oct. 1962	Mar. 2014-May 2015	0	0
Sun Deshun	Executive Director, First 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 Torano Vallina	Non-executive Director	Male	Nov. 1960	Jan. 2013-May 2015	0	0
Li Zheping	Independent Non-executive Director	Male	Feb. 1965	May 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
Yuan Ming	Independent Non-executive Director	Male	Jan. 1952	Sep. 2014- 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
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

Note: Ms. Wen Shuping assumed her position as employee supervisor of the Bank from January 2015 onward.

## Senior Management

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Li Qingping	Executive Director, President	Female	Oct. 1962	Since July 2014	0	0
Sun Deshun	Executive Director, First 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	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 and Chief Compliance Officer	Male	Oct. 1954	Since Dec. 2006	0	0
Zhu Jialin	Vice President	Male	Oct. 1964	Since Sep. 2014	0	0
Fang Heying	Vice President in charge of finance function	Male	June 1966	Since Nov. 2014	0	0
Guo Danghuai	Vice President	Male	May 1964	Since Nov. 2014	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 2014 till the Disclosure Date of the Report)

Name	Position prior to departure from office	Gender	Date of birth	Departure time	Year-beginning shareholding	Year-end shareholding
Chen Xiaoxian	First Vice Chairman, Non-executive Director	Male	June 1954	Oct. 2014	0	0
Zhu Xiaohuang	President	Male	July 1956	July 2014	0	0
Guo Ketong	Non-executive Director	Male	June 1954	Oct. 2014	0	0
Xing Tiancai	Independent Non-executive Director	Male	Aug. 1961	Nov. 2014	0	0
Liu Shulan	Independent Non-executive Director	Female	Nov. 1945	Sep. 2014	0	0
Zhuang Yumin	External Supervisor	Female	July 1962	Jan. 2014	0	0
Luo Xiaoyuan	External Supervisor	Female	Jan. 1954	Nov. 2014	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. Chairman and non-executive director of the Bank, Mr. Chang has been the chairman of CITIC Group and CITIC Corporation Limited since December 2011. Mr. Chang has been the chairman of Board of Directors of CITIC Limited (formerly known as CITIC Pacific Limited) since April 2009, chairman of CITIC Hong Kong (Holdings) Limited since March 2011, vice chairman of CIFH and chairman of CIAM since October 2006, and chairman of CITIC Press Group since February 2008. Mr. Chang served as the chairman of CITIC Group from December 2010 to December 2011, and as the vice chairman and president of CITIC Group from July 2006 to December 2010. He was the vice chairman and a non-executive director of the Bank from December 2006 to May 2011, and served as a non-executive director of CNCBI from November 2006 to March 2013. Mr. Chang was the vice chairman and president of China Construction Bank Corporation from July 2004 to July 2006. Mr. Chang was an executive director and vice president of CITIC Group from August 1995 to July 2004, and assistant president of China International Trust and Investment Corporation from January 1994 to August 1995. Mr. Chang was the vice president of the Bank from September 1993 to January 1994 and a president assistant of the Bank from October 1992 to September 1993. Mr. Chang is a senior economist. He graduated from Beijing Second Foreign Language College with a bachelor's degree in Japanese language and literature, and received his master's degree in business administration from New York College of Insurance.



**Mr. Zhu Xiaohuang**  
Chinese Nationality

Non-executive director of the Bank. Mr. Zhu has been the president of the Bank from September 2012 to June 2014, executive director from January 2013 to June 2014, resigned as president and became non-executive director since July 2014. Mr. Zhu is currently Chairman of Board of Supervisors of CITIC Group. From August 2012 to July 2014, Mr. Zhu was vice-general manager of CITIC Limited. From February 2011 to August 2012, Mr. Zhu was an executive director and vice president of China Construction Bank Corporation ("CCB"). He had been working at CCB as an executive director, vice president and the chief risk officer from July 2010 to February 2011. Mr. Zhu served as a vice president and the chief risk officer of CCB from June 2008 to July 2010. He was the chief risk officer of CCB from April 2006 to June 2008. From March 2006 to April 2006, he was an executive vice chairman of CCB's risk management and internal control committee. Mr. Zhu served as general manager of the corporate banking business department of CCB from October 2004 to March 2006. He was the president of Guangdong branch of CCB from May 2001 to October 2004. Mr. Zhu served consecutively as deputy director of administrative office, deputy director of head office's No.1 credit department, deputy general manager of credit management department, vice president of Liaoning Branch, and general manager of banking department of CCB from September 1993 to May 2001. He served consecutively as a cadre, deputy director and director of head office's regulatory department of CCB from February 1982 to September 1993. Mr. Zhu is a senior economist, and a recipient of a special grant by PRC government. He obtained his bachelor's degree in infrastructure finance and credit from Hubei Finance and Economics College in 1982 and obtained a degree in economic law from Peking University in October 1985. He also obtained his doctorate degree 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, member of executive committee and deputy general manager of CITIC Limited, executive director and deputy general manager of CITIC Corporation Limited, chairman of CITIC Holdings, Chairman and chief executive officer (CEO) of CIFH, director of CIAM and chairman of CIAM Group, director of CITIC Capital and director of Zhonghai Trust Co., Ltd.. Mr. Dou joined CITIC Group in 1980 and joined the Bank in 1987. He served as vice president of the Bank from April 1987 to August 1994 and president of the Bank from August 1994 to December 2004. He was executive director and assistant president of CITIC Group from August 1994 to April 1998 and executive director and deputy general manager of CITIC Group from April 1998 to December 2011. Mr. Dou graduated from the University of International Business and Economics in Beijing and received his master's degree in economics from Liaoning University. He is a senior economist with extensive experience in financial sector.



**Ms. Li Qingping**  
Chinese Nationality

Executive director and President of the Bank, joined the Bank's Board of Directors in March 2014 as non-executive director. Upon the approval by CBRC on the qualifications of Ms. Li as President of the Bank since 1 July 2014, Ms. Li has served as executive director and President of the Bank. Ms. Li is concurrently a member of the executive committee and Vice President of CITIC Limited. Prior to that, she served as cadre, 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 30 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. Sun Deshun**  
Chinese Nationality

Executive director and first-vice president of the Bank, joined the Bank in October 2011 as vice president. He has served as executive director of the Bank since March 2014, and first-vice president since May 2014. He is concurrently director of CNCBI. Prior to that, Mr. Sun served in the Bank of Communications of China (BOCC) as vice president of BOCC's Beijing management department, concurrently president of the BOCC Beijing branch from January 2010 to October 2011, and president of the BOCC Beijing branch from December 2005 to December 2009. He worked in Haidian office, Haidian subbranch, Beijing branch and head office data center (Beijing) of Industrial and Commercial Bank of China (ICBC) from May 1984 to November 2005, holding various positions including assistant president and vice president of ICBC Beijing branch from December 1995 to November 2005, and general manager of the ICBC's head office data center (Beijing) from January 1999 to April 2004. Mr. Sun worked in the PBC from April 1981 to May 1984. Mr. Sun enjoys 32 years' experience in China's banking industry. He graduated from 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 currently a director, president and the chief executive officer of CNCBI in Hong Kong. Prior to that, Mr. Zhang was an executive director and the general manager of Wing Lung Bank Limited from January 2012 to September 2012. From 2002 to 2011, Mr. Zhang served as the president of China Merchants Bank Hong Kong branch. From 2000 to 2002, he worked at the Hong Kong representative office of China Merchants Bank as the chief representative, during which period he led the preparation work for the establishment of China Merchants Bank Hong Kong branch. From 1995 to 2000, Mr. Zhang worked at Bank of Communications Hong Kong branch and served as a vice president. From 1991 to 1995, Mr. Zhang worked at Bank of Communications Hainan branch and served as the head of the international business department and a vice president of the bank. From 1984 to 1991, he worked in different departments at the headquarters of Agricultural Bank of China Limited including the planning department, the economic restructuring office and the international business department, and served consecutively as a clerk, a deputy division head and the division head. Mr. Zhang has 30 years' experience in the banking industry in both mainland China and Hong Kong. Mr. Zhang received a master degree in monetary banking from the Graduate School of the People's Bank of China.

## Directors, Supervisors, Senior Management and Staff



**Mr. Gonzalo José Toraño Vallina**  
Spanish Nationality

Non-executive Director of the Bank, joined the Bank's Board of Directors in January 2013. He is also a member of the Audit and Related Party Transactions Control Committee, the Strategic Development Committee and the Risk Management Committee of the Bank. 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 CITIC International Financial Holdings Limited, plus non-executive director and member of the Audit Committee and the Credit and Risk Management Committee of China CITIC Bank International. 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 Valuation Co., Ltd. from 1995 to 2003, editor-in-chief of the Theory Column of China Securities Journal from 1993 to 1995, a teaching assistant at the China Financial Training Center from 1989 to 1993. Mr. Li is an independent director of UBS SDIC Fund Management Co., Ltd. from August 2008 to present, an independent director of Guangdong Nanyue Bank from July 2014 to present, an independent director of Everbrights Securities Company Limited from November 2014 to present. Mr. Li graduated from Shanxi University of Finance and Economics with a bachelor's degree in economics, and obtained a master's degree in economics from the Graduate School of the PBC head office.



**Ms. Wu Xiaoqing**  
Chinese Nationality

Independent non-executive director of the Bank, joined the Board of Directors in October 2012. Ms. Wu Xiaoqing retired in October 2008. Ms. Wu was the deputy accountant general of Sinosteel Corporation and chairman of Sinosteel Assets Management Co., Ltd. from September 2005 to October 2008, the deputy accountant general of Sinosteel Corporation and director of Sinosteel Assets Management Co., Ltd. from December 1999 to September 2005, and she successively served as the deputy head and the head of the Financial Department of Sinosteel Corporation from January 1995 to December 1999. Prior to that, Ms. Wu successively worked in the Finance Division of the Government Offices Administration of the State Council and the Finance Department of China Metallurgical Raw Materials Corporation. Ms. Wu had long been engaged in the fields of financial and accounting management, with rich working experience in financial management and accounting for large central-government-owned enterprises and is familiar with accounting standards and relevant laws and regulations on corporate tax. Ms. Wu is a Chinese Certified Public Accountant, Senior Accountant and she graduated from the Department of Finance of Renmin University of China (majoring in accounting) with a bachelor's degree.



**Mr. Wong Luen Cheung Andrew** **Mr. Yuan Ming**

Chinese nationality

Chinese nationality

Independent non-executive director of the Bank, joined the Board of Directors in November 2012. Mr. Wong Luen Cheung Andrew is an independent director of CANADIAN SOLAR INC and independent non-executive director of ACE Life Insurance Co., Ltd. He's also an external director of Shenzhen Yantian Port Group Co., Ltd. and the senior advisor to vice chairman of the board of Henderson Land Development Company Limited. Besides, he's a director of China Overseas Friendship Association. Since 2013, Mr. Wong Luen Cheung Andrew has been a member of the eleventh Chinese People's Political Consultative Conference (CPPCC), Shaanxi Provincial Committee, Xian, China. Mr. Wong held various senior positions at the Royal Bank of Canada, including the vice representative for China operations, representative of southern China, the branch manager of the Shanghai branch. He also held various positions at the Union Bank of Switzerland, including head of China desk and an executive director of debt capital markets. Mr. Wong previously also served as a director of China Citicorp International Limited, a merchant banking arm of Citibank. Further, Mr. Wong was the head of Greater China business of Hang Seng Bank Limited and the managing director of corporate and investment banking — Greater China of DBS Bank Limited, Hong Kong. Mr. Wong Luen Cheung Andrew has been a member of the CPPCC Shenzhen Committee since 2002. Mr. Wong Luen Cheung Andrew was awarded the National Excellent Independent Director by the Shanghai Stock Exchange in 2010 and also received the Medal of Honour (Hong Kong SAR) from the Hong Kong SAR Government in 2011.

Independent non-executive director of the Bank, joined the Bank in September 2014. From December 2011 to March 2013, Mr. Yuan served as deputy director of the economic committee of Guangxi Zhuang Autonomous Region Committee of the tenth session of CPPCC. From December 2003 to February 2012, Mr. Yuan served as the head and party committee secretary of Guangxi Branch of China Construction Bank, where he already was the principal head from April 2003 to December 2003. From July 1997 to April 2003, he was the head and party committee secretary of Jilin Branch of China Construction Bank. From July 1987 to July 1997, he was the deputy head and party committee member of Jilin Branch of China Construction Bank. From February 1986 to July 1987, Mr. Yuan served as the office manager of Jilin Branch of China Construction Bank. From November 1984 to February 1986, Mr. Yuan served as the head and party committee secretary of Tonghua central branch of Jilin of China Construction Bank. From July 1984 to November 1984, Mr. Yuan served as deputy head of comprehensive planning division of Jilin Branch of China Construction Bank, where he was the chief clerk from May 1983 to July 1984 and the cadre from February 1979 to May 1983. From October 1975 to February 1979, Mr. Yuan was an cadre of the finance and trade office of Yanbian government. From September 1973 to October 1975, Mr. Yuan studied in Jilin Yanbian Finance and Trade College, majoring in commerce and economics. From December 1968 to September 1973, he was once an intellect youth in the Dapuchaihe commune of Dunhua County, Jilin Province. Mr. Yuan is a senior economist, and has obtained master degree of economics.



## Directors, Supervisors, Senior Management and Staff

### Supervisors



**Dr. Ou-Yang Qian**  
Chinese Nationality

Dr. Ou-Yang has been working in the Bank since 1988. He has been a member of the Board of Supervisors since August 2013, and has been the chairman of the Board of Supervisors since CBRC's approval on his qualifications in November 2013.

Since January 1989, Dr. Ou-Yang worked in the Treasury Department of the Bank where he was primarily engaged in foreign exchange transactions, bond transactions and gold trading and in September of the same year he began to participate in management of asset portfolio investment. Dr. Ou-Yang was in charge of the research and design of the Bank's internal risk control system in 1991. He was a president assistant of the Bank from April 1994 to July 1995. He was vice president of the Bank between July 1995 and June 2013, responsible successively for treasury trading and financial market, international banking, retail banking, credit card, IT, and corporate banking. And he was also president of Shenzhen Branch. Before being nominated supervisor of the Bank, he was responsible for financial market, international banking and IT of the Bank. He was deputy director of risk management committee, director of marketing committee and director of information committee. From 1998 to January 2014, he has been serving concurrently as the chairman of China Investment and Finance Limited.

Dr. Ou-Yang is a senior economist and received a bachelor's degree in hydraulic machinery from Tsinghua University and a doctoral degree in aeronautical engineering from University of Manchester in United Kingdom. He published 'Treasury Efficiency' (Citic Press in 1999), edited and translated Introduction to Currency Option (China Economic Publishing House in 1997), and Financial Crisis and Systematic Risks (China Financial Publishing House in 2009).



**Mr. Zheng Xuexue**  
Chinese Nationality

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



**Ms. Wang Xiuhong**  
Chinese Nationality

External supervisor of the Bank. Ms. Wang has been the president of China Women Judges Society since December 2003 and vice president of China Judges Society since December 2008, respectively. Ms. Wang has been an independent director of Bank of Jilin since September 2011. Ms. Wang served as member of the judicial committee of the Supreme People's Court of PRC (vice ministerial level) from October 2004 to December 2010; head of the administrative tribunal and member of the judicial committee of the Supreme People's Court of PRC from May 2003 to September 2004; deputy director of Political Department of the Supreme People's Court of PRC from February 1997 to April 2003; the executive vice president, the deputy secretary of the party committee of the High People's court of Jilin province and vice president of China Women Judges Association from February 1994 to January 1997. Prior to that, Ms. Wang had successively served at Siping District Timber Company in Jilin, Intermediate People's court of Siping District, Liaoyuan Intermediate People's court and Jilin Intermediate People's court. Ms. Wang rendered long term services in the judicial system and well experienced on legal matters. Ms. Wang graduated from Beijing Political Science and Law School (currently known as China University of Political Science and Law).



**Mr. Li Gang**  
Chinese Nationality

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



**Mr. Deng Yuewen**  
Chinese Nationality

Employee representative supervisor of the Bank. Mr. Deng has been assistant general manager of the Business Department of the Bank's Head Office and concurrently the general manager of Risk Management Department under the Business Department of the Bank's Head Office since June 2014. From July 2013 to June 2014, he served as the general manager of Risk Management Department under the Business Department of the Bank's Head Office. Mr. Deng has been the general manger of Investment Banking Department in the Bank's Head Office from February 2012 to July 2013. From February 2007 to February 2012, he was general manager of the Risk Management Department of the Bank's Head Office. He was in charge of the Risk Management Department of the Bank's Head Office from October 2005 to February 2007 and deputy general manager of this department from February 2004 to October 2005. Prior to that, he worked in the Credit Management Department of the Bank, Retail Banking Department under the Business Department of Bank's Head Office and the Credit Approval Department of the Bank's Shenzhen Branch from April 1996 to February 2004. Mr. Deng has been working in the Bank since April 1996. He graduated from Wuhan Technology Institute with a bachelor's degree and later received his master's degree in monetary banking from the Financial Research Institute of the PBC.



**Ms. Wen Shuping**  
Chinese Nationality

Employee representative supervisor of the Bank. Ms. Wen Shuping joined Nanchang Branch of the Bank in November 2007. Since June 2013, she has been serving as the chairman of the trade union (vice president level) of the Nanchang Branch. From March 2011 to June 2013, she served as a member of the CPC Committee (vice president level), the chairman of the trade union and the Secretary of the Discipline Inspection Commission. From July 2009 to March 2011, she was a member of the CPC Committee (president's assistant level), the chairman of the trade union and the Secretary of the Discipline Inspection Commission. During April 2009 to July 2009, she was a member of the CPC Committee (president's assistant level) and the chairman of the trade union. She was chairman of the trade union president assistant level from February 2008 to April 2009. From November 2007 to February 2008, she was the Secretary of the Party Committee of Nanchang Branch. From January 2003 to October 2007, Ms. Wen served as a deputy department director level cadre at the Jiangxi Branch of China Development Bank. She worked at the Business Department of the Jiangxi Branch of Agricultural Development Bank of China from March 1997 to December 2002. From May 1998 to December 2002, she was the deputy director of the Personnel Training Department and the Organization Department of the Jiangxi Branch of Agricultural Development Bank of China. She worked at the Personnel Training Department in the same branch office from March 1997 to April 1998. Ms. Wen worked at the Personnel Department of the Jiangxi Nanchang Suburb Branch of Agricultural Bank of China from May 1991 to February 1997 where she was an officer and then a deputy section chief. From October 1987 to April 1991, Ms. Wen worked at the Jiangxi Fengcheng Branch of Agricultural Bank of China. She was an officer at the Personnel Office of the same branch office from January 1990 to April 1991. She served as a bookkeeper at the Nantouxiang Savings Office from October 1987 to December 1989. From March 1985 to September 1987, Ms. Wen worked at the trade union of the Food Bureau of Jiangxi Yichun Shanggao County as the Secretary of Youth League Committee and a trade union officer. From June 1983 to February 1985 she was a statistician for the Grain and Cooking Oil Processing Factory of Jiangxi Yichun Shanggao County. From June 1980 to May 1983, Ms. Wen worked at Zhendu Grain Management Agency of the Food System of Shanggao County, in charge of accounting, purchasing and sales and storage work. From December 1978 to May 1980, after being approved by Shanggao County as a "Sanjiehe Cadre" (which belonged to "sent-down youth" at that time), she served as the deputy secretary of the Communist Youth League and deputy director of the All-China Women's Federation of Zhendu Commune, Shanggao County. From July 1975 to November 1978, she was sent to Jingtou Village, Zhendu Commune, Shanggao County and was elected as a member of the policy education team of the commune and the county. Ms. Wen holds a bachelor degree in political education.

## Directors, Supervisors, Senior Management and Staff

### Senior Management



**Ms. Li Qingping**  
Chinese Nationality

Executive director and President of the Bank. Please refer to “Directors” herein for her resume.



**Mr. Sun Deshun**  
Chinese Nationality

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



**Mr. Cao Guoqiang**  
Chinese Nationality

Vice president of the Bank. Mr. Cao was assistant president of the Bank from April 2006 to March 2010 and concurrently director of CITIC Heye Investment Co. Ltd. since December 2013. He has been serving as director of CIFH and CNCBI since October 2009. He was general manager of the Budget and Finance Department of the Bank from April 2005 to April 2006. Prior to that, Mr. Cao served as deputy general manager and general manager of the planning and treasury department of China Merchants Bank (CMB) head office, general manager of the Planning and treasury department of CMB's Shenzhen administrative department, director and deputy general manager (person in charge) of China Merchant Bank Pawn Co., Ltd., director of Shenzhen Speed International Investment Co., Ltd., and assistant general manager of the planning and treasury department of CMB. Mr. Cao also worked in the planning and treasury division of the PBC Shaanxi branch as senior staff member and deputy division director from July 1988 to June 1992. Mr. Cao is a senior economist with 26 years' experience in China's banking industry. He graduated from Hunan College of Finance and Economics with a bachelor's degree in monetary banking and obtained his master's degree in monetary banking from Shaanxi College of Finance and Economics.



**Mr. Zhang Qiang**  
Chinese Nationality

Vice president of the Bank. Mr. Zhang served as assistant president of the Bank from April 2006 to March 2010. Prior to that, he was deputy general manager, executive deputy general manager and general manager of the Bank's 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 Bank's Head Office as well as vice president and president of the Bank's branches. Mr. Zhang was assistant president of the Bank and general manager of the Corporate Banking Department of the Bank from April 2006 to March 2007. Mr. Zhang has been working at the Bank ever since he joined the Bank in September 1990, accumulating 27 years' experience in China's banking sector. Mr. Zhang has been in charge of operation and management of the Bank's financial market sector. 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, and secretary of the CPC Committee of the Bank's Head office. He was Chairman of the Trade Union (Vice President level) and Chief Compliance Officer of the Bank from March 2011 to June 2013. He was Chairman of Trade Union (Vice President level) of the Bank from April 2008 to March 2011. He was secretary of the Bank's Committee for Discipline Inspection and head of Human Resources (vice president level) from March 2006 to April 2008, secretary of the Bank's Committee for Discipline Inspection, secretary of the CPC Committee of the Bank's Head office and Chairman of the Bank's Trade Union from February 1999 to March 2006. Mr. Wang also held the position of general manager of Human Resources Department of the Bank from January 2005 to March 2006 and was assistant president of the Bank from June 1995 to February 1999. Mr. Wang has been working in the Bank ever since May 1987. From December 1984 to May 1987, he worked at the Personnel Allocation Division under the Human Resources Department of CITIC Group. Mr. Wang is a senior economist with a bachelor's degree in politics and law from Beijing Normal University and a master's degree in monetary banking from Dongbei University of Finance and Economics.



## Directors, Supervisors, Senior Management and Staff



**Mr. Zhu Jialin**  
Chinese Nationality

Vice President of the Bank. Mr. Zhu Jialin joined the Bank in March 2013 as a member of the senior management and the Party Committee, became Vice President of the Bank in September 2014, and began to concurrently serve as General Manager of the Business Department of the Head Office of the Bank in October 2014. Mr. Zhu was board director and Deputy CEO of CITIC Prudential between May 2005 and March 2013, Deputy Managing Director and CEO of CITIC Prudential between March 2004 and May 2005, and Deputy Managing Director of CITIC Prudential between May 2000 and March 2004. Between October 1998 and May 2000, Mr. Zhu worked at China CITIC Bank on various positions including Chief Collection Officer and concurrently General Manager of the Asset Preservation Department, and member of the Head Office Executive Meeting. Between December 1997 and October 1998, Mr. Zhu headed the CITIC corporate insurance preparation group. He was seconded to Nippon Life Insurance Company and Sampo Japan Insurance Inc. between January 1997 and December 1997. From August 1986 to January 1997, Mr. Zhu worked at the Head Office of China CITIC Bank, holding various positions in succession including office staff, deputy section chief, and secretary to the President of the Bank, during which period he was seconded to Nomura Securities between September 1988 and September 1989.



**Mr. Fang Heying**  
Chinese Nationality

Vice President of the Bank in charge of finance. Mr. Fang served as member of the CPC Committee of the Bank since August 2014 and as vice president of the Bank since November in the same year. From May 2013 to August 2014, he served as the business director of financial markets of the Bank. During May 2014 and September 2014, he held a concurrent post of the party secretary and president of Hangzhou Branch of the Bank. From March 2007 to May 2013, he served as the party secretary and president of Suzhou Branch of the Bank. From September 2003 to March 2007, he successively held the posts of the member of party committee, assistant president, vice president of Hangzhou Branch of the Bank. From December 1996 to September 2003, he worked in Hangzhou Branch of the Bank, successively held the positions of the section chief and deputy general manager of the credit department, president and party secretary of Fuyang Branch, deputy general manager of international settlement department, deputy general manager of retail business department, general manager of business department. From July 1996 to December 1996, he held the position of deputy director of Hangzhou East office of Pudong Development Bank. From December 1992 to July 1996, he worked in the credit department of experimental urban credit cooperative of Zhejiang Bank School, successively held the positions of credit administrator, manager, assistant general manager. From July 1991 to December 1992, he was one of the teachers of Zhejiang Bank School.



**Mr. Guo Danghuai**  
Chinese Nationality

Vice President of the Bank. Mr. Guo served as member of the CPC Committee of the Bank since August 2014 and as vice president of the Bank since November in the same year. From May 2013 to August 2014, he served as the chief audit executive of the Bank. From March 2010 to May 2013, he served as the party secretary and general manager of the Business Department of the Bank's Head Office. From July 2006 to March 2010, he served as the party secretary and president of Tianjing Branch of the Bank. From January 2005 to July 2006, he served as the general manager of international business department of the Bank. From August 2001 to January 2005, he served as the assistant president of the Bank. From November 2000 to August 2001, he was designated by CITIC Group to serve as the chairman of CITIC GUOAN GROUP to acquire Shantou Commercial Bank. From September 1999 to November 2000, he served as the president and party secretary of Shenyang Branch of the Bank. From August 1986 to September 1999, he worked in the Bank and successively held the positions of staff, deputy sector chief, sector chief, he also served as the deputy general manager, general manager of business department of Jingcheng Mansion, assistant president, vice president of Beijing Branch, deputy general manager of Head Office Business Department.



### Mr. Li Xin

#### Chinese Nationality

Secretary to the Board of Directors and company secretary of the Bank. Mr. Li is concurrently secretary of CPC Committee of Fuzhou Branch of the Bank. He was Head of the Bank's General Office and Head of the General Office of the CPC Committee at the CNCB Head Office from November 2012 to January 2015. He acted as President of Changsha Branch of CITIC Bank from March 2010 to November 2012. He was Deputy General Manager and General Manager of the Retail Banking Department of the Bank from July 2005 to March 2010. He worked for CITIC Industrial Bank (predecessor of China CITIC Bank Corporation Limited) as Assistant to General Manager of the business department of the Head Office, general manager and deputy general manager of a sub-branch, Deputy General Manager of the Corporate Banking Department, deputy division head and section chief of the Asset Protection Division and staff member of the Credit Management Department from April 1998 to June 2005. Mr. Li Xin was engaged as Business Manager of China Everbright Bank from December 1995 to April 1998. He was Liaison Officer of the Beijing Representative Office of ING Bank from May 1995 to December 1995 and a staff member of China Rural Development Trust Investment Corporation from July 1993 to May 1995. Mr. Li graduated from China Foreign Affairs University with the bachelor's degree on diplomatic English and obtained his EMBA (Executive Master of Business Administration) from Cheung Kong Graduate School of Business.



### Appointment and Dismissal of Directors, Supervisors and Senior Management

In December 2013, the Third Extraordinary Shareholders' General Meeting of the Bank in 2013 elected Ms. Li Qingping non-executive director of the Bank and Mr. Sun Deshun executive director of the Bank. In March 2014, Ms. Li Qingping and Mr. Sun Deshun assumed office as directors of the Bank upon CBRC approval of their qualifications.

In December 2013, Dr. Zhuang Yumin resigned her positions as external supervisor, member and chairperson of the Nomination Committee and member of the Supervision Committee of the Board of Supervisors upon expiry of her six-year term of external supervisor-ship at the Bank as to satisfy the requirement for 'The Guidance of Corporate Governance of Commercial Bank' by CBRC, Dr. Zhuang Yumin's resignation came into effect in January 2014 when Ms. Wang Xiuhong assumed her position as external supervisor of the Bank.

In December 2013, the meeting of the Board of Supervisors adopted the proposal on nominating Ms. Wang Xiuhong external supervisor of the Bank and agreed to submit the nomination proposal to the Bank's general meeting for approval. In January 2014, the First Extraordinary Shareholders' General Meeting of the Bank in 2014 adopted the resolution on electing Ms. Wang Xiuhong external supervisor of the Bank, effective immediately.

In April 2014, Ms. Liu Shulan resigned her position as independent non-executive director of the Bank, member of the Audit and Related Party Transactions Control Committee and member of the Nomination and Remuneration Committee of the Board of Directors due to her personal work schedules, effective in September 2014 when Mr. Yuan Ming formally assumed office as independent non-executive director of the Bank.

In May 2014, the 2013 Annual Shareholders' General Meeting of the Bank elected Mr. Yuan Ming independent non-executive director of CITIC Bank. In September 2014, Mr. Yuan Ming assumed office as independent non-executive director of the Bank upon CBRC approval of his qualifications for office.

In May 2014, Mr. Zhu Xiaohuang resigned from his position as President of the Bank. The meeting of the Board of Directors deliberated and adopted the concerned proposal, giving consent to Mr. Zhu Xiaohuang's resignation, which came into effect in July 2014 when Ms. Li Qingping officially assumed office as President of the Bank and Mr. Zhu Xiaohuang changed his board directorship from executive to non-executive at the same time.

In May 2014, the meeting of the Board of Directors adopted the proposal on appointing Ms. Li Qingping President of the Bank. In July 2014, Ms. Li Qingping assumed office as President of the Bank upon CBRC approval of her qualifications for office, and her board directorship changed from non-executive to executive at the same time.

In June 2014, the meeting of the Board of Directors adopted the proposal on appointing Mr. Zhu Jialin vice president of the Bank. In September 2014, Mr. Zhu Jialin assumed office as Vice President of the Bank upon CBRC approval of his qualifications for office.

In August 2014, the meeting of the Board of Directors adopted the proposal on appointing Mr. Fang Heying and Mr. Guo Danghuai vice presidents of the Bank. In November 2014, Mr. Fang Heying and Mr. Guo Danghuai assumed office as Vice Presidents of the Bank upon CBRC approval of their qualifications for office.

In October 2014, Dr. Chen Xiaoxian resigned his positions as First Vice Chairman, non-executive director, member of the Strategic Development Committee, and member of the Risk Management Committee of the Board of Directors as he reached retirement age. His resignation came into effect as of 30 October 2014.

In October 2014, Mr. Guo Ketong resigned his positions as non-executive director, member of the Audit and Related Party Transactions Control Committee and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank due to his retirement from CITIC Group. His resignation came into effect as of 30 October 2014.

In November 2014, Dr. Xing Tiancai resigned his positions as independent non-executive director, chairman and member of the Audit and Related Party Transactions Control Committee and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank due to his personal work schedules. His resignation came into effect as of 5 November 2014.

In November 2014, Ms. Luo Xiaoyuan resigned her positions as external supervisor, member of the Nomination Committee and member of the Supervision Committee of the Board of Supervisors.

## 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, supervisors, and all 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 totaled RMB34.93 million.

The Bank offers remunerations to executive directors, supervisors and senior management who are at the same time employees of the Bank, which includes basic salary, bonus, employee welfare and insurance, housing reserve 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 of the bank receives any form of salary or directors' fee from the Bank. After enquiries, the Bank was unable to obtain information on remunerations that shareholder directors and shareholder supervisors received from other entities where they have equity interest of the bank 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 Hong Kong Listing Rules, 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
Dou Jianzhong	CIAM Group Limited	Personal interests	1,250,000 share options <sup>(L)</sup>	0.13%

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 Directors and Supervisors

None of the directors or supervisors of the Bank has concluded with the Bank or any of the Bank's affiliates any service contract that may not be terminated within one year as of the entry into effect of the contract or that may only be terminated with the payment of other compensations in addition to the statutory compensations.

## Directors, Supervisors, Senior Management and Staff

### Relationships among Directors, Supervisors and Senior Management

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

### Interests of Directors in Business Competing with the Bank

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

### Human Resources Management and Staff Profile

As at the end of the reporting period, the Bank had 50,735 employees, including 43,424 under labor contracts with the Bank and 7,311 dispatched to the Bank or hired with letters of engagement by the Bank. Of all the employees, 8,044 served as managerial function, 40,098 served as technical function and 2,593 served as supporting function. 8,797 employees, 17.34% of the total, held post-graduate degrees or above; 35,186 employees, 69.35% of the total, held bachelor's degrees; 6,033 employees, 11.89% of the total, held junior diplomas, and 719 employees had qualifications below junior diploma level, accounting for 1.42% of the total. The Bank paid for a total number of 625 retirees.



### Human Resources Management

The Bank kept on reforming and improving its human resources management according to the principle of coordinating effective incentives and strict constraints.

During the reporting period, great efforts were devoted to enhancement of relevant rules and regulations, appropriate adjustment of departmental set-up at the Head Office, development of management teams of branches and sub-branches at all levels, reasonable staffing of the management at tier-one branches and Head Office departments, continuous optimization of the management structure, promotion of cadre exchange and enhancement of the performance evaluation system. The Bank initiated the project on development of its job system. Among others, the Bank clarified job descriptions, reasonably defined personnel establishment, and constructed a scientific market-oriented personnel allocation model, and thereby optimized the structure of its human resources and improved efficiency of personnel allocation. The Bank also introduced various types of talents in a timely and effective manner and improved its labor relation management. Job assessment was carried out in parallel with the establishment of a remuneration system focusing on the core of job value, in order to enhance its remuneration system and improve its remuneration structure. 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 payment of remuneration, welfare and insurance, assurance of employee rights and interests, and enhanced the 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, and continue with optimization and upgrading of the e-HR system. All these provided express and accurate information of all types to operation and management of the whole bank, and consequently promoted business growth of the Bank.

## Human Resources Cultivation and Development

The reporting period saw the Bank continue to organize training of managers, staff training and online training, and promote training innovation and transformation. During the reporting period, the Bank hosted 5,213 training sessions of all categories at home and abroad, recording 408,000 person-time participation.

The Bank devoted itself to cultivation of managerial, professional, reserved and international talents that are consistent with its strategic requirements, capable of an international horizon and well versed in modern finance concepts. On the basis of the eight series of management trainings that trained senior management, tier-2 branch leaders, sub-branch general managers, medium-level managers, reserved cadres, and young business backbones, the Bank focused its efforts on domestic training of senior management members that were heads of units, more in-depth training of reserved cadres at home and abroad, and demonstration training of young business backbones. The whole year of 2014 recorded 411 leadership training sessions and participation of 24,000 person-times. For the first time in its history, the Bank organized the selection, cultivation and promotion of internationalized talents bank-wide, and set up a pool of such talents. Assessment and approval of applications for senior professional designations were smoothly reinitiated. The Bank always regarded 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 organized 4,802 training sessions for specialized professionals, recording 226,000 person-times of participation, and arranged two rounds of bank-wide examinations for relevant categories of technical functions with 15,000 participants. By improving its system for management of internal trainers, and the re-development of the “Dandelion” initiative, the Bank reorganized a 310-strong team of internal trainers at the Head Office and the branches. These efforts effectively coordinated with the transformation of retail and corporate banking businesses, gave rise to a team of nearly 1,000 internal trainers in retail banking at the Head Office and the branches, and enabled specialized capacity building trainings for key jobs in core businesses. In addition, “CNCB Lectures” were organized for staff learning throughout the Bank.

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. Our E-learning system recorded 1.002 million hours of online learning. Furthermore, the Bank organized 53 online exams with participation statistics of 43,000 person-times. Moreover, the Bank established the “CNCB WeChat University”, and constructed the integrated e-learning platform of “PC Terminal (online institute) + Mobile Terminal (WeChat University)”.



体验区  
Experience Area

互联网战略合作伙伴





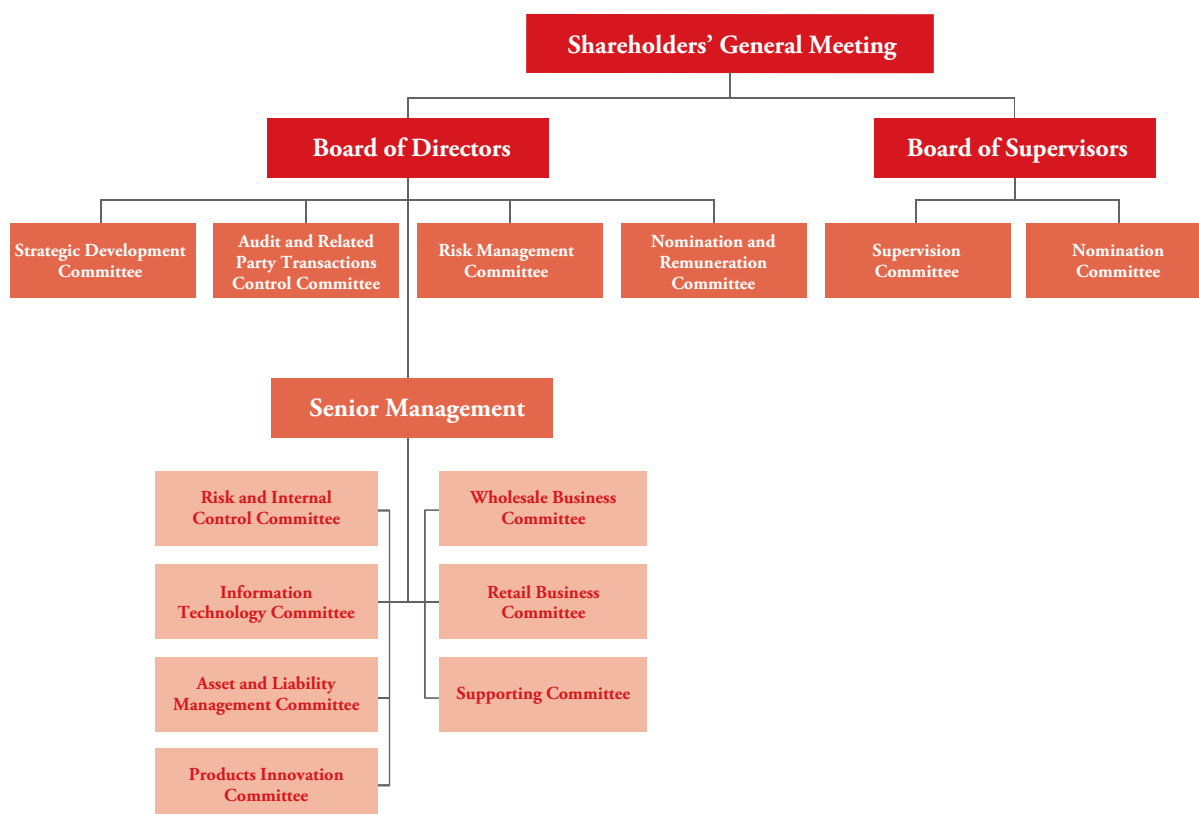
## Rapid growth of key businesses, and gradual development of unique branding

The Bank continued to lead all joint-stock banks with regard to the balance of corporate deposits, ranking No.1 in both the balance and proportion of corporate Renminbi core deposits. Greater efforts in retail product innovation and promotion enabled the Bank to win market acceptance and greater brand reputation of products such as Xin Jin Bao, “loans backed with home mortgage”, online loans and credit card loans.



# Corporate Governance Report

## Corporate Governance Structure



## Overall Profile of Corporate Governance

The Bank made continuing efforts to refine its modern corporate governance structure in line with domestic and overseas regulatory requirements and in consideration of its own realities. There is no significant discrepancy between the Bank's institutional structure and operation of corporate governance and the corresponding requirements stipulated in the PRC Company Law and the regulations issued by the CSRC and the SEHK.

The Bank released over 90 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 other stakeholders.

During the reporting period, the Bank, in accordance with regulatory requirements including the CBRC Guidelines on Corporate Governance of Commercial Banks, reviewed relevant provisions in the Articles of Association, Rules of Procedure of the Shareholders' General Meeting, Rules of Procedure of the Board of Directors and Rules of Procedure of the Board of Supervisors, and put forward the proposed amendments thereto. The above-mentioned amended rules on corporate governance have become effective during the reporting period.

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

During the reporting period, the Bank convened one annual shareholders' general meeting, four extraordinary shareholders' general meetings, thirteen meetings of the Board of Directors and eleven meetings of the Board of Supervisors, all of which were held in compliance with the procedures specified in the Articles of Association.

## I Shareholders' General Meeting

### Shareholders' General Meetings and Shareholders' 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-a-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 of the Bank, 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](mailto: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 27 January 2014, the Bank convened its first Extraordinary General Meeting of 2014 at which the resolutions to approve the increase of 2013 annual write-off amount of non-performing assets and to approve the appointment of Ms. Wang Xiuhong as the external Supervisor of the third session of the Board of Supervisors were adopted. Director of the Bank, Mr. Zhu Xiaohuang attended the meeting.

On 21 May 2014, the Bank held the 2013 Annual General Meeting, which deliberated and adopted the Report of the Board for the year 2013, the Report of the Board of Supervisor for the year 2013, Annual Report for the year 2013, Financial Report for the year 2013, Financial Budget Plan for the year 2014, Profit Distribution Plan for the year 2013, Engagement of accounting firms and their service fees for the year 2014, Application for the cap of credit extension related party transaction with related parties for the year 2014, Application for the caps of non-credit extension connected transaction with connected persons for the year 2014, Special report on related party transaction for the year 2013, Purchase of part of the properties of Project CBD-Z15, Election of Mr. Yuan Ming as independent non-executive director, Amendments to the Articles of Association, Amendments to the Rules of Procedures of the Shareholders' General Meeting. Amendment to the Rules of Procedure of the Board of Directors, Amendment to the Rules of Procedure of the Board of Supervisors, etc. Directors of the Bank including Ms. Li Qingping, Dr. Xing Tiancai, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew attended the 2013 Annual Shareholders' General Meeting.

On 16 December 2014, the Bank convened its 2nd Extraordinary Shareholder's General Meeting in 2014, the A Shareholders Class Meeting in 2014 and the H Shareholders Class Meeting in 2014. The meetings deliberated and adopted relevant proposals including A Share Private Placement Scheme, Qualified for Non-public Issuance of A Shares, Feasibility Report on the Use of Proceeds from Private Placement, Report on the Use of Proceeds from the Previous Offering, Signing of Conditional Share Purchase Agreement with Certain Investor, Shareholder Return Plan for 2014-2017, Medium term Capital Management Plan for 2014-2017, Dilution of Current Return by the Private Placement and Compensatory Measures and Specific Plan on the Private Placement. etc. Directors of the Bank including Mr. Dou Jianzhong, Mr. Sun Deshun, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew attended the 2nd Extraordinary Shareholder's General Meeting in 2014, the A Shareholders Class Meeting in 2014 and the H Shareholders Class Meeting in 2014.

During the reporting period, directors of the Bank including Mr. Chang Zhenming, Dr. Chen Xiaoxian (non-incumbent), Mr. Guo Ketong (non-incumbent), Mr. Zhang Xiaowei, Mr. Li Zheping, Ms. Liu Shulan (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 disclosure date of this report, the Board of Directors consists of 11 members, including two executive directors, namely, Ms. Li Qingping and Mr. Sun Deshun; five non-executive directors, namely, Mr. Chang Zhenming, Mr. Zhu Xiaohuang, Mr. Dou Jianzhong, Mr. Zhang Xiaowei and Mr. Gonzalo José Toraño Vallina; and four independent non-executive directors, namely, Mr. Li Zheping, Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew and Mr. Yuan Ming.

The Board of Directors of the Bank has completed self assessment of the effectiveness of its internal control design and operation. Please refer to "Internal Control – Production of Internal Control Self-assessment Report" herein for details.

Principal responsibilities of the Board of Directors of the Bank include the following:

- to convene the shareholders' general meetings and to make a work report to the meeting;
- to implement resolutions of the shareholders' general meetings;
- 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 mandate authorized by the shareholders' general meeting, to determine major investment, major asset 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 of the Bank or change in the corporate form of the Bank;
- to prepare proposals for the issue of debt securities or other valuable papers for the purpose of capital replenishment 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 issued for the purpose of capital replenishment of the Bank;
- to prepare proposals for repurchase of the Bank's shares;
- to prepare proposals for the amendment of the Bank's Articles of Association;
- to appoint or dismiss president and board secretary of the Bank and determine their remunerations, rewards or punishments;
- according to nomination of the president, to appoint or dismiss vice president(s) 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, rewards and punishments;
- to review and establish the basic management system and internal management framework of the Bank;
- to establish, improve and effectively implement the Bank's internal control;
- 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, define specific accountability terms and establish a corresponding mechanism 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 to report 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 specifically 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 specialized 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;
- pursuant to regulatory requirements of the State Council and the regulators of the banking industry on financial statements consolidation, to assume final responsibility for management of the Bank's financial statements consolidation, to develop overall strategic guidelines for the Bank's financial statements consolidation, to review and supervise the formulation and implementation of specific plans on financial statements consolidation, and to establish a mechanism for regular review and assessment thereof.
- 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

During the reporting period, the Board of Directors convened 13 meetings (including five votings by correspondence) whereby 81 proposals were deliberated and adopted, including the proposals on the Bank's four regular reports and the plan on private offering of A shares. In addition, the Board of Directors listened to the work reports of the senior management regarding business operation, implementation of the new measures on capital management, 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
<b>Members of the Board of Directors</b>		
Chang Zhenming	12/13	1/13
Zhu Xiaohuang	10/13	3/13
Dou Jianzhong	11/13	2/13
Li Qingping	11/12	1/12
Sun Deshun	10/12	2/12
Zhang Xiaowei	11/13	2/13
Gonzalo José Toraño Vallina	9/13	4/13
Li Zheping	10/13	3/13
Wu Xiaoqing	12/13	1/13
Wong Luen Cheung Andrew	13/13	—
Yuan Ming	3/3	—
<b>Non-incumbent Directors</b>		
Chen Xiaoxian	10/11	1/11
Guo Ketong	11/11	—
Xing Tiancai	8/11	3/11
Liu Shulan	5/10	5/10

## Responsibility Statement of the Board of Directors on Financial Reports

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

## 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, and has recognized their independence as such.

The independent non-executive directors of the Bank, through attending the shareholders' general meetings, meetings of the Board of Directors and of the specialized committees under the Board of Directors, effectively discharged their duties. They also enhanced their understanding of business development of the branches by multiple 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 their membership. According to the Work System on Annual Reporting by Independent Directors, the independent non-executive directors of the Bank enhanced 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.

Please refer to “Corporate Governance Report: Convening of Shareholders’ General Meetings during the Reporting Period” in this report for the attendance of independent non-executive directors to Shareholders’ General Meetings during the reporting period.

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

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Hong Kong Listing Rules (the “Model Code”) to regulate the securities transactions conducted by its directors and supervisors. The Bank has made 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.

## I 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 six directors, with non-executive director Mr. Chang Zhenming as chairman, and Mr. Zhu Xiaohuang, Mr. Dou Jianzhong, Ms. Li Qingping, Mr. Sun Deshun and Mr. Gonzalo José Toraño Vallina as members. Its principal responsibilities include formulation and evaluation of the Bank’s business targets and long-term development strategies, business and organizational development plans, major investment and financing plans as well as other important matters that would affect the Bank’s development.

During the reporting period, the Strategic Development Committee convened five meetings and adopted, among others, the Financial Budget Plan for 2014, the Plan on Increasing Registered Capital of the Bank’s Controlled Subsidiary CIFL, 2014-2016 Three-year Overseas Development Plan, and the Plan on Private Offering of A Shares. Directors’ attendance at the meetings of the Strategic Development Committee in 2014 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
<b>Incumbent Members</b>		
Chang Zhenming	5/5	—
Zhu Xiaohuang	3/5	2/5
Dou Jianzhong	4/5	1/5
Li Qingping	2/2	—
Sun Deshun	2/2	—
Gonzalo José Toraño Vallina	5/5	—
<b>Non-incumbent Member</b>		
Chen Xiaoxian	4/4	—

### Audit and Related Party Transactions Control Committee

The Bank’s Audit and Related Party Transactions Control Committee comprises five directors, with independent non-executive director Mr. Yuan Ming as chairman, and Mr. Li Zheping, Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew, and Mr. Gonzalo José Toraño Vallina as committee members. 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 the Bank’s related party transactions within its authorized mandate.



## Corporate Governance Report

For the reporting period, the Audit and Related Party Transactions Control Committee convened 11 meetings which reviewed, among others, proposals regarding regular reports, caps on credit extension to related parties, and engagement of auditors for 2014 and their remunerations, etc. Directors' attendance at the meetings of the Audit and Related Party Transactions Control Committee in 2014 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
<b>Incumbent Members</b>		
Yuan Ming	1/1	—
Li Zheping	11/11	—
Wu Xiaoqing	11/11	—
Wong Luen Cheung Andrew	9/11	2/11
Gonzalo José Toraño Vallina	7/11	4/11
<b>Non-incumbent members</b>		
Xing Tiancai	8/9	1/9
Liu Shulan	6/8	2/8

According to the requirements of the CSRC and the division of duties for corporate governance at the Bank, 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 2014 Annual Report, thereby safeguarding independence of audit. The committee reviewed the Bank's financial statements twice, first time before the certified public accountants (CPAs) responsible for annual audit arrived at the premise 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 adequate 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 25 December 2014 and identified the work scope, overall timetable, priorities, personnel and framework for the audit of the 2014 financial statements. On 14 January 2015, the Audit and Related Party Transactions Control Committee communicated face-to-face with the CPAs responsible for annual audit, focusing the discussions on audit progress, follow-up audit priorities, early results of pre-audit, updates of regulatory requirements, and impacts of the listing of CITIC Limited. After the communication, the committee members conducted a preliminary review of the financial statements prepared by the Bank and agreed to present the statements to the CPAs responsible for annual audit. On 28 February 2015, the committee members reviewed the Bank's financial statements for the second time. By follow-up review of the draft audit report on the Bank's financial statements, the committee urged the auditors to conduct their work according to the agreed timetable. On 19 March 2015, 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 2014 annual audit by the CPAs, and resolved by voting to approve 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 2015 and Their Remunerations, proposing that the Bank engage PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its overseas auditor in 2015.

### Risk Management Committee

The Bank's Risk Management Committee comprises seven directors with non-executive director Mr. Dou Jianzhong as chairman, and Mr. Zhu Xiaohuang, Ms. Li Qingping, Mr. Sun Deshun, Mr. Li Zheping, Ms. Wu Xiaoqing and Mr. Gonzalo José Toraño Vallina as members. The committee is mainly responsible for formulating the Bank's strategies, policies and measures for risk management, and internal control procedures, as well as supervising and evaluating the risk management activities conducted by relevant senior management members and risk management departments of the Bank.

During the reporting period, the Risk Management Committee convened five meetings and deliberated, among others, the Overall Work Program of China CITIC Bank Corporation Limited on Management of Financial Statements Consolidation, the Measures on Liquidity Risk Management, the Statement on Risk Preference, the Measures on Management of Provisions for Loan Losses, and the Measures on Management of Market Risk Stress Test. Directors' attendance at the meetings of the Risk Management Committee in 2014 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
<b>Incumbent Members</b>		
Dou Jianzhong	1/3	2/3
Zhu Xiaohuang	1/5	4/5
Li Qingping	4/4	—
Sun Deshun	2/3	1/3
Gonzalo José Toraño Vallina	2/5	3/5
Li Zheping	5/5	—
Wu Xiaoqing	5/5	—
<b>Non-incumbent member</b>		
Chen Xiaoxian	3/3	—

### Nomination and Remuneration Committee

The Bank's Nomination and Remuneration Committee comprises three directors, with independent non-executive director Mr. Wong Luen Cheung Andrew as chairman, and Ms. Wu Xiaoqing and Mr. Yuan Ming as members. Principal responsibilities of the Nomination and Remuneration Committee include formulating procedures and standards on nomination of candidates for directors and senior management, conducting preliminary review of the qualifications of such candidates, formulating and supervising the implementation of the remuneration schemes for directors, supervisors and senior management, as well as other functions as authorized by the Board of Directors.

During the reporting period, the Nomination and Remuneration Committee convened six meetings and deliberated, among others, the proposals on the Policy of the Bank on Diversification of Board Membership, Nominating Vice President(s) of the Bank, Measures of the Board of Directors for Performance Evaluation of Board Directors, and 2013 Final Accounts of Employee Remunerations. Directors' attendance at the meetings of the Nomination and Remunerations Committee in 2014 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
<b>Incumbent Members</b>		
Wong Luen Cheung Andrew	6/6	—
Wu Xiaoqing	5/6	1/6
Yuan Ming	—	—
<b>Non-incumbent members</b>		
Guo Ketong	5/5	—
Xing Tiancai	5/5	—
Liu Shulan	2/5	3/5

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 their implementation. The committee is of the view that the senior management of the Bank performed its fiduciary and due diligence duties in 2014 within its scope of mandates and responsibilities specified in relevant laws and regulations and the Articles of Association, under the leadership and authorization of the Board of Directors as well as the supervision and guidance of the Board of Supervisors, which in turn further increased 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 the reporting period.

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

### Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank reporting to the shareholders' general meeting. The Board of Supervisors consists of six members, including Dr. Ou-Yang Qian, Mr. Zheng Xuexue, Ms. Wang Xiuhong, Mr. Li Gang, Mr. Deng Yuewen and Ms. Wen Shuping, among whom two are shareholder representative supervisors, one is an external supervisor, and the other three are employee representative supervisors.

During the reporting period, the Board of Supervisors held 11 meetings, at which the supervisors deliberated and adopted 16 proposals including regular reports and work reports 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 the 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 during the reporting period and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
<b>Incumbent Members</b>		
Ou-Yang Qian	10/11	1/11
Zheng Xuexue	9/11	2/11
Wang Xiuhong	9/11	2/11
Li Gang	11/11	—
Deng Yuewen	10/11	1/11
Wen Shuping	—	—
<b>Non-incumbent member</b>		
Luo Xiaoyuan	10/11	1/11

## I 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

The Supervision Committee comprises two supervisors, with Mr. Zheng Xuexue as chairman and Mr. Li Gang as member.

During the reporting period, the Supervision Committee convened four meetings which considered and adopted seven proposals including the regular reports and the Work Plan of the Supervision Committee for 2014. Supervisors' attendance at the meetings of the Supervision Committee in 2014 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
<b>Incumbent Members</b>		
Zheng Xuexue	4/4	—
Li Gang	3/4	1/4
<b>Non-incumbent member</b>		
Luo Xiaoyuan	4/4	—

### Nomination Committee

The Nomination Committee temporarily comprises one supervisor, namely, Mr. Deng Yuewen.

During the reporting period, the Nomination Committee convened two meetings which considered and adopted five proposals including the Suggestion on Improving the Regulations on Performance Evaluation of Directors, Supervisors and Senior Management Members, the Report of the Board of Supervisors on Evaluation of Directors' Annual Performance in 2013, and the Report of the Board of Supervisors on Evaluation of Supervisors' Annual Performance in 2013, etc. Supervisors' attendance at the meetings of the Nomination Committee in 2014 and their attendance rates are as follows:

	Physical attendance/number of meetings	Attendance by proxy/number of meetings
<b>Incumbent Member</b>		
Deng Yuewen	2/2	—
<b>Non-incumbent member</b>		
Luo Xiaoyuan	2/2	—

## I Independent Opinions of the Board of Supervisors on Relevant Matters

### Compliance of Business Operation

The Bank conducted business in accordance with the PRC Company Law, the PRC Commercial Banks Law and its own 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 2014 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 that might result in the impairment of the interests of the shareholders or loss of the Bank's assets, or would 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 2014 Social Responsibility Report of China CITIC Bank Corporation Limited and had no objection to the content of the report.

## | Senior Management

The senior management is the executive body of the Bank reporting to the Board of Directors. The Bank's senior management consists of ten members. Please refer to "Directors, Supervisors, Senior Management and Staff" of the report for detailed information. 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 annual performance evaluation of the senior management, which assesses the senior management's attainment of operation targets and ability to discharge duties. Results of the annual performance evaluation are used as important basis for determining 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 Chairman of the Bank, is responsible for presiding at shareholders' general meetings, convening and presiding at the Board of Directors' meetings and examining the implementation of the resolutions of the Board of Directors and other relevant matters. Ms. Li Qingping, serving as President of the Bank, is responsible for implementing the Board of Directors' resolutions, and leading operation and management of the Bank and other relevant matters.

## | Company Secretary

The Bank has engaged, externally, Ms. Wendy Kam (FCS, FCIS) 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: +86-10-89938900, Fax: +86-10-85230081.

## | 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.

The Bank strictly adhered to the regulatory requirements in Shanghai and Hong Kong and promoted management of related party transactions on all fronts: first, the Bank continuously reinforced dynamic management and updating of related parties and reproduced its list of related parties covering 1,658 legal persons; second, the Bank successfully applied for 2014 annual caps and 2015-2017 annual caps for credit-extension and non-credit-extension related party transactions respectively, virtually covering all business varieties of related party transactions of the Bank and thereby greatly improving the efficiency of business review and approval; third, the Bank kept promoting development of information systems for related party transactions, improving electronic management of such transactions; fourth, the Bank compiled the Knowledge Handbook on Related Party Transactions Involving Directors, Supervisors and Senior Management, explaining knowledge about related party transactions in popular cartoon form and enhancing duty performance awareness of related natural persons; fifth, the Bank effectively organized bank-wide training on related party transactions, further enhancing awareness of compliance in related party transactions throughout the bank; and sixth, the Bank ensured compliant conduct of related party transactions bank-wide by strictly performing review, approval, disclosure and routine monitoring of 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, personnel, assets, organizational structure and financial matters, and maintains independent and complete business separate from that of its controlling shareholder and is capable of independent business operation.

In terms of business, the Bank has a complete market-oriented business structure and capability to operate independently and is engaged independently in business operation within its authorized business scope, without interference or control by its controlling shareholder or any other related parties, and free of any 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 personnel, the Bank has its own independent labor, personnel 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 funds 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 business 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 the Non-Competition Deed.

The independent non-executive directors of the Bank came to a conclusion on the non-competition undertakings of CITIC Group, holding that CITIC Group honored its non-competition undertakings during the reporting period. CITIC Group produced a statement on performance of its non-competition undertakings under the Non-Competition Deed it entered into with the Bank on 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, thereby 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 members 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 and current-period non-incumbent directors, supervisors and Board secretary participated in the following external trainings:

Name	Title	Trainer	Training Model	Training Duration (day)
Li Qingping	Executive Director, President	CSRC Beijing Bureau	Concentrated lecturing	1
Zhang Xiaowei	Non-executive Director	CSRC Beijing Bureau	Concentrated lecturing	1
Li Zheping	Independent Non-executive director	SSE	Concentrated lecturing	3
Wong Luen Cheung Andrew	Independent Non-executive director	SSE	Concentrated lecturing	7
Wu Xiaoqing	Independent Non-executive director	SSE	Concentrated lecturing	4
Xing Tiancai	Independent Non-executive director	SSE	Concentrated lecturing	4
Yuan Ming	Independent Non-executive director	SSE	Concentrated lecturing	5
Ou-Yang Qian	Chairman of the Board of Supervisors	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
Li Xin	Secretary to the Board of Directors	SSE	Concentrated lecturing	5
		HKICS	Concentrated lecturing	3

## Corporate Governance Report

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

	Trainings on business, directors' duties and corporate governance	Comprehensive induction materials	Monthly updates and other reading materials on latest developments in the Bank's business operation and the banking industry as well as related legal and regulatory requirements
<b>Non-executive directors</b>			
Chang Zhenming ( <i>Chairman</i> )	✓	✓	✓
Zhu Xiaohuang	✓		✓
Dou Jianzhong	✓		✓
Zhang Xiaowei	✓		✓
Gonzalo José Toraño Vallina	✓		✓
<b>Executive directors</b>			
Li Qingping ( <i>President</i> )	✓	✓	✓
Sun Deshun ( <i>First Vice President</i> )	✓	✓	✓
<b>Independent non-executive directors</b>			
Li Zheping	✓		✓
Wu Xiaoqing	✓		✓
Wong Luen Cheung Andrew	✓		✓
Yuan Ming	✓	✓	✓

In addition, 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 SSE assessment of information disclosure made by listed companies in 2014 and major regulatory reforms in the future, summary of the Hong Kong Listing Rules and updating of the latest amendments thereof, audit of annual financial statements and preparation of reports on operating results, design of the annual report and publicity of corporate images, notifiable transactions and related party transactions and their information disclosure, Guidelines on Independent Directors and the best practices thereof, management and control of inside information & insider tradings and practices in response to false markets, practices vis-a-vis financial audit and reporting of operating results of companies listed in more than one venue, release of operating results and shareholders' general meetings.

### 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 Compliance Policies of China CITIC Bank, established and improved a bank-wide compliance risk management framework, clarified responsibilities for compliance risk management, 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 Hong Kong Listing Rules throughout the year ended 31 December 2014, 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 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 detailed information.

According to Code A.5.6 of the Corporate Governance Code, the Nomination and Remuneration Committee or the Board of Directors shall have a policy on membership diversity of the Board of Directors, and shall disclose the policy or a summary of the policy in the corporate governance report. The current Board of Directors of the Bank comprises 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 detailed information about board directors' biographies. The Board of Directors has formulated the Policy on Diversification of Board Membership to comply with the requirement of Code A.5.6 of the Corporate Governance Code.

Given the changes in the external operation environment and regulatory requirements in general, and in the business scope and scale of banks in particular, there is no end to improvement of internal control of banks. 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 suggestions 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 shows in Hong Kong, the US, Europe and the Middle East, and visited more than 50 important institutional investors. For the whole year, the Bank hosted over 70 meetings whereby face-to-face direct communication was made with over 400 investors. The Bank participated upon invitation in 9 large-scale investors' forums, and took the initiative to organize promotions for POS online loans, invited relevant institutions to its workshops, and carried out in-depth communication with domestic and overseas investors. In addition, the Bank innovated its interaction with the capital market, such as briefed on its interim operating results at the SSE trading floor and live broadcasted the entire process online, which greatly 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 stakeholders. As a bank concurrently listed in 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 informed 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 90 interim announcements according to domestic and overseas regulatory requirements, including regular reports and interim announcements on a series of events such as credit extension to related parties, dividends distribution, approval of qualifications for office of directors, president and vice president of the Bank, and changes in shareholding structure of the controlling shareholder, etc.

# Internal Control

## I 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 the internal audit function to self-assess the effectiveness of internal control design and operation in accordance with the Basic Standards for Enterprise Internal Control, the Guidelines for Assessment of Enterprise Internal Control, the Guidelines for Internal Control of Commercial Banks, and the PRC Internal Audit Standards, and the requirements of the Bank's rules and measures on internal control. The Board of Directors produced the 2014 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 2014 (record date). In the course of assessing its internal control, the Bank was not aware of any material defects in internal control. Please refer to the related announcements published on the official website of SSE ([www.sse.com.cn](http://www.sse.com.cn)), the official website of SEHK (<http://www.hkexnews.hk>) as well as the website of the Bank ([bank.citic.com](http://bank.citic.com)) as at the date of this report for detailed information.

The Board of Supervisors reviewed the 2014 Report of China CITIC Bank Corporation Limited on Assessment of Internal Control and had no disagreement with the content of the report.

## I Development of Internal Control and Major Measures Adopted by the Bank

The Bank kept optimizing its internal control environment, reinforced identification and assessment of risks, enhanced internal control measures, expanded information communication and exchange channels, endeavored to construct a sound supervision, inspection and correction mechanism, strictly guarded the risk bottom line, and improved efficiency in all aspects. As a result, all of its businesses enjoyed sustained, steady and healthy development.

**Optimization of the internal control environment:** The Board of Directors and senior management of the Bank constantly promoted development of corporate governance, and endeavored to construct and improve a scientific and effective corporate operation mechanism. The Board of Supervisors, on the other hand, focused on supervision over finance, risks, internal control and duty discharge, and made continuous improvement to its supervisory methods to enhance the quality of supervision. In accordance with the Bank's development strategy, the Head Office adjusted and optimized its organizational structure, removed and merged some tier-one departments, scientifically defined the positions of front, middle, and back-office departments, clarified their division of duties in the construction of an internal control system, and thereby consolidated the internal control management foundation. In addition, the Bank initiated its job system development project, and explored scientific effective human resources policies to improve human resources management. On-the-job training of staff was intensified to fully realize the role of training in supporting business development. High attention was paid to construction of corporate culture. With its advocacy and practice of corporate culture and core values, the Bank cultivated a cultural atmosphere of sharing and joint growth.

**Reinforcement of risk identification and assessment:** With respect to credit risk, the Bank continuously optimized its risk quantification and customer rating systems, improved the design of risk limit for any single customer, intensified risk monitoring of key customers, regions, industries, products and customer clusters, and set up the review and approval criteria systems for major industries, fundamental customers, key products, and critical components in succession. With respect to market risk, the Bank set and implemented annual financial market business authorization and risk limits, fully identified and assessed business risks, re-examined deficiencies in the process of market risk management and control, established and improved the mechanism for post evaluation of product access, and enhanced the mechanism for management and control of bond underwriting business. With respect to operation risk, the Bank reinforced the construction of the key risk indicator system, completed the establishment of the annual key risk indicator database, reviewed and re-input historical data and information about operation risk, reinforced analysis and reporting of historical data, and initiated the project on optimization of operation risk standard approach and preparation for advanced measurement of operation risk, in order to pace up compliance with the operation risk standard approach and upgrade management of operation risk. With respect to liquidity risk, the Bank identified and measured liquidity risk indicators and limits on a regular basis, carried out timely follow ups and assessment, reinforced monitoring and management of and set total quantity limits for inter-bank business and wealth management business, followed changes in liquidity gap, and conducted stress test on a regular basis.



## Internal Control

Improvement in internal control measures: The Bank kept improving its institutional development and management. Existing rules and regulations were sorted out on all fronts for further enhancement of institutional management. During the reporting period, the internal management platform system received and recorded 20,577 internal rules and regulations from the Head Office and the branches, and 135,182 national and local laws and regulations, which facilitated employees of the Bank at all levels in their work. Multiple risk management rules and policies were refined to intensify total risk management and control, such as the rules and policies on layered management of credit grants, return inspection of the market risk internal model, consolidation management on risk exposure of large-sum credit loans, business continuity management, and country risk rating management, etc. More efforts were made to reinforce development of rules and regulations on compliance and case prevention, and upgrade management and control of branches at all levels. The Employee Compliance Handbook was printed and distributed; while administrative measures on case prevention, self assessment of case prevention work, and rating of customer money-laundering risk were produced. Internal control measures were refined continuously, which was seen in the sorting out of categorized layered management of corporate customers, tougher requirements on customer access, forward movement of risk portals, more intensive quota management of banker's acceptance business at branches, and continuous improvement of the core strategic customer group relation tree in the CRM system to prevent repetitive credit grant to the same group customer. With regard to retail banking, post lending examination was done in a more pertinent and effective manner with the formulation of respective administrative measures on posting lending management and loan risk early warning of retail banking. Rules such as administrative measures on authorization management and fee reduction/exemption at the credit card center further implemented the requirements on the authority to review and approve reduction/exemption of credit card related fees and interests as per the Head Office's letter of authorization. In its financial market business, the Bank strictly controlled the scale of "non-standard" assets, accelerated the development of supporting rules and policies for its Shanghai FTZ Branch, and produced measures for pricing management of foreign exchange settlement and sales and squaring management of FTZ transactions. For wealth management business, the Bank built a "reasonable, healthy, highly efficient, and short-process management system" and a "product system consistent with market demands, controllable in risk, and focused on standardization", which effectively controlled business risk of wealth management, intensified management of product creation and income distribution, furthered risk management of wealth management products, enhanced risk disclosure at the front ends of the sales stage, and thereby strictly controlled sales risk. For financial management, routine review and approval of expenses and costs reflected requirements of collective decision making; internal deficiencies were improved to effectively prevent financial risk, and efforts were carried out bank-wide to comprehensively prevent and control financial risk. In terms of loan management, the Bank organized special surveys and inspections of key branches, conducted regular loan risk analysis, reinforced monitoring of regional risks, proactively compressed, exited from and restructured loans to industries suffering severe overcapacity, and practiced proactive multi-dimensional monitoring of key loan products. In terms of operational management, the Bank orderly promoted system automatic estimation of income from fee-based business, realized total-process automatic accounting of wealth management business, developed the telephone confirmation system for accounting items, optimized distribution of post supervision resources, and kept optimizing the G2 payment system and counter system. For information technology, the Bank integrated the bank-wide flow of production events, realized seamless combination of event management at sub-branches, business and technology departments of branches, and the Head Office, and at the same time optimized the mechanism for change review and approval to reinforce change management of information systems after their initial operation.

Expanding channels for information exchange and communication: The Bank boosted internal information exchange and communication, and reinforced its management over the reporting of major risk incidents. During the reporting period, the Bank edited and distributed 258 issues of *Work Dynamics*, 74 issues of *Marketing Bulletins*, and 186 issues of *Comprehensive Management Bulletins*, and created the *Internal Control Compliance Monthly*. The intranet information platform was used for timely release of information, communication of management requirements, exchange of work experiences, analysis of risk cases, and guiding employees bank-wide to firmly set up the awareness of compliance. Efforts were also made to improve external information exchange and communication. The Bank cooperated with the CBRC and the China National Audit Office in total internal control inspection and regular audit engagements, respectively. In addition, the Bank intensified business synergy management with companies within CITIC Group, by taking the lead to coordinate information communication, share resources, and promote business cooperation within the group.

A better mechanism for internal supervision, inspection and correction: The Bank intensified efforts to improve internal management and control. Special audits on data truthfulness and non-standard creditor business were actively carried out. Analysis and confirmation of business data helped define requirements of dual-line accountability and gradually gave rise to the formation of a correction mechanism. In combination with risk control priorities for case prevention, the Bank screened case risks in business areas prone to risk incidents, such as supply chain finance, factoring, agency sales, small enterprises, online lending, trade finance, and e-banking, and made timely optimization and rectifications vis-a-vis the screening findings. To further improve internal control and management, curb irregular business operation and crimes, and effectively prevent financial risk, the Bank took the initiative to look for problems existing in business operation and management, disclosed potential risks, analyzed underlying reasons, toughened accountability, and controlled various risks.

## | Internal Audit

In 2014, the internal audit function of Bank further developed the independent professional audit system, arranged priority audit assignments in a comprehensive manner, enhanced audit quality control, and realized the role of audit as an independent force of supervision, in accordance with the work concept of “serving strategic transformation, consolidating management foundation, upgrading professional level, and realizing audit value”, and the management requirements on “making full disclosure of material irregularities, and timely detection of trend-revealing risks”.

During the reporting period, the Bank reinforced audit of key areas, areas prone to cases and employee performance of duties, organized special audit of areas including data truthfulness, quality of loan assets, transit trade, L/C advances, loans to small and micro enterprises, consumer finance, credit card business, IT and screening of employee conduct, and conducted full audit of some branches. Off-site audit approaches were optimized to reinforce pre-review data analysis and enhance audit efficiency and effectiveness in a continuing manner. In addition, the Bank established and improved the audit framework that was “led by one audit department and supported by four audit centers 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 2014 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 published by the Bank on 20 March, 2015 on the official website of SSE (<http://www.sse.com.cn>), the official website of SEHK (<http://www.hkexnews.hk>) as well as the website of the Bank ([bank.ecitic.com](http://bank.ecitic.com)).

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 2014 in accordance with the Basic Standards for Enterprise Internal Control and relevant requirements.

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

With close attention paid to institutional construction for management of inside information and information insiders, the Bank formulated the Measures for Accountability of Material Errors regarding Annual Report Information Disclosure and made amendments to the Administrative Measures for Inside Information and Information Insiders, examined information insiders' trading of the Bank's securities prior to disclosure of the annual report in strict accordance with the Administrative Measures for Inside Information and 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 users to observe their confidentiality obligation.

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

# Independent Auditor's Report

## 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 138 to 272, which comprise the consolidated and Bank statements of financial position as at 31 December 2014, the related consolidated statement of profit or loss and other 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 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
20 March 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2014	2013
Interest income		205,639	163,335
Interest expense		(110,898)	(77,647)
<b>Net interest income</b>	6	<b>94,741</b>	85,688
Fee and commission income		26,972	18,318
Fee and commission expense		(1,659)	(1,507)
<b>Net fee and commission income</b>	7	<b>25,313</b>	16,811
Net trading gain	8	3,437	1,750
Net gain/(loss) from investment securities	9	834	(203)
Net hedging (loss)/gain	10	(2)	2
Other operating income		516	765
<b>Operating income</b>		<b>124,839</b>	104,813
Operating expenses	11	(46,796)	(40,435)
<b>Operating Profit before impairment</b>		<b>78,043</b>	64,378
Impairment losses on			
— Loans and advances to customers	12	(22,074)	(11,327)
— Others	12	(1,599)	(613)
<b>Total impairment losses</b>		<b>(23,673)</b>	(11,940)
Revaluation gain on investment properties		2	2
Share of profit of associates		192	109
Net gain on disposal of an associate		10	—
<b>Profit before tax</b>		<b>54,574</b>	52,549
Income tax	16	(13,120)	(12,832)
<b>Net profit</b>		<b>41,454</b>	39,717
<b>Other comprehensive income, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss when specific conditions are met (net of tax)			
Available-for-sale financial assets: net movement in fair value reserve		5,234	(4,596)
Exchange difference on translating foreign operations		(43)	(474)
Others		(1)	10
Items that will not be reclassified to profit or loss (net of tax)			
Net changes on the measurement of defined benefit plans		(10)	—
<b>Other comprehensive income, net of tax</b>	18	<b>5,180</b>	(5,060)
<b>Total comprehensive income</b>		<b>46,634</b>	34,657
<b>Net profit attributable to:</b>			
Shareholders of the Bank		40,692	39,175
Non-controlling interests		762	542
		<b>41,454</b>	39,717
<b>Total comprehensive income attribute to:</b>			
Shareholders of the Bank		45,866	34,263
Non-controlling interests		768	394
		<b>46,634</b>	34,657
<b>Basic and diluted earnings per share (RMB)</b>	17	<b>0.87</b>	0.84

The notes on pages 145 to 272 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2014  
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2014	31 December 2013
<b>Assets</b>			
Cash and balances with central bank	19	538,486	496,476
Deposits with banks and non-bank financial institutions	20	93,991	131,711
Precious metals		411	—
Placements with banks and non-bank financial institutions	21	68,180	122,314
Financial assets at fair value through profit or loss	22	27,509	11,018
Positive fair value of derivatives	23	8,226	7,749
Financial assets held under resale agreements	24	135,765	286,767
Interest receivable	25	26,125	15,545
Loans and advances to customers	26	2,136,332	1,899,921
Available-for-sale financial assets	27	209,404	177,960
Held-to-maturity investments	28	177,957	154,849
Investment classified as receivables	29	653,256	300,158
Interest in associate	30	870	2,176
Fixed assets	32	14,738	13,734
Intangible assets	33	407	363
Investment properties	34	280	277
Goodwill	35	795	792
Deferred tax assets	36	9,317	8,434
Other assets	37	36,766	10,949
<b>Total assets</b>		<b>4,138,815</b>	<b>3,641,193</b>
<b>Liabilities</b>			
Borrowing from central banks		50,050	—
Deposits from banks and non-bank financial institutions	39	688,292	559,667
Placements from banks and non-bank financial institutions	40	19,648	41,952
Financial liabilities at fair value through profit or loss	41	573	—
Negative fair value of derivatives	23	7,347	6,853
Financial assets sold under repurchase agreements	42	41,609	7,949
Deposits from customers	43	2,849,574	2,651,678
Accrued staff costs	44	11,521	10,500
Taxes payable	45	5,985	4,355
Interest payable	46	37,311	28,143
Provisions	47	5	71
Debt certificates issued	48	133,488	76,869
Other liabilities	49	26,066	22,431
<b>Total liabilities</b>		<b>3,871,469</b>	<b>3,410,468</b>

The notes on pages 145 to 272 form part of these financial statements.



## Consolidated Statement of Financial Position

As at 31 December 2014

(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2014	31 December 2013
<b>Equity</b>			
Share capital	50	46,787	46,787
Capital reserve	51	49,296	49,296
Other comprehensive income	52	(1,833)	(7,007)
Surplus reserve	53	19,394	15,495
General reserve	54	50,447	44,340
Retained earnings		95,586	76,690
<b>Total equity attributable to shareholders of the Bank</b>		<b>259,677</b>	<b>225,601</b>
Non-controlling interests	56	7,669	5,124
<b>Total equity</b>		<b>267,346</b>	<b>230,725</b>
<b>Total liabilities and equity</b>		<b>4,138,815</b>	<b>3,641,193</b>

Approved and authorised for issue by the board of directors on 20 March 2015.

**Chang Zhenming**  
Chairman

**Li Qingping**  
President

**Fang Heying**  
Vice President  
in charge of  
finance function

**Lu Wei**  
General Manager  
of Finance and  
Accounting Department

**Company stamp**

The notes on pages 145 to 272 form part of these financial statements.

# Statement of Financial Position

As at 31 December 2014  
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2014	31 December 2013
<b>Assets</b>			
Cash and balances with central bank	19	536,811	494,316
Deposits with banks and non-bank financial institutions	20	81,689	124,860
Precious metals		411	—
Placements with banks and non-bank financial institutions	21	47,810	98,414
Financial assets at fair value through profit or loss	22	27,501	10,966
Positive fair value of derivatives	23	5,638	5,866
Financial assets held under resale agreements	24	135,765	286,816
Interest receivable	25	25,546	14,976
Loans and advances to customers	26	2,012,342	1,798,983
Available-for-sale financial assets	27	188,537	160,636
Held-to-maturity investments	28	177,957	154,788
Investment classified as receivables	29	652,916	300,158
Interests in subsidiaries	31	9,986	9,986
Fixed assets	32	14,223	13,188
Intangible assets	33	407	363
Deferred tax assets	36	9,296	8,410
Other assets	37	35,801	10,251
<b>Total assets</b>		<b>3,962,636</b>	<b>3,492,977</b>
<b>Liabilities</b>			
Borrowing from central banks		50,000	—
Deposits from banks and non-bank financial institutions	39	698,362	571,234
Placements from banks and non-bank financial institutions	40	18,703	38,512
Financial liabilities at fair value through profit or loss	41	573	—
Negative fair value of derivatives	23	5,000	5,620
Financial assets sold under repurchase agreements	42	41,381	6,468
Deposits from customers	43	2,699,597	2,529,488
Accrued staff costs	44	10,871	10,043
Taxes payable	45	5,837	4,199
Interest payable	46	36,559	27,552
Provisions	47	2	71
Debt certificates issued	48	115,592	56,439
Other liabilities	49	24,436	19,995
<b>Total liabilities</b>		<b>3,706,913</b>	<b>3,269,621</b>
<b>Equity</b>			
Share capital	50	46,787	46,787
Capital reserve	51	51,619	51,619
Other comprehensive income	52	435	(4,732)
Surplus reserve	53	19,394	15,495
General reserve	54	50,350	44,250
Retained earnings		87,138	69,937
<b>Total equity</b>		<b>255,723</b>	<b>223,356</b>
<b>Total liabilities and equity</b>		<b>3,962,636</b>	<b>3,492,977</b>

Approved and authorised for issue by the board of directors on 20 March 2015.

**Chang Zhenming**  
Chairman

**Li Qingping**  
President

**Fang Heying**  
Vice President  
in charge of  
finance function

**Lu Wei**  
General Manager  
of Finance and  
Accounting Department

**Company stamp**

The notes on pages 145 to 272 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

(Expressed in millions of Renminbi unless otherwise stated)

	Note	Equity attributable to shareholders of the Bank					Non-controlling interests		Total equity	
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Common shareholders		Other equity holders
As at 1 January 2014		46,787	49,296	(7,007)	15,495	44,340	76,690	5,124	—	230,725
Movements during the year										
(I) Net profit		—	—	—	—	—	40,692	696	66	41,454
(II) Other comprehensive income	18	—	—	5,174	—	—	—	6	—	5,180
Total comprehensive income		—	—	5,174	—	—	40,692	702	66	46,634
(III) Capital contribution by owners										
1. Capital contributed by holders of other equity instruments		—	—	—	—	—	—	—	1,825	1,825
2. Non controlling interest of a new tie 2 subsidiary		—	—	—	—	—	—	18	—	18
(IV) Profit appropriations										
1. Appropriations to surplus reserve	53	—	—	—	3,899	—	(3,899)	—	—	—
2. Appropriations to general reserve	54	—	—	—	—	6,107	(6,107)	—	—	—
3. Appropriations to shareholders of the Bank	55	—	—	—	—	—	(11,790)	—	—	(11,790)
4. Appropriations to holders of other equity instruments		—	—	—	—	—	—	—	(66)	(66)
As at 31 December 2014		46,787	49,296	(1,833)	19,394	50,447	95,586	5,844	1,825	267,346

	Note	Equity attributable to shareholders of the Bank					Non-controlling interests	Total equity	
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve			Retained earnings
As at 31 December 2012		46,787	49,296	(2,113)	11,709	35,326	57,351	4,730	203,086
Changes in accounting policy		—	—	18	—	—	(18)	—	—
As at 1 January 2013		46,787	49,296	(2,095)	11,709	35,326	57,333	4,730	203,086
Movements during the year									
(I) Net profit		—	—	—	—	—	39,175	542	39,717
(II) Other comprehensive income		—	—	(4,912)	—	—	—	(148)	(5,060)
Total comprehensive income		—	—	(4,912)	—	—	39,175	394	34,657
(III) Profit appropriations									
1. Appropriations to surplus reserve	53	—	—	—	3,786	—	(3,786)	—	—
2. Appropriations to general reserve	54	—	—	—	—	9,014	(9,014)	—	—
3. Appropriations to shareholders of the Bank		—	—	—	—	—	(7,018)	—	(7,018)
As at 31 December 2013		46,787	49,296	(7,007)	15,495	44,340	76,690	5,124	230,725

The notes on pages 145 to 272 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2014  
(Expressed in millions of Renminbi unless otherwise stated)

	2014	2013
<b>Operating activities</b>		
Profit before tax	54,574	52,549
Adjustments for:		
— Revaluation gain on investments, derivatives and investment properties	(1,061)	(92)
— Investment (gains)/losses	(147)	121
— Net gain on disposal of fixed assets, intangible assets and other assets	(1)	(12)
— Unrealised foreign exchange (gains)/losses	(558)	427
— Impairment losses	23,673	11,940
— Depreciation and amortisation	2,194	1,790
— Interest expense on debt certificates issued	4,616	2,352
— Dividend income from equity investment	(131)	(27)
— Income tax paid	(14,265)	(13,956)
	<b>68,894</b>	<b>55,092</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in balances with central bank	(37,378)	(65,422)
Decrease/(Increase) in deposits with banks and non-bank financial institutions	36,129	(17,122)
Decrease in placements with banks and non-bank financial institutions	72,073	7,204
(Increase)/decrease in financial assets at fair value through the profit or loss	(23,916)	5,465
Increase in financial liabilities at fair value through the profit or loss	573	—
Decrease/(increase) in financial assets held under resale agreements	151,003	(217,743)
Increase in loans and advances to customers	(237,111)	(288,623)
Increase in investment classified as receivables	(353,337)	(243,723)
Increase in deposits from banks and non-bank financial institutions	133,624	190,922
Increase in borrowing from central banks	50,050	—
(Decrease)/Increase in placements from banks and non-bank financial institutions	(22,223)	24,409
Increase/(decrease) in financial assets sold under repurchase agreements	33,657	(3,749)
Increase in deposits from customers	197,153	405,603
Increase in other operating assets	(36,451)	(5,403)
Increase in other operating liabilities	1,410	16,862
<b>Net cash flows from/(used) in operating activities</b>	<b>34,150</b>	<b>(136,228)</b>
<b>Investing activities</b>		
Proceeds from disposal and redemption of investments	409,437	478,354
Proceeds from disposal of fixed assets, land use rights, and other assets	26	130
Cash received from equity investment income	135	46
Payments on acquisition of investments	(446,451)	(483,562)
Payments on acquisition of fixed assets, land use rights and other assets	(11,432)	(5,292)
<b>Net cash flows used in investing activities</b>	<b>(48,285)</b>	<b>(10,324)</b>

The notes on pages 145 to 272 form part of these financial statements.

## Consolidated Cash Flow Statement

For the year ended 31 December 2014  
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2014	2013
<b>Financing activities</b>			
Cash received from debt certificates issued		97,826	30,394
Cash received from other equity instruments issued		1,825	—
Cash received from non controlling interest of new tie 2 subsidiary		18	—
Cash paid for redemption of debt certificates		(39,745)	(9,337)
Interest paid on debt certificates issued		(3,674)	(2,317)
Dividends paid		(11,856)	(7,018)
<b>Net cash flows from financing activities</b>		<b>44,394</b>	<b>11,722</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30,259</b>	<b>(134,830)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>199,643</b>	<b>336,828</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(1,527)</b>	<b>(2,355)</b>
<b>Cash and cash equivalents as at 31 December</b>	57	<b>228,375</b>	<b>199,643</b>
<b>Cash flows from operating activities include:</b>			
Interest received		195,142	160,865
Interest paid, excluding interest expense on debt certificates issued		(98,065)	(68,891)

The notes on pages 145 to 272 form part of these financial statements.

# Notes to the 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.

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.

As at 31 December 2014, 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.

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.

The financial statements were approved by the Board of Directors of the Bank on 20 March 2015.

## 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 2014 comprise the Bank and its subsidiaries and the Group’s interest in associate.

### (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(b) (ii). The financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.



# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 3 Statement of compliance

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

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

- Amendments to IFRS 10, *Consolidated financial statements*
- Amendments to IFRS 12, *Disclosure of interests in other entities*
- Amendments to IAS 27, *Separate Financial Statements*
- Amendments to IAS 32, *Financial instruments: presentation, Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Impairment of assets: Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Financial instruments: recognition and measurement, Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

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

### **Amendments to IFRS 10 - Consolidated financial statements, IFRS 12 - Disclosure of interests in other entities and IAS 27 - Separate financial statements, Investment entities**

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. The adoption does not have any material impact on the Group’s financial statements.

### **Amendments to IAS 32 - Financial instruments: presentation, Offsetting financial assets and financial liabilities**

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments to IAS 32 clarify the meaning of “currently has a legally enforceable right to set-off”. The relevant information has been disclosed in note 67 of financial statements.

### **Amendments to IAS 36 - Impairment of assets, Recoverable amount disclosures for non-financial assets**

The amendments to IAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have any material impact on the Group’s financial statements.

### **Amendments to IAS 39 - Financial instruments: recognition and measurement, Novation of derivatives and continuation of hedge accounting**

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have any material impact on the Group’s financial statements.

### **IFRIC 21, Levies**

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have any material impact on the Group’s financial statements.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates

### (a) Consolidated financial statements

#### (i) *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 acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against share premium in the capital reserve with any excess is adjusted against retained earnings. Any cost directly attributable to the combination is recognised in profit or loss when incurred. The combination date is the date on which one combining enterprise obtains control of other combining enterprises.

#### (ii) *Business combinations not involving entities 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 acquisition date fair value 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 acquisition date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (Note 4(m)). If 1) is less than 2), the difference is recognised in profit or loss for the current period. The costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

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 and will be reclassified subsequently to profit or loss, and other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs.

#### (iii) *Consolidated financial statements*

The scope of consolidated financial statements is based on control and 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.

Non-controlling interest is presented separately in the consolidated statement of financial position within owners' equity. Net profit or loss and total comprehensive income attributable to non-controlling shareholders are presented separately in the consolidated statement of profit or loss and other comprehensive income.

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.

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 4 Significant accounting policies and accounting estimates (Continued)

### (a) Consolidated financial statements (Continued)

#### (iii) Consolidated financial statements (Continued)

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.

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 profit or loss and other comprehensive income, respectively, based on their carrying amounts in the consolidated financial statements of the ultimate controlling party, from the date that common control was established.

Where a subsidiary was acquired during the reporting period, through a business combination not involving enterprises under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the reserve (share premium) in the consolidated statement of financial position. If the credit balance of reserve (share premium) 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 Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognised as investment income for the current period when the control is lost.

### (b) Foreign currency translations

#### (i) Translation of foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other 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.

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 4 Significant accounting policies and accounting estimates (Continued)

### (b) Foreign currency translations (Continued)

#### (ii) 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 balance sheet 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 rates that approximate the spot exchange rates at the dates of transactions. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period. The resulting exchange differences are recognised in other comprehensive income of shareholder’s equity.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders’ equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

### (c) Financial instruments

#### (i) 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.

#### *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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (c) Financial instruments (Continued)

#### (i) Categorisation (Continued)

##### *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.

#### (ii) 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(e) 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(c) (i).

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (c) Financial instruments (Continued)

#### (iii) 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.

#### *Financial assets*

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.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

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.

#### *Securitisation*

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When the securitisation of financial assets that do qualify for derecognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in unconsolidated securitisation vehicles that the Group receives as part of the transfer. When the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitization of financial assets that partially qualify for derecognition, the book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

#### *Sales of assets on condition of repurchase*

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.



# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (c) Financial instruments (Continued)

#### (iii) Recognition and derecognition (Continued)

##### *Financial liability*

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.

#### (iv) 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, investment classified as receivables, 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 recognised in profit or loss.

A gain or loss on an available-for-sale financial asset is recognised directly as other comprehensive income, except for impairment losses and foreign exchange gains or losses resulted from monetary financial assets which are recognised directly in profit or loss. When the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are removed from other comprehensive income and recognised in profit or loss. Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised 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 recognised in profit or loss when the financial instrument is derecognised, impaired, or through the amortisation process.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (c) Financial instruments (Continued)

#### (v) 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 recognise the impairment loss in profit or loss.

Objective evidence that a financial asset is impaired included but is not limited to:

- 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 with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;
- 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 recognised 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.

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 4 Significant accounting policies and accounting estimates (Continued)

### (c) Financial instruments (Continued)

#### (v) 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 recognised 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 recognised 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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (c) Financial instruments (Continued)

#### (v) Impairment (Continued)

*Loans and receivables and held-to-maturity investments (Continued)*

##### 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. Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, and the provision is calculated using the loan's original effective interest rate.

##### 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 amortisation) 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.

#### (vi) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the statement of financial position and are not offset. However, 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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (c) Financial instruments (Continued)

#### (vii) *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.

#### (viii) *Equity instrument*

The consideration received from the issuance of equity instruments net of transaction costs is recognised in owners' equity. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from shareholders' equity.

#### (ix) *Perpetual bonds*

At initial recognition, the Group classifies the perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

### (d) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in profit or loss.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (e) 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 attributable 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.

### (f) Interests 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 in the consolidated financial statements of the ultimate controlling party 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 interest 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 Group, in exchange for control of the acquiree.



# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (f) Interests in subsidiaries (Continued)

#### *Initial Recognition (Continued)*

An interest in a subsidiary acquired other than through a business combination is initially recognised in accordance with following principles: at the actual consideration paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

#### *Measurement and recognition of investment gains or losses*

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

The Group's proportion of dividends or profits declared to distribute by subsidiaries are recognised 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(o)) in the statement of financial position.

### (g) Interests in jointly controlled enterprises and associates

A jointly controlled enterprise is an arrangement in which the Group has joint control and rights to the assets with other parties.

An associate is an enterprise over which the Group has significant influence.

An investment cost in a jointly controlled enterprise or an associate is initially recognised in accordance with the following principles: at the actual consideration paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

An investment in a jointly controlled enterprise or an associate is accounted for using the equity method, unless the investment is classified as held for sale.

The Group makes the following accounting treatments when using the equity method:

- Where the initial investment cost of a jointly controlled enterprise or an associate exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in shareholders' equity"), is recognised in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

The Group recognises its share of the investee's net profits or losses, other comprehensive income and other changes in shareholders' equity after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled enterprises are eliminated to the extent of the Group's interests in the associates or jointly controlled enterprises. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled enterprises are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (g) Interests in jointly controlled enterprises and associates (Continued)

- The Group discontinues recognising its share of net losses of the investee after the carrying amount of the investment to the jointly controlled enterprise or associate and any long-term interest that in substance forms part of the Group's net interest in the associate or the jointly controlled enterprise is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate or jointly controlled enterprise, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party investor is in a position to control the investee's related operating activities unilaterally
- Whether strategic decisions relating to the investee's related main operating activities require the unanimous consent of all participant parties that sharing of control

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Group makes provision for impairment of interests in jointly controlled enterprises and associates in accordance with the principles described in Note 4(o)(ii).

### (h) 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.

#### (i) 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.

#### (ii) 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 consolidated statement of profit or loss and other comprehensive income as an expense when incurred.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (h) Fixed asset (Continued)

#### (iii) 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:

	<i>Estimated useful lives</i>
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.

#### (iv) Impairment

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

#### (v) 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.

### (i) 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(o).

### (j) 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(o).

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (k) 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.

The Group's investment properties are accounted for using the fair value model for subsequent measurement when both of the following conditions are met:

- There is an active property market in the location in which the investment property is situated;
- The Group can obtain the market price and other relevant information regarding the same type of or similar properties from the property market, so as to reasonably estimate the fair value of the investment property.

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.

### (l) Lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

#### (i) 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. At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the aggregate of their present value is recognised as unearned finance income. 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(c)(v).

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 recognised 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 unrecognised finance charge. The Group recognises 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(h) and impairment losses are accounted for in accordance with the accounting policy as set out in note 4(o). Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 4 Significant accounting policies and accounting estimates (Continued)

### (l) Lease (Continued)

#### (ii) 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(h) 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(o). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 4(u)(iv).

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.

### (m) 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(o).

### (n) 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 consolidated statement of profit or loss and other comprehensive income.

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 4 Significant accounting policies and accounting estimates (Continued)

### (o) 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.

#### (i) *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.

#### (ii) *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.



# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (o) Allowances for impairment of non-financial assets (Continued)

#### (iii) 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.

### (p) Fair value measurement

Unless otherwise stated, the Group measure the fair value 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.

### (q) Employee benefits

#### (i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises 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.

#### (ii) Post-employment benefits: Defined contribution plans

Pursuant to the relevant laws and regulations in the PRC, The Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are charged to profit or loss when the related services are rendered by the employees.

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 Corporation ("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 salaries 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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (q) Employee benefits (Continued)

#### (iii) Post-employment benefits: Defined benefit plan

The defined benefit plans of the Group are the supplementary retirement benefits provided to the domestic employees.

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 plan. The discounted present value of the defined benefit obligation, will be recognised as the liabilities of the defined benefit plans.

The Group recognises 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 defined benefit liability are recognised in profit or loss while the re-measurements of the defined benefit liability are recognised in other comprehensive income.

### (r) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of “capital reserve” are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.

### (s) 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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (t) 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.

### (u) Income recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group’s ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. 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 profit or loss and other comprehensive income as follows:

#### (i) 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.

#### (ii) Fee and commission income

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

#### (iii) 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.

#### (iv) 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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (u) Income recognition (Continued)

#### (v) 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.

### (v) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

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.

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.

### (w) 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.

### (x) 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.

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 4 Significant accounting policies and accounting estimates (Continued)

### (y) 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:

- (i) the Bank's parents;
- (ii) the Bank's subsidiaries;
- (iii) other entities which are controlled, joint controlled or significantly influenced by the Bank's parents;
- (iv) an investor who has joint control or can exercise significant influence over the Group;
- (v) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group;
- (vi) an associate of the Group, including its subsidiaries;
- (vii) an jointly controlled entity of the Group, including its subsidiaries;
- (viii) principal individual investors of the Group, and close family members of such individuals;
- (ix) key management personnel of the Group and close family members of such individuals;
- (x) key management personnel of the Group's parent and close family members of such individuals;
- (xi) 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;
- (xii) 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.

### (z) 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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (z) Operating segments (Continued)

#### (aa) Significant accounting estimates and judgements

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. Actual results may differ from these estimates.

The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### (i) Impairment losses on loans and advances, available-for-sale and held-to-maturity investments

The Group reviewed the portfolios of loans and advances, available-for-sale and held-to-maturity 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 investments. 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 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.

#### (ii) 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.

#### (iii) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. 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. However, where market data are not available, management needs to make estimates on such unobservable market inputs.



# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (z) Operating segments (Continued)

#### (aa) Significant accounting estimates and judgements (Continued)

##### (iv) 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.

##### (v) 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.

##### (vi) Employee retirement benefit obligations

The Group has established liabilities in respect of the employee's supplementary retirement benefits. The amounts of employee benefit expense and these liabilities depends on the assumptions used in calculating such amounts. The assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised in 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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 4 Significant accounting policies and accounting estimates (Continued)

### (z) Operating segments (Continued)

#### (aa) Significant accounting estimates and judgements (Continued)

##### (vii) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 4(a) indicate that the Group controls a securitisation vehicle, an investment fund, a non-principal guaranteed wealth management product, an investment management product managed by securities companies, a trust investment plan or asset-backed financings.

##### Securitisation vehicles

Certain securitisation vehicles sponsored by the Group under its securitisation programme are run according to predetermined criteria that are part of the initial design of the vehicles. In addition, the Group is exposed to variability of returns from the vehicles through its holding of debt securities in the vehicles. Outside the day-to-day servicing of the receivables (which is carried out by the Group under a servicing contract), key decisions are usually required only when receivables in the vehicles go into default. Therefore, in considering whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns.

Investment funds, non-principal guaranteed wealth management products, investment management products managed by securities companies, trust investment plans or asset-backed financings.

The Group acts as manager to a number of investment funds, non-principal guaranteed wealth management products, investment management products managed by securities companies, trust investment plans or asset-backed financings. Determining whether the Group controls such structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity.

## 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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 6 Net interest income

	2014	2013
<b><i>Interest income arising from (note (a)):</i></b>		
Deposits with central banks	7,554	6,988
Deposits with banks and non-bank financial institutions	4,963	6,834
Placements with banks and non-bank financial institutions	4,871	5,458
Financial assets held under resale agreements	12,194	11,200
Investment classified as receivables	31,087	6,097
Loans and advances to customers		
— corporate loans	96,338	84,952
— personal loans	30,855	23,552
— discounted bills	3,782	4,497
Investments in debt securities (note (b))	13,992	13,754
Others	3	3
	<b>205,639</b>	<b>163,335</b>
<b><i>Interest expense arising from:</i></b>		
Borrowing from central banks	(350)	—
Deposits from banks and non-bank financial institutions	(36,624)	(19,670)
Placements from banks and non-bank financial institutions	(1,194)	(943)
Financial assets sold under repurchase agreements	(839)	(467)
Deposits from customers	(67,268)	(54,213)
Debt certificates issued	(4,616)	(2,352)
Others	(7)	(2)
	<b>(110,898)</b>	<b>(77,647)</b>
<b>Net interest income</b>	<b>94,741</b>	<b>85,688</b>

Notes: (a) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB 527 million for the year ended 31 December 2014 (2013: RMB 373 million).

(b) Interest income from investments in debt securities is mainly derived from unlisted investments.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 7 Net fee and commission income

	2014	2013
<b><i>Fee and commission income</i></b>		
Consultancy and advisory fees	5,638	4,259
Bank card fees	8,358	5,626
Settlement fees	2,213	1,551
Commission for wealth management services	3,958	2,491
Agency fees and commission (note(a))	1,795	1,242
Guarantee fees	3,178	2,347
Commission for custodian business and other fiduciary	1,522	776
Others	310	26
Total	26,972	18,318
Fee and commission expense	(1,659)	(1,507)
Net fee and commission income	25,313	16,811

Note: (a) 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

	2014	2013
Trading profit:		
— debt securities	913	192
— foreign currencies	827	1,377
— derivatives	1,658	179
— financial instrument designated at fair value through profit or loss	39	2
Total	3,437	1,750

## 9 Net gain/(loss) from investment securities

	2014	2013
Net gain from sale of available-for-sale securities	481	530
Net revaluation loss reclassified from other comprehensive income on disposal	(479)	(762)
Others	832	29
Total	834	(203)

## 10 Net hedging (loss)/gain

	2014	2013
Net (loss)/gain of fair value hedge	(2)	2

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 11 Operating expenses

	2014	2013
Staff costs		
— Short-term employee benefits	19,506	16,433
Include: salaries and bonuses	15,149	12,839
Welfare expenses	1,259	1,195
Social insurance	933	676
Housing fund	1,023	750
Labor union expenses and employee education expenses	631	534
Housing allowance	377	303
Other short-term benefits	134	136
— Post-employment benefits - defined contribution plans	1,622	1,348
— Post-employment benefits - defined benefit plans	8	6
— Other long-term benefits	20	10
Subtotal	21,156	17,797
Property and equipment expenses		
— rent and property management expenses	3,971	2,781
— depreciation	1,382	1,151
— amortisation expenses	812	639
— electronic equipment operating expenses	688	537
— maintenance	615	598
— others	314	529
Subtotal	7,782	6,235
Business tax and surcharges	8,827	7,488
Other general and administrative expenses		
— audit fees	18	17
— others	9,013	8,898
Subtotal	9,031	8,915
Total	46,796	40,435

## 12 Impairment losses on assets

	2014	2013
Impairment losses charged on/(reversed from)		
— Placements with banks and non-bank financial institutions	(27)	7
— Deposits with banks and non-bank financial institutions	(8)	—
— Loans and advances to customers	22,074	11,327
— Available-for-sale financial assets	—	11
— Held-to-maturity investments	(7)	(85)
— Off-balance sheet items	4	43
— Repossessed assets	82	(16)
— Investment classified as receivables	156	—
— Others	1,399	653
Total	23,673	11,940

# Notes to the Financial Statements

(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:

	2014						Total RMB'000
	Fees RMB'000	(note(f)) Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(d)) Other benefits in kind RMB'000	
<i>Executive directors</i>							
Li Qingping (note(b))	—	256.9	406	662.9	71.4	110.4	844.7
Sun Deshun (note(a))	—	658.3	1,228.6	1,886.9	198.8	418.6	2,504.3
<i>Non-executive Directors</i>							
Chang zhenming	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Zhang Xiaowei	—	—	—	—	—	—	—
Gonzalo José Torano Vallin	—	—	—	—	—	—	—
Zhu Xiaohuang (note(b))	—	256.9	406	662.9	69.7	115.5	848.1
<i>Independent non-executive Directors</i>							
Wu Xiaoqing	300	—	—	300	—	—	300
Wong Luen Cheung Andrew	300	—	—	300	—	—	300
Li Zheping	300	—	—	300	—	—	300
Yuan Ming (note(a))	75	—	—	75	—	—	75
<i>Supervisors/External Supervisors/ Employee supervisors</i>							
Ouyang Qian	—	700	1,328	2,028	194.8	409.3	2,632.1
Zheng Xuexue	—	—	—	—	—	—	—
Deng Yuewen	—	250.6	1,855.5	2,106.1	146.7	261.9	2,514.7
Li Gang	—	300	2,020	2,320	153	277.6	2,750.6
Wang Xiuhong (note(a))	275	—	—	275	—	—	275
<i>Former Directors and Supervisors resigned in 2014 (note(c))</i>							
Zhuang Yumin	25	—	—	25	—	—	25
Liu Shulan	225	—	—	225	—	—	225
Chen Xiaoxian	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
Xing Tiancai	250	—	—	250	—	—	250
Luo Xiaoyuan	225	—	—	225	—	—	225
	1,975	2,422.7	7,244.1	11,641.8	834.4	1,593.3	14,069.5



# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 13 Directors' and Supervisors' emoluments (Continued)

	2013						
	Fees	(note(f)) Salaries	Discretionary bonus payable	Sub-total	Contributions to defined contribution retirement schemes	(note(d)) Other benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>							
Zhu Xiaohuang (note(b))	—	435.6	589.8	1,025.4	112.8	143.8	1,282
Sun Deshun (note(a))	—	600	1,275.5	1,875.5	166.5	310.5	2,352.5
<i>Non-executive Directors</i>							
Chang zhenming	—	—	—	—	—	—	—
Chen Xiaoxian (note(c))	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Guo Ketong (note(c))	—	—	—	—	—	—	—
Zhang Xiaowei	—	—	—	—	—	—	—
Gonzalo José Toraño Vallin	—	—	—	—	—	—	—
Li Qingping (note(b))	—	—	—	—	—	—	—
<i>Independent non-executive Directors</i>							
Xing Tiancai (note(c))	300	—	—	300	—	—	300
Liu Shulan (note(c))	300	—	—	300	—	—	300
Wu Xiaoqing	300	—	—	300	—	—	300
Wong Luen Cheung Andrew	300	—	—	300	—	—	300
Li Zheping	300	—	—	300	—	—	300
<i>Supervisors/External Supervisors/</i>							
<i>Employee supervisors</i>							
Ouyang Qian	—	600	1,224.5	1,824.5	165.9	294.5	2,284.9
Luo Xiaoyuan (note(c))	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	198.0	2,488.1
Wang Xiuhong	—	—	—	—	—	—	—
<i>Former Directors and Supervisors</i>							
<i>resigned in 2013</i>							
Tian Guoli	—	—	—	—	—	—	—
Cao Tong	—	550	686	1,236	153.2	218.5	1,607.7
Ju Weimin	—	—	—	—	—	—	—
Angel Cano Fernandez	—	—	—	—	—	—	—
Zhuang Yumin (note(c))	300	—	—	300	—	—	300
	2,100	2,597.7	7,435.8	12,133.5	880.4	1,323.8	14,337.7

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 13 Directors' and Supervisors' emoluments (Continued)

- Notes: (a) Mr. Sun Deshun was appointed as executive director in March 2014. Ms. Wang Xiuhong was appointed as External Supervisor in January 2014. Mr. Yuan Ming was appointed as Independent non-executive Directors in October 2014.
- (b) Ms. Li Qingping was appointed as non-executive director in March 2014 and then was appointed as president and executive director in July 2014. Mr. Zhu Xiaohuang resigned the position of president and was appointed as non-executive director in July 2014.
- (c) Ms. Liu Shulan resigned from the position of independent executive director in October 2014. Mr. Chen Xiaoxian resigned from the position of vice chairman and non-executive director of the Bank in October 2014. Mr. Guo Ketong resigned from the position of non-executive director of the Bank in October 2014. Mr. Xing Tiancai resigned from the position of independent non-executive director of the Bank in November 2014. Ms. Luo Xiaoyuan resigned from the position of external supervisor of the Bank in November 2014. Ms. Zhuang Yumin resigned from the position of external supervisor of the Bank in December 2013, and her resignation has been officially effective in January 2014.
- (d) 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.
- (e) 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 2014 and 2013.
- (f) The aggregate remuneration before tax of the Bank's executive directors and some senior management members is subject to the approval of relevant authorities. Those sums of remunerations pending approval will be disclosed separately after the amounts are confirmed.

## 14 Individuals with highest emoluments

For the year ended 31 December 2014, of the 5 individuals with the highest emoluments, there is no Director (2013: one) and two is Supervisor (2013: one), whose emoluments are disclosed in Note 13 above. The aggregate of the emoluments before individual income tax in respect of the other three (2013: three) highest paid individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	2,139.7	1,906.9
Discretionary bonuses	6,349.6	5,505.7
Retirement scheme contributions	482.4	354.8
Total	8,971.7	7,767.4

The emoluments before individual income tax of the three (2013: three) individuals with the highest emoluments are within the following bands:

	2014	2013
RMB 2,000,001 — RMB 3,000,000	1	3
RMB 3,000,001 — RMB 3,500,000	2	—

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 15 Loans to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	2014	2013
Aggregate amount of relevant loans outstanding at year end	13	15
	2014	2013
Maximum aggregate amount of relevant loans outstanding during the year	16	21

### 16 Income tax

#### (a) Recognised in the statement of profit or loss and other comprehensive income

	2014	2013
Current tax		
— Mainland China	15,318	13,331
— Hong Kong	410	309
— Overseas	20	6
Deferred tax	(2,628)	(814)
Income tax	13,120	12,832

#### (b) Reconciliation between income tax expense and accounting profit

	2014	2013
Profit before tax	54,574	52,549
Income tax calculated at statutory tax rate	13,644	13,137
Effect of different tax rates in other regions	(268)	(184)
Tax effect of non-deductible expenses (Note (i))	508	490
Tax effect of non-taxable income		
— Interest income arising from PRC government bonds	(703)	(548)
— Others	(61)	(63)
Income tax	13,120	12,832

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

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 17 Earnings per share

Earnings per share information for the year ended 31 December 2014 and 2013 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 2014 and 2013.

	2014	2013
Net profit attributable to shareholders of the Bank	40,692	39,175
Weighted average number of shares (in million shares)	46,787	46,787
Basic and diluted earnings per share (in RMB)	0.87	0.84

### 18 Other comprehensive income

	2014	2013
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	6,486	(6,915)
— Net amount transferred to profit or loss	490	790
Income tax relating to other comprehensive income of available-for-sale financial assets	(1,742)	1,529
Other comprehensive income for available-for-sale financial assets, net of tax	5,234	(4,596)
Exchange differences on translation	(43)	(474)
Others	(1)	10
Items that will not be reclassified to profit or loss		
Changes on the measurement of defined benefit plans	(7)	—
Income tax relating to changes on the measurement of defined benefit plans	(3)	—
Changes on the measurement of defined benefit plans, net of tax	(10)	—
Net other comprehensive income, net of tax	5,180	(5,060)

### 19 Cash and balances with central banks

	The Group		The Bank	
	2014	2013	2014	2013
Cash	7,232	6,848	7,022	6,617
Balances with central banks				
— Statutory deposit reserve funds (note (a))	457,233	419,932	456,219	418,402
— Surplus deposit reserve funds (note (b))	70,166	66,056	69,715	65,657
— Fiscal deposits	3,855	3,640	3,855	3,640
Total	538,486	496,476	536,811	494,316

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 19 Cash and balances with central banks (Continued)

Notes: (a) 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 2014, the statutory deposit reserve placed with the PBOC was calculated at 18% (2013:18%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (2013: 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 respective jurisdictions.

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

## 20 Deposits with banks and non-bank financial institutions

### (a) Analysed by types and locations of counterparties

	Note	The Group		The Bank	
		2014	2013	2014	2013
In Mainland China					
— Banks		<b>37,348</b>	106,968	<b>36,731</b>	102,055
— Non-bank financial institutions		<b>3,834</b>	3,932	<b>3,834</b>	8,460
Subtotal		<b>41,182</b>	110,900	<b>40,565</b>	110,515
Outside Mainland China					
— Banks		<b>43,767</b>	17,757	<b>41,124</b>	14,345
— Non-bank financial institutions		<b>9,042</b>	3,054	-	-
Subtotal		<b>52,809</b>	20,811	<b>41,124</b>	14,345
Gross balance		<b>93,991</b>	131,711	<b>81,689</b>	124,860
Less: Allowances for impairment losses	38	-	-	-	-
Net balance		<b>93,991</b>	131,711	<b>81,689</b>	124,860

### (b) Analysed by remaining maturity

	Note	The Group		The Bank	
		2014	2013	2014	2013
Demand deposits		<b>70,434</b>	42,727	<b>56,859</b>	36,010
Time deposits with remaining maturity					
— within one month		<b>4,552</b>	29,290	<b>4,387</b>	29,187
— between one month and one year		<b>17,495</b>	57,706	<b>18,933</b>	57,675
— over one year		<b>1,510</b>	1,988	<b>1,510</b>	1,988
Subtotal		<b>23,557</b>	88,984	<b>24,830</b>	88,850
Gross balance		<b>93,991</b>	131,711	<b>81,689</b>	124,860
Less: Allowances for impairment losses	38	—	—	—	—
Net balance		<b>93,991</b>	131,711	<b>81,689</b>	124,860

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 21 Placements with banks and non-bank financial institutions

#### (a) Analysed by types and locations of counterparties

	Note	The Group		The Bank	
		2014	2013	2014	2013
In Mainland China					
— Banks		21,071	94,553	4,243	72,966
— Non-bank financial institutions		32,601	21,197	32,601	21,197
Subtotal		53,672	115,750	36,844	94,163
Outside Mainland China					
— Banks		14,516	6,579	9,729	3,231
— Non-bank financial institutions		—	—	1,245	1,035
Subtotal		14,516	6,579	10,974	4,266
Gross balance		68,188	122,329	47,818	98,429
Less: Allowances for impairment losses	38	(8)	(15)	(8)	(15)
Net balance		68,180	122,314	47,810	98,414

#### (b) Analysed by remaining maturity

	Note	The Group		The Bank	
		2014	2013	2014	2013
Within one month		39,466	27,747	31,399	22,379
Between one month and one year		28,693	94,447	16,390	75,942
Over one year		29	135	29	108
Gross balance		68,188	122,329	47,818	98,429
Less: Allowances for impairment losses	38	(8)	(15)	(8)	(15)
Net balance		68,180	122,314	47,810	98,414

### 22 Financial assets at fair value through profit or loss

	Note	The Group		The Bank	
		2014	2013	2014	2013
Held for trading purpose					
— Debt trading financial assets	(a)	12,746	10,966	12,740	10,966
— Investment funds		2	2	—	—
— Certificates of interbank deposit	(b)	13,923	—	13,923	—
Financial assets designated at fair value through profit or loss					
— Debt trading financial assets	(c)	838	50	838	—
Total		27,509	11,018	27,501	10,966

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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 22 Financial assets at fair value through profit or loss (Continued)

#### (a) Debt trading financial assets measured at fair value and issued by:

	The Group		The Bank	
	2014	2013	2014	2013
In Mainland China				
— Government	1,012	5,109	1,012	5,109
— Policy banks	1,365	286	1,365	286
— Banks and non-bank financial institutions	3,503	2,215	3,503	2,215
— Corporate entities	6,823	3,356	6,823	3,356
Subtotal	12,703	10,966	12,703	10,966
Outside Mainland China				
— Banks and non-bank financial institutions	43	—	37	—
Subtotal	43	—	37	—
Total	12,746	10,966	12,740	10,966
Listed in Hong Kong	832	—	832	—
Listed outside Hong Kong	172	1	166	1
Unlisted	11,742	10,965	11,742	10,965
Total	12,746	10,966	12,740	10,966

#### (b) Certificates of interbank deposit held for trading measured at fair value and issued by:

	The Group		The Bank	
	2014	2013	2014	2013
In Mainland China				
— Banks and non-bank financial institutions	13,923	—	13,923	—
Subtotal	13,923	—	13,923	—
Unlisted	13,923	—	13,923	—
Total	13,923	—	13,923	—



## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 22 Financial assets at fair value through profit or loss (Continued)

(c) Debt securities classified as financial assets designated at fair value through profit or loss issued by:

	The Group		The Bank	
	2014	2013	2014	2013
In Mainland China				
— Government	—	10	—	—
— Banks and non-bank financial institutions	268	—	268	—
— Corporate entities	570	40	570	—
Total	838	50	838	—
Unlisted	838	50	838	—
Total	838	50	838	—

The above unlisted investments include securities traded in China inter-bank market held by the Group.

### 23 Derivatives assets/liabilities

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 its own asset and liability portfolios and structural positions. Derivatives, except for derivatives which are designated as effective hedging instruments (Note 23(c)), 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					
	Nominal amount	2014		Nominal amount	2013	
		Assets	Liabilities		Assets	Liabilities
Hedging Instruments						
— Interest rate derivatives	8,128	238	30	8,021	210	59
Non-Hedging Instruments						
— Interest rate derivatives	290,833	739	724	199,677	1,294	1,257
— Currency derivatives	978,918	6,406	6,208	899,683	6,245	5,535
— Precious metal derivatives	29,762	843	385	—	—	—
— Other derivatives	21,007	—	—	63,255	—	2
Total	1,328,648	8,226	7,347	1,170,636	7,749	6,853

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 23 Derivatives assets/liabilities (Continued)

	The Bank					
	Nominal amount	2014		Nominal amount	2013	
		Assets	Liabilities		Assets	Liabilities
Non-Hedging Instruments						
— Interest rate derivatives	257,469	723	713	149,332	1,262	1,203
— Currency derivatives	671,630	4,072	3,902	631,215	4,604	4,415
— Precious metal derivatives	29,762	843	385	—	—	—
— Other derivatives	21,007	—	—	63,255	—	2
<b>Total</b>	<b>979,868</b>	<b>5,638</b>	<b>5,000</b>	<b>843,802</b>	<b>5,866</b>	<b>5,620</b>

#### (a) Nominal amount analyzed by remaining maturity

	The Group		The Bank	
	2014	2013	2014	2013
Within three months	536,387	488,429	392,527	366,048
Between three months and one year	590,341	419,440	481,812	335,325
Between one year and 5 years	198,783	257,786	105,450	142,325
Over five years	3,137	4,981	79	104
<b>Total</b>	<b>1,328,648</b>	<b>1,170,636</b>	<b>979,868</b>	<b>843,802</b>

#### (b) Credit risk weighted amounts

	The Group		The Bank	
	2014	2013	2014	2013
Default risk of counter party				
— Interest rate derivatives	732	766	490	500
— Currency derivatives	11,252	10,296	6,006	5,801
— Precious metal derivatives	601	—	601	—
— Other derivatives	9,200	8,412	9,200	8,412
Credit valuation adjustment	11,064	11,224	9,827	10,114
<b>Total</b>	<b>32,849</b>	<b>30,698</b>	<b>26,124</b>	<b>24,827</b>

- (i) The credit risk weighted amount has been computed in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” promulgated by the China Banking Regulatory Commission (“CBRC”), 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.

#### (c) Fair value hedge

The subsidiaries of the Group use fair value hedge to avoid fair value changes of financial assets and financial liabilities caused by market interest rate fluctuation. Interest rate swap are used for hedging interest rate 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.

## Notes to the Financial Statements

(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	
	2014	2013	2014	2013
In Mainland China				
— Banks	131,083	282,515	131,083	282,515
— Non-bank financial institutions	4,111	4,252	4,111	4,252
Subtotal	135,194	286,767	135,194	286,767
Outside Mainland China				
— Banks	571	—	571	—
— Non-bank financial institutions	—	—	—	49
Subtotal	571	—	571	49
Gross balance	135,765	286,767	135,765	286,816
Less: Allowances for impairment losses	—	—	—	—
Net balance	135,765	286,767	135,765	286,816

#### (b) Analysed by types of collaterals

	The Group		The Bank	
	2014	2013	2014	2013
Discounted bills	84,350	225,046	84,350	225,046
Securities	48,481	47,812	48,481	47,861
Others	2,934	13,909	2,934	13,909
Gross balance	135,765	286,767	135,765	286,816
Less: Allowances for impairment losses	—	—	—	—
Net balance	135,765	286,767	135,765	286,816

#### (c) Analysed by remaining maturity

	The Group		The Bank	
	2014	2013	2014	2013
Within one month	124,067	131,965	124,067	131,965
Between one month and one year	10,710	149,879	10,710	149,928
More than one year	988	4,923	988	4,923
Gross balance	135,765	286,767	135,765	286,816
Less: Allowances for impairment losses	—	—	—	—
Net balance	135,765	286,767	135,765	286,816

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 25 Interest receivable

	Note	The Group		The Bank	
		2014	2013	2014	2013
Debt securities		<b>6,485</b>	6,139	<b>6,352</b>	6,020
Loans and advances to customers		<b>8,667</b>	6,051	<b>8,431</b>	5,717
Investment classified as receivables		<b>11,190</b>	2,092	<b>11,190</b>	2,092
Others		<b>1,173</b>	1,951	<b>962</b>	1,835
Gross balance		<b>27,515</b>	16,233	<b>26,935</b>	15,664
Less: Allowance for impairment losses	38	<b>(1,390)</b>	(688)	<b>(1,389)</b>	(688)
Net balance		<b>26,125</b>	15,545	<b>25,546</b>	14,976

### 26 Loans and advances to customers

#### (a) Analysed by nature

	Note	The Group		The Bank	
		2014	2013	2014	2013
Corporate loans					
— Loans		<b>1,564,766</b>	1,435,157	<b>1,465,078</b>	1,356,527
— Discounted bills		<b>68,043</b>	64,769	<b>59,888</b>	57,188
— Lease receivable		<b>552</b>	696	—	—
Subtotal		<b>1,633,361</b>	1,500,622	<b>1,524,966</b>	1,413,715
Personal loans					
— Residential mortgages		<b>232,117</b>	220,369	<b>222,621</b>	211,649
— Business loans		<b>108,927</b>	97,767	<b>108,726</b>	97,767
— Credit cards		<b>126,133</b>	86,494	<b>125,851</b>	86,243
— Others		<b>87,370</b>	35,923	<b>81,314</b>	30,470
Subtotal		<b>554,547</b>	440,553	<b>538,512</b>	426,129
Gross balance		<b>2,187,908</b>	1,941,175	<b>2,063,478</b>	1,839,844
Less: Impairment allowances	38				
— Individual assessed		<b>(11,153)</b>	(8,966)	<b>(11,024)</b>	(8,835)
— Collective assessed		<b>(40,423)</b>	(32,288)	<b>(40,112)</b>	(32,026)
Net balance		<b>2,136,332</b>	1,899,921	<b>2,012,342</b>	1,798,983

## Notes to the Financial Statements

(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

	2014			Total	Gross impaired loans and advances as a % of gross total loans and advances
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	(note (i)) for which allowances are individually assessed		
Gross loans and advances	2,159,454	5,608	22,846	2,187,908	1.30%
Less: Impairment allowances against loans and advances	(36,469)	(3,954)	(11,153)	(51,576)	
Net loans and advances	2,122,985	1,654	11,693	2,136,332	

	2013			Total	Gross impaired loans and advances as a % of gross total loans and advances
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	(note (i)) for which allowances are individually assessed		
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	

##### The Bank

	2014			Total	Gross impaired loans and advances as a % of gross total loans and advances
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	(note (i)) for which allowances are individually assessed		
Gross loans and advances	2,035,593	5,600	22,285	2,063,478	1.35%
Less: Impairment allowances against loans and advances	(36,164)	(3,948)	(11,024)	(51,136)	
Net loans and advances	1,999,429	1,652	11,261	2,012,342	

## Notes to the Financial Statements

(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)

	2013			Total	Gross impaired loans and advances as a % of gross total loans and advances
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	(note (i)) for which allowances are individually assessed		
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	

(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 2014, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB 22,846 million (2013: RMB 16,414 million). The covered portion and uncovered portion of these loans and advances were RMB 5,923 million (2013: RMB 4,005 million) and RMB 16,923 million (2013: RMB 12,409 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 11,050 million (2013: RMB 7,819 million). The individual impairment allowances made against these loans and advances were RMB 11,153 million (2013: RMB 8,966 million).

As at 31 December 2014, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB 22,285 million (2013: RMB 16,091 million). The covered portion and uncovered portion of these loans and advances were RMB 5,547 million (2013: RMB 3,841 million) and RMB 16,738 million (2013: RMB 12,250 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 10,558 million (2013: RMB 7,579 million). The individual impairment allowances made against these loans and advances were RMB 11,024 million (2013: RMB 8,835 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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 26 Loans and advances to customers (Continued)

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

The Group

	2014			Total
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	for which allowances are individually assessed	
As at 1 January	29,632	2,656	8,966	41,254
Charge for the year				
— newly charged	6,837	2,764	15,819	25,420
— released	—	(10)	(3,336)	(3,346)
Unwinding of discount	—	—	(460)	(460)
Write-offs	—	(1,466)	(10,144)	(11,610)
Recoveries	—	10	308	318
As at 31 December	36,469	3,954	11,153	51,576

	2013			Total
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	for which allowances are individually assessed	
As at 1 January	27,643	983	6,699	35,325
Charge for the year				
— newly charged	1,989	2,570	11,175	15,734
— released	—	(42)	(4,365)	(4,407)
Unwinding of discount	—	—	(275)	(275)
Transfers out	—	—	(42)	(42)
Write-offs	—	(897)	(4,408)	(5,305)
Recoveries	—	42	182	224
As at 31 December	29,632	2,656	8,966	41,254



## Notes to the Financial Statements

(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

	2014			Total
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	for which allowances are individually assessed	
As at 1 January	29,373	2,653	8,835	40,861
Charge for the year				
— newly charged	6,791	2,746	15,690	25,227
— released	—	(7)	(3,296)	(3,303)
Unwinding of discount	—	—	(457)	(457)
Write-offs	—	(1,451)	(10,038)	(11,489)
Recoveries	—	7	290	297
As at 31 December	36,164	3,948	11,024	51,136

	2013			Total
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	for which allowances are Individually Assessed	
As at 1 January	27,411	982	6,484	34,877
Charge for the year				
— newly charged	1,962	2,553	11,097	15,612
— released	—	(38)	(4,329)	(4,367)
Unwinding of discount	—	—	(271)	(271)
Transfer out	—	—	(30)	(30)
Write-offs	—	(882)	(4,287)	(5,169)
Recoveries	—	38	171	209
As at 31 December	29,373	2,653	8,835	40,861

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 26 Loans and advances to customers (Continued)

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

The Group

	Overdue within three months	Overdue between three months and one year	2014 Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	3,459	3,405	1,437	384	8,685
Guaranteed loans	12,756	7,129	3,193	326	23,404
Loans with pledged assets					
— Loans secured by tangible assets	21,837	10,342	4,292	243	36,714
— Loans secured by monetary assets	4,982	1,277	845	37	7,141
<b>Total</b>	<b>43,034</b>	<b>22,153</b>	<b>9,767</b>	<b>990</b>	<b>75,944</b>

	Overdue within three months	Overdue between three months and one year	2013 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
<b>Total</b>	<b>15,424</b>	<b>12,159</b>	<b>6,161</b>	<b>1,845</b>	<b>35,589</b>

## Notes to the Financial Statements

(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

	Overdue within three months	Overdue between three months and one year	2014 Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	3,172	3,401	1,437	384	8,394
Guaranteed loans	12,335	6,936	3,109	326	22,706
Loans with pledged assets					
— Loans secured by tangible assets	20,922	10,033	4,291	161	35,407
— Loans secured by monetary assets	4,484	1,277	845	37	6,643
<b>Total</b>	<b>40,913</b>	<b>21,647</b>	<b>9,682</b>	<b>908</b>	<b>73,150</b>

	Overdue within three months	Overdue between three months and one year	2013 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
<b>Total</b>	<b>14,524</b>	<b>12,017</b>	<b>6,104</b>	<b>1,752</b>	<b>34,397</b>

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

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 26 Loans and advances to customers (Continued)

#### (e) Lease receivables

Lease receivables transactions are made by the Group's subsidiary, Citic International Finance Holdings limited ("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			
	2014 Present value of minimum leases receivables	Minimum leases receivables	2013 Present value of minimum leases receivables	Minimum leases receivables
Within 1 year (including 1 year)	117	133	138	158
1 year to 2 years (including 2 years)	70	80	90	102
2 years to 3 years (including 3 years)	42	49	47	55
Over 3 years	323	368	421	484
	<b>552</b>	<b>630</b>	696	799
Less:				
— Individual assessment	(6)		(3)	
— Collective assessment	(1)		—	
Net balance	<b>545</b>		693	

### 27 Available-for-sale financial assets

	Note	The Group		The Bank	
		2014	2013	2014	2013
Debt securities	(a)	<b>183,300</b>	172,320	<b>165,867</b>	160,176
Investment funds	(b)	447	605	<b>320</b>	315
Certificates of deposit and certificates of interbank deposit	(c)	<b>23,888</b>	4,828	<b>20,650</b>	—
Equity investments	(d)	<b>1,769</b>	207	<b>1,700</b>	145
— measured at fair value		<b>1,637</b>	76	<b>1,586</b>	31
— measured at cost		<b>132</b>	131	<b>114</b>	114
Total		<b>209,404</b>	177,960	<b>188,537</b>	160,636

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 27 Available-for-sale financial assets (Continued)

#### (a) Debt securities issued by:

	The Group		The Bank	
	2014	2013	2014	2013
In Mainland China				
— Government	32,786	35,021	32,687	35,021
— Policy banks	25,762	26,714	25,762	26,714
— Banks and non-bank financial institutions	56,203	48,529	54,384	47,456
— Corporate entities	56,556	52,696	52,399	50,353
Subtotal	171,307	162,960	165,232	159,544
Outside Mainland China				
— Government	6,401	3,556	—	62
— Banks and non-bank financial institutions	2,888	3,597	537	475
— Public entities	49	—	—	—
— Corporate entities	2,655	2,207	98	95
Subtotal	11,993	9,360	635	632
<b>Net balance</b>	<b>183,300</b>	<b>172,320</b>	<b>165,867</b>	<b>160,176</b>
Listed in Hong Kong	5,792	4,199	3,910	4,138
Listed outside Hong Kong	3,340	1,615	2,430	1,550
Unlisted	174,168	166,506	159,527	154,488
Total	183,300	172,320	165,867	160,176

#### (b) Investment funds issued by

	The Group		The Bank	
	2014	2013	2014	2013
Outside Mainland China				
— Banks and non-bank financial institutions	447	605	320	315
<b>Net balance</b>	<b>447</b>	<b>605</b>	<b>320</b>	<b>315</b>
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	—	—	—	—
Unlisted	447	605	320	315
Total	447	605	320	315

#### (c) Certificates of deposit and certificates of interbank deposit by

	The Group		The Bank	
	2014	2013	2014	2013
In Mainland China				
— Banks and non-bank financial institutions	22,772	2,589	20,650	—
Outside Mainland China				
— Banks and non-bank financial institutions	1,116	2,239	—	—
Total	23,888	4,828	20,650	—
Unlisted	23,888	4,828	20,650	—
Total	23,888	4,828	20,650	—

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 27 Available-for-sale financial assets (Continued)

#### (d) Equity investments issued by

	The Group		The Bank	
	2014	2013	2014	2013
In Mainland China				
— Corporate entities	1,666	118	1,662	114
Outside Mainland China				
— Banks and non-bank financial institutions	38	31	38	31
— Corporate entities	65	58	—	—
<b>Total</b>	<b>1,769</b>	<b>207</b>	<b>1,700</b>	<b>145</b>
Listed in Hong Kong	3	4	—	—
Listed outside Hong Kong	86	72	38	31
Unlisted	1,680	131	1,662	114
<b>Total</b>	<b>1,769</b>	<b>207</b>	<b>1,700</b>	<b>145</b>

The above unlisted investments include securities traded in China inter-bank market held by the Group.

### 28 Held-to-maturity investments

Debt securities issued by:

	Note	The Group		The Bank	
		2014	2013	2014	2013
In Mainland China					
— Government		45,031	40,092	45,031	40,092
— Policy banks		17,179	20,296	17,179	20,296
— Banks and non-bank financial institutions		84,501	61,390	84,501	61,390
— Corporate entities		31,199	32,775	31,199	32,775
<b>Subtotal</b>		<b>177,910</b>	<b>154,553</b>	<b>177,910</b>	<b>154,553</b>
Outside Mainland China					
— Government		28	27	28	27
— Banks and non-bank financial institutions		41	109	41	109
— Public sector entities		19	25	19	25
— Corporate entities		—	183	—	122
<b>Subtotal</b>		<b>88</b>	<b>344</b>	<b>88</b>	<b>283</b>
<b>Gross balance</b>		<b>177,998</b>	<b>154,897</b>	<b>177,998</b>	<b>154,836</b>
Less: Allowance for impairment losses	38	(41)	(48)	(41)	(48)
<b>Net balance</b>		<b>177,957</b>	<b>154,849</b>	<b>177,957</b>	<b>154,788</b>
Listed in Hong Kong		208	115	208	115
Listed outside Hong Kong		1,139	606	1,139	545
Unlisted		176,610	154,128	176,610	154,128
<b>Net balance</b>		<b>177,957</b>	<b>154,849</b>	<b>177,957</b>	<b>154,788</b>
Fair value		177,856	147,052	177,856	146,990
of which: listed securities		1,350	741	1,350	679

The above unlisted investments include securities traded in China inter-bank market held by the Group.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 29 Investment classified as receivables

Investment classified as receivables analysed by type of collaterals:

	Note	The Group		The Bank	
		2014	2013	2014	2013
Trust investment plans		108,535	96,999	108,535	96,999
Investment management products managed by securities companies		452,319	114,987	451,979	114,987
Wealth Management Products issued by financial institutions		78,859	65,558	78,859	65,558
Corporate bonds		13,199	20,814	13,199	20,814
Others		500	1,800	500	1,800
Total		653,412	300,158	653,072	300,158
Less: Allowance for impairment losses	38	(156)	—	(156)	—
Net balance		653,256	300,158	652,916	300,158

As at 31 December 2014, among the above funds from investment classified as receivables, RMB 39,286 million (as at 31 December 2013: RMB 27,983 million) was managed by the fellow entities of CITIC Group.

### 30 Interest in associate

	Note	The Group	
		2014	2013
Interest in associate	(a)-(c)	870	2,176
Total		870	2,176

(a) The Group holds the interest in associate through CIFH. Details of the principal associate as at 31 December 2014 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 International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	Investment holding and assets management	HKD 2,218 million

(b) Financial information of the above associate is as follow:

Name of Enterprise	Total assets	Total liabilities	2014 Total net assets	Operating income	Net profit
CIAM	2,349	169	2,180	180	95



## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 30 Interest in associate (Continued)

#### (c) Movement of the Group's interests in associates

	CCHL	CIAM	Total
Initial investment cost	1,038	893	1,931
As at 1 January 2014	1,338	838	2,176
Investment profit or loss and other comprehensive income recognised under equity method	133	37	170
Dividend received	(35)	(8)	(43)
Disposal	(1,438)	—	(1,438)
Exchange difference	2	3	5
As at 31 December 2014	—	870	870
	CCHL	CIAM	Total
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

### 31 Interests in subsidiaries

	Note	The Bank 2014	2013
Interests in subsidiaries			
— CIFH	(a)	9,797	9,797
— China Investment and Finance Limited (“CIFL”)	(b)	87	87
— Zhejiang Lin'an CITIC Rural Bank Corporation Limited (“Lin'an Rural Bank”)	(c)	102	102
Total		9,986	9,986

Major subsidiaries of the Group as at 31 December 2014 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 (a))	Hong Kong	HKD 7,459 million	Commercial banking and other financial services	70.32%	—	70.32%
CIFL (note (b))	Hong Kong	HKD 25 million	Lending services	95%	5%	98.5%
Lin'an Rural Bank (note(c))	Mainland China	RMB 200 million	Commercial banking	51%	—	51%

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 31 Interests in subsidiaries (Continued)

- Note: (a) 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.
- (b) CIFL was founded in Hong Kong in 1984 with a registered capital of HKD 25 million. It holds "Money Lending Licence" 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.
- (c) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China, in 2011 with a registered capital of RMB 200 million. Its principal activities are commercial banking. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

Apart from the above subsidiaries, the Bank has consolidated structured entities which are controlled by the Bank.

## 32 Fixed assets

### The Group

	Premises (Note (b))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
As at 1 January 2014	11,409	1,548	7,145	20,102
Additions	863	136	1,420	2,419
Disposals	(10)	—	(197)	(207)
Exchange difference	2	—	—	2
As at 31 December 2014	12,264	1,684	8,368	22,316
<b>Accumulated depreciation:</b>				
As at 1 January 2014	(2,557)	—	(3,811)	(6,368)
Depreciation charges	(438)	—	(944)	(1,382)
Disposals	4	—	169	173
Exchange difference	(1)	—	—	(1)
As at 31 December 2014	(2,992)	—	(4,586)	(7,578)
<b>Net carrying value:</b>				
As at 1 January 2014 (Note (a))	8,852	1,548	3,334	13,734
As at 31 December 2014 (Note (a))	9,272	1,684	3,782	14,738

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 32 Fixed assets (Continued)

#### The Group (Continued)

	Premises (Note (b))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
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
<b>Accumulated depreciation:</b>				
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)
<b>Net carrying value:</b>				
As at 1 January 2013	7,768	1,338	2,414	11,520
As at 31 December 2013 (Note (a))	8,852	1,548	3,334	13,734

#### The Bank

	Premises (Note (b))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
As at 1 January 2014	10,950	1,547	6,216	18,713
Additions	863	136	1,346	2,345
Disposals	(10)	—	(180)	(190)
As at 31 December 2014	11,803	1,683	7,382	20,868
<b>Accumulated depreciation:</b>				
As at 1 January 2014	(2,351)	—	(3,174)	(5,525)
Depreciation charges	(429)	—	(848)	(1,277)
Disposals	4	—	153	157
As at 31 December 2014	(2,776)	—	(3,869)	(6,645)
<b>Net carrying value:</b>				
As at 1 January 2014 (note (a))	8,599	1,547	3,042	13,188
As at 31 December 2014 (note (a))	9,027	1,683	3,513	14,223

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 32 Fixed assets (Continued)

#### The Bank (Continued)

	Premises (Note (b))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
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
<b>Accumulated depreciation:</b>				
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)
<b>Net carrying value:</b>				
As at 1 January 2013	7,497	1,337	2,163	10,997
As at 31 December 2013 (note (a))	8,599	1,547	3,042	13,188

Note: (a) As at 31 December 2014, the net book value of the Group's premises for which the ownership registration procedures had not been completed was approximately RMB 1,921 million (2013: RMB 1,754 million). The Group anticipated that there would be no significant difficulties or costs in completing such procedures.

(b) Analysed by remaining term of leases

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

	The Group		The Bank	
	2014	2013	2014	2013
Long term leases (over 50 years), held in Hong Kong	60	66	—	—
Medium term leases (10-50 years), held in Hong Kong	162	164	—	—
Medium term leases (10-50 years), held in Mainland China	9,027	8,599	9,027	8,599
Permanent term lease, held in overseas	23	23	—	—
Total	9,272	8,852	9,027	8,599

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 33 Intangible assets

#### The Group and the Bank

	Software	Others	Total
<b>Cost</b>			
As at 1 January 2014	771	42	813
Additions	167	—	167
As at 31 December 2014	938	42	980
<b>Amortisation</b>			
As at 1 January 2014	(439)	(11)	(450)
Charge for the year	(121)	(2)	(123)
As at 31 December 2014	(560)	(13)	(573)
<b>Net carrying value</b>			
As at 1 January 2014	332	31	363
As at 31 December 2014	378	29	407
<b>Cost</b>			
As at 1 January 2013	644	41	685
Additions	128	1	129
Disposals	(1)	—	(1)
As at 31 December 2013	771	42	813
<b>Amortisation</b>			
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)
<b>Net carrying value</b>			
As at 1 January 2013	308	31	339
As at 31 December 2013	332	31	363

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 34 Investment properties

	The Group	
	2014	2013
Fair value as at 1 January	277	333
Addition:		
— Change in fair value	2	2
Decrease		
— Disposal	—	(48)
Exchange difference	1	(10)
Fair value as at 31 December	280	277

#### (a) Analysed by fair value hierarchy

Recurring fair value measurement	2014			
	Total	Level 1	Level 2	Level 3
Investment properties				
— Held in Hong Kong	251	—	—	251
— Held outside Hong Kong	29	—	—	29
	280	—	—	280
Recurring fair value measurement	2013			
	Total	Level 1	Level 2	Level 3
Investment properties				
— Held in Hong Kong	247	—	—	247
— Held outside Hong Kong	30	—	—	30
	277	—	—	277

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 2014.

All investment properties of the Group were revalued at 31 December 2014 by an independent firm of surveyors, Prudential Surveyors (Hong Kong) Limited, on an open market value basis. The revaluation surplus or deficit has been credited to the profit or charged to the loss respectively. Prudential Surveyors (Hong Kong) Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

During the year ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 34 Investment properties (Continued)

### (b) 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	
	2014	2013
Long term leases (over 50 years), held in Hong Kong	14	12
Medium term leases (10-50 years), held in Hong Kong	237	235
Medium term leases (10-50 years), held in Mainland China	29	30
Total	280	277

## 35 Goodwill

The goodwill recognised in the consolidated statement of financial position of the Group arises from CIFH's previous business combination of subsidiaries under non-common control.

	The Group	
	2014	2013
As at 1 January	792	817
Exchange difference	3	(25)
As at 31 December	795	792

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

	The Group	
	2014	2013
Corporate Banking	795	792

The recoverable amount of the CGU was determined based on value-in-use calculations for purpose of impairment test. These calculations used cash flow projections based on financial budgets approved by management covering a maximum of five-year period. Subsequent to the cash flow projection period, cash flow for the first five years, the next five years and subsequent years is estimated at 8.5%, 3.5% and 3.0% (2013: at 8.6%, 3.6% and 3.0%) growth rate respectively, which does not exceed the long-term average growth rate for the business in which the CGU operates. Management determined the budgeted gross margin based on past performance and its expectation on market development. The pre-tax discount rate used was 11.4% (2013: 10.0%) which reflects specific risks relating to the relevant segment.

Based on the result of impairment test, no impairment losses on goodwill were recognised as at 31 December 2014 (2013: nil).



## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 36 Deferred tax assets

#### (a) Analysed by nature

	The Group			
	2014		2013	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) Temporary Differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Impairment allowances	31,422	7,830	21,910	5,459
— Fair value adjustments	(1,031)	(250)	6,076	1,518
— Employee retirement benefits and salary payable	7,595	1,899	6,547	1,637
— Others	(684)	(162)	(758)	(180)
<b>Total</b>	<b>37,302</b>	<b>9,317</b>	<b>33,775</b>	<b>8,434</b>

	The Bank			
	2014		2013	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) Temporary Differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Impairment allowances	31,110	7,778	21,682	5,420
— Fair value adjustments	(941)	(235)	6,068	1,517
— Employee retirement benefits and salary payable	7,590	1,897	6,542	1,636
— Others	(575)	(144)	(651)	(163)
<b>Total</b>	<b>37,184</b>	<b>9,296</b>	<b>33,641</b>	<b>8,410</b>

## Notes to the Financial Statements

(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 2014	5,459	1,518	1,637	(180)	8,434
Recognised in profit or loss	2,371	(26)	265	18	2,628
Recognised in other comprehensive income	—	(1,742)	(3)	—	(1,745)
As at 31 December 2014	7,830	(250)	1,899	(162)	9,317
As at 1 January 2013	4,454	60	1,709	(132)	6,091
Recognised in profit or loss	1,005	(71)	(72)	(48)	814
Recognised in other comprehensive income	—	1,529	—	—	1,529
As at 31 December 2013	5,459	1,518	1,637	(180)	8,434

##### The Bank

	Impairment Allowances	Fair value adjustment	Employee retirement benefits and salary payable	Others	Total deferred tax assets
As at 1 January 2014	5,420	1,517	1,636	(163)	8,410
Recognised in profit or loss	2,358	(26)	264	19	2,615
Recognised in other comprehensive income	—	(1,726)	(3)	—	(1,729)
As at 31 December 2014	7,778	(235)	1,897	(144)	9,296
As at 1 January 2013	4,421	69	1,708	(125)	6,073
Recognised in profit or loss	999	(71)	(72)	(38)	818
Recognised in other comprehensive income	—	1,519	—	—	1,519
As at 31 December 2013	5,420	1,517	1,636	(163)	8,410

Note: (i) The Bank has no material unrecognised deferred tax assets or liabilities as at 31 December 2014 (31 December 2013: nil).

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 37 Other assets

	Note	The Group		The Bank	
		2014	2013	2014	2013
Prepayment for long term assets		11,447	3,040	11,406	3,009
Settlement accounts		2,098	368	2,098	368
Leasehold improvements		1,595	1,318	1,591	1,314
Land use rights		876	900	876	900
Prepaid rent		898	754	891	747
Repossessed assets	(a)	739	268	739	268
Others	(b)	19,113	4,301	18,200	3,645
<b>Total</b>		<b>36,766</b>	<b>10,949</b>	<b>35,801</b>	<b>10,251</b>

#### (a) Repossessed assets

	Note	The Group		The Bank	
		2014	2013	2014	2013
Premises		446	350	446	350
Others		458	23	458	23
Gross balance		904	373	904	373
Less: Allowance for impairment losses	38	(165)	(105)	(165)	(105)
<b>Net balance</b>		<b>739</b>	<b>268</b>	<b>739</b>	<b>268</b>

#### (b) Others

	Note	The Group		The Bank	
		2014	2013	2014	2013
Gross balance		19,830	4,946	18,917	4,289
Less: Allowance for impairment losses	38	(717)	(645)	(717)	(644)
<b>Net balance</b>		<b>19,113</b>	<b>4,301</b>	<b>18,200</b>	<b>3,645</b>

### 38 Movements of allowances for impairment losses

#### The Group

	Note	2014					As at 31 December
		As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	
Deposit with banks and non-bank financial institutions		—	—	(8)	8	—	—
Placements with banks and non-bank financial institutions	21	15	—	(27)	20	—	8
Interest receivable	25	688	1,460	(174)	(16)	(568)	1,390
Loans and advances to customers	26	41,254	25,420	(3,346)	(142)	(11,610)	51,576
Available-for-sale financial assets	27	157	10	(10)	(60)	—	97
Held-to-maturity investments	28	48	—	(7)	—	—	41
Investment classified as receivables	29	—	156	—	—	—	156
Repossessed assets	37(a)	105	86	(4)	(2)	(20)	165
Other assets	37(b)	645	179	(66)	(8)	(33)	717
<b>Total</b>		<b>42,912</b>	<b>27,311</b>	<b>(3,642)</b>	<b>(200)</b>	<b>(12,231)</b>	<b>54,150</b>

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 38 Movements of allowances for impairment losses (Continued)

### The Group (Continued)

	Note	2013					As at 31 December
		As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	
Placements with banks and non-bank financial institutions	21	8	7	—	—	—	15
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
Repossessed assets	37(a)	167	7	(23)	(7)	(39)	105
Other assets	37(b)	647	68	(34)	(11)	(25)	645
<b>Total</b>		<b>36,668</b>	<b>16,547</b>	<b>(4,650)</b>	<b>(170)</b>	<b>(5,483)</b>	<b>42,912</b>

### The Bank

	Note	2014					As at 31 December
		As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	
Deposit with banks and non-bank financial institutions		—	—	(8)	8	—	
Placements with banks and non-bank financial institutions	21	15	—	(27)	20	—	8
Interest receivable	25	688	1,459	(174)	(16)	(568)	1,389
Loans and advances to customers	26	40,861	25,227	(3,303)	(160)	(11,489)	51,136
Available-for-sale financial assets	27	124	—	(10)	(45)	—	69
Held-to-maturity investments	28	48	—	(7)	—	—	41
Investment classified as receivables	29	—	156	—	—	—	156
Repossessed assets	37(a)	105	86	(4)	(2)	(20)	165
Other assets	37(b)	644	179	(65)	(8)	(33)	717
<b>Total</b>		<b>42,485</b>	<b>27,107</b>	<b>(3,598)</b>	<b>(203)</b>	<b>(12,110)</b>	<b>53,681</b>

	Note	2013					As at 31 December
		As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	
Placements with banks and non-bank financial institutions	21	8	7	—	—	—	15
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
Repossessed assets	37(a)	167	7	(23)	(7)	(39)	105
Other assets	37(b)	646	68	(34)	(11)	(25)	644
<b>Total</b>		<b>36,214</b>	<b>16,396</b>	<b>(4,610)</b>	<b>(168)</b>	<b>(5,347)</b>	<b>42,485</b>

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 items. Details are disclosed in Notes 12.

## Notes to the Financial Statements

(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	
	2014	2013	2014	2013
In Mainland China				
— Banks	299,416	312,846	299,436	313,411
— Non-bank financial institutions	341,785	231,521	341,785	231,515
Subtotal	641,201	544,367	641,221	544,926
Outside Mainland China				
— Banks	47,026	15,294	57,137	26,302
— Non-bank financial institutions	65	6	4	6
Subtotal	47,091	15,300	57,141	26,308
Total	688,292	559,667	698,362	571,234

### 40 Placements from banks and non-bank financial institutions

#### Analysed by types and locations of counterparties

	The Group		The Bank	
	2014	2013	2014	2013
In Mainland China				
— Banks	9,834	15,655	9,858	15,372
— Non-bank financial institutions	512	579	512	579
Subtotal	10,346	16,234	10,370	15,951
Outside Mainland China				
— Banks	9,302	25,718	8,333	22,561
Subtotal	9,302	25,718	8,333	22,561
Total	19,648	41,952	18,703	38,512

### 41 Financial liabilities at fair value through profit or loss

	The Group		The Bank	
	2014	2013	2014	2013
Short position in debt securities	573	—	573	—
Total	573	—	573	—

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 42 Financial assets sold under repurchase agreements

#### (a) Analysed by types and locations of counterparties

	The Group		The Bank	
	2014	2013	2014	2013
In Mainland China				
— PBOC	6,460	4,949	6,460	4,949
— Banks	34,218	1,470	34,218	1,470
— Non-bank financial institutions	703	—	703	—
Subtotal	41,381	6,419	41,381	6,419
Outside Mainland China				
— Banks	228	1,530	—	49
Subtotal	228	1,530	—	49
Total	41,609	7,949	41,381	6,468

#### (b) Analysed by types of collaterals

	The Group		The Bank	
	2014	2013	2014	2013
Discounted bills	6,460	4,949	6,460	4,949
Debt securities	35,149	3,000	34,921	1,519
Total	41,609	7,949	41,381	6,468

### 43 Deposits from customers

#### Analysed by natures of deposits

	The Group		The Bank	
	2014	2013	2014	2013
Demand deposits				
— Corporate customers	963,292	932,551	938,909	913,320
— Personal customers	147,658	127,430	133,223	113,377
Subtotal	1,110,950	1,059,981	1,072,132	1,026,697
Time and call deposits				
— Corporate customers	1,365,914	1,198,043	1,300,408	1,143,519
— Personal customers	366,491	387,311	320,838	352,929
Subtotal	1,732,405	1,585,354	1,621,246	1,496,448
Outward remittance and remittance payables	6,219	6,343	6,219	6,343
Total	2,849,574	2,651,678	2,699,597	2,529,488

#### Deposits from customers included pledged deposits for:

	The Group		The Bank	
	2014	2013	2014	2013
Bank acceptances	268,607	302,969	268,544	302,951
Letters of credit	23,634	35,882	23,626	35,707
Guarantees	15,283	22,018	13,364	19,883
Others	149,327	85,265	141,640	79,938
Total	456,851	446,134	447,174	438,479

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 44 Accrued staff costs

#### The Group

	Note	2014			As at 31 December
		As at 1 January	Additions for the year	Payment for the year	
Short-term employee benefits	(a)	10,369	19,506	(18,488)	11,387
Post-employment benefits					
— defined contribution plans	(b)	16	1,622	(1,622)	16
Post-employment benefits					
— defined benefit plans	(c)	34	9	(3)	40
Other long-term benefits settled		81	20	(23)	78
<b>Total</b>		<b>10,500</b>	<b>21,157</b>	<b>(20,136)</b>	<b>11,521</b>

#### The Bank

	Note	2014			As at 31 December
		As at 1 January	Additions for the year	Payment for the year	
Short-term employee benefits	(a)	9,912	18,251	(17,426)	10,737
Post-employment benefits					
— defined contribution plans	(b)	16	1,555	(1,555)	16
Post-employment benefits					
— defined benefit plans	(c)	34	9	(3)	40
Other long-term benefits settled		81	20	(23)	78
<b>Total</b>		<b>10,043</b>	<b>19,835</b>	<b>(19,007)</b>	<b>10,871</b>



## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 44 Accrued staff costs (Continued)

#### (a) Short-term employee benefits

##### The Group

	2014			
	As at 1 January	Additions for the year	Payment for the year	As at 31 December
Salaries and bonuses	9,742	15,149	(14,302)	10,589
Welfare expenses	—	1,259	(1,259)	—
Social insurance	24	933	(938)	19
Housing fund	16	1,023	(1,014)	25
Labor union expenses and employee education expenses	538	631	(458)	711
Housing allowance	36	377	(385)	28
Others	13	134	(132)	15
<b>Total</b>	<b>10,369</b>	<b>19,506</b>	<b>(18,488)</b>	<b>11,387</b>

##### The Bank

	2014			
	As at 1 January	Additions for the year	Payment for the year	As at 31 December
Salaries and bonuses	9,290	13,957	(13,301)	9,946
Welfare expenses	—	1,251	(1,251)	—
Social insurance	23	915	(919)	19
Housing fund	16	1,017	(1,008)	25
Labor union expenses and employee education expenses	536	628	(455)	709
Housing allowance	36	375	(383)	28
Others	11	108	(109)	10
<b>Total</b>	<b>9,912</b>	<b>18,251</b>	<b>(17,426)</b>	<b>10,737</b>

#### (b) Post-employment benefits- defined contribution plans

Post-employment benefits- defined contribution plans 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.

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 2014, the Bank made annuity contribution amounting to RMB 349 million (2013: RMB 285 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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 44 Accrued staff costs (Continued)

#### (c) Post-employment benefits- defined benefit plans

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 44(b) to 44(c), the Group has no other material obligation for payment of retirement benefits beyond the contributions.

### 45 Taxes payable

	The Group		The Bank	
	2014	2013	2014	2013
Income tax	3,662	2,226	3,529	2,087
Business tax and surcharges	2,308	2,110	2,301	2,104
Others	15	19	7	8
Total	5,985	4,355	5,837	4,199

### 46 Interest payable

	The Group		The Bank	
	2014	2013	2014	2013
Deposits from customers	28,876	21,696	28,352	21,325
Debt certificates issued	2,052	1,246	1,918	1,108
Others	6,383	5,201	6,289	5,119
Total	37,311	28,143	36,559	27,552

### 47 Provisions

	The Group		The Bank	
	2014	2013	2014	2013
Litigation provisions	5	71	2	71
Total	5	71	2	71

Movement of provisions:

	The Group		The Bank	
	2014	2013	2014	2013
As at 1 January	71	93	71	93
Accrual during the year	8	3	4	3
Reversal during the year	(36)	—	(36)	—
Payment during the year	(38)	(25)	(37)	(25)
As at 31 December	5	71	2	71

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 48 Debt certificates issued

	Note	The Group		The Bank	
		2014	2013	2014	2013
Debt securities issued	(a)	<b>16,302</b>	15,904	<b>16,479</b>	14,999
Subordinated bonds issued:		<b>82,333</b>	45,279	<b>75,427</b>	38,472
— by the Bank	(b)	<b>75,427</b>	38,472	<b>75,427</b>	38,472
— by CIFH	(c)	<b>6,906</b>	6,807	—	—
Certificates of deposit issued	(d)	<b>11,167</b>	12,718	—	—
Certificates of interbank deposit issued	(e)	<b>23,686</b>	2,968	<b>23,686</b>	2,968
<b>Total</b>		<b>133,488</b>	76,869	<b>115,592</b>	56,439

- (a) Financial debts with an interest rate of 5.2% per annum and with nominal value of RMB 15,000 million were issued on 8 November 2013. The debts will be mature on 12 November 2018. In addition, debts with an interest rate of 4.125% per annum and with nominal value of RMB1,500 million were issued on 20 February 2014, which will be mature on 27 February 2017.
- (b) The carrying value of the Bank's subordinated bonds issued as at 31 December represents:

	Note	2014	2013
Subordinated fixed rate bonds maturing:			
— in May 2020	(i)	<b>5,000</b>	5,000
— in June 2021	(ii)	<b>2,000</b>	2,000
— in May 2025	(iii)	<b>11,500</b>	11,500
— in June 2027	(iv)	<b>19,974</b>	19,972
— in August 2024	(v)	<b>36,953</b>	—
<b>Total</b>		<b>75,427</b>	38,472

- (i) 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, the interest rate of the bonds will remain 4.00% per annum for the next five years.
- (ii) 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, the interest rate of the bonds will increase to 7.12% per annum for the next five years.
- (iii) 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, the interest rate of the bonds will remain 4.30% per annum for the next five years.
- (iv) 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, the interest rate of the bonds will remain 5.15% per annum for the next five years.
- (v) The interest rate per annum on the subordinated fixed rate bonds issued on 22 August 2014 is 6.13%. The Bank has an option to redeem the bonds on 31 December 2019. If they are not redeemed, the interest rate of the bonds will remain 6.13% per annum for the next five years.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 48 Debt securities issued (Continued)

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

	Note	2014	2013
Subordinated fixed rate bonds maturing in June 2020	(i)	3,274	3,222
Subordinated fixed rate bonds maturing in September 2022	(ii)	1,808	1,791
Subordinated fixed rate bonds maturing in May 2024	(iii)	1,824	1,794
<b>Total</b>		<b>6,906</b>	6,807

(i) Subordinated bonds with an interest rate of 6.875% per annum and with nominal 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.

(ii) Subordinated bonds with an interest rate of 3.875% per annum and with nominal value of USD 300 million were issued on 27 September 2012 by CBI. The notes will be mature on 28 September 2022.

(iii) Subordinated bonds with an interest rate of 6.00% per annum and with nominal value of USD 300 million were issued on 7 November 2013 by CBI. The notes will be mature on 7 May 2024.

(d) The certificates of deposit were issued by CBI.

(e) As at 31 December 2014, the outstanding balance of certificates of interbank deposit issued by the Bank is with total nominal value of RMB 23.9 billion, interest rate between 4.62% to 5.68%, and duration between 3-6 months.

### 49 Other liabilities

	The Group		The Bank	
	2014	2013	2014	2013
Settlement accounts	9,341	11,897	8,919	10,303
Dormant accounts	248	222	248	222
Payment and collection clearance accounts	262	319	262	319
Others	16,215	9,993	15,007	9,151
<b>Total</b>	<b>26,066</b>	22,431	<b>24,436</b>	19,995

### 50 Share capital

#### Structure of share capital

	The Group and the Bank	
	2014	2013
A-Share	31,905	31,905
H-Share	14,882	14,882
<b>Total</b>	<b>46,787</b>	46,787

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 51 Capital reserves

	Note	The Group		The Bank	
		2014	2013	2014	2013
Share premium	(a)	49,214	49,214	51,619	51,619
Other reserves		82	82	—	—
<b>Total</b>		<b>49,296</b>	49,296	<b>51,619</b>	51,619

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

## 52 Other comprehensive income

Other comprehensive income comprise of (1) items that maybe reclassified subsequently to profit or loss, mainly including fair value changes of available-for sale financial assets, exchange difference on translating foreign operations etc; and (2) items that will not be reclassified to profit or loss, such as net changes on the measurement of defined benefit plans.

## 53 Surplus reserve

### Movement of surplus reserve

	The Group and the Bank	
	2014	2013
As at 1 January	15,495	11,709
Appropriations	3,899	3,786
<b>As at 31 December</b>	<b>19,394</b>	15,495

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.

## 54 General reserve

	The Group		The Bank	
	2014	2013	2014	2013
As at 1 January	44,340	35,326	44,250	35,250
Appropriations	6,107	9,014	6,100	9,000
<b>As at 31 December</b>	<b>50,447</b>	44,340	<b>50,350</b>	44,250

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 2014 while the Group's banking subsidiaries in Mainland China plan to comply with the above requirements during the transition period.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 55 Profit appropriations and retained earnings

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

	The Group		The Bank	
	2014	2013	2014	2013
Appropriations to				
— Statutory surplus reserve fund	3,899	3,786	3,899	3,786
— General reserve	6,107	9,014	6,100	9,000
As at 31 December	10,006	12,800	9,999	12,786

In accordance with the approval from the Board of Directors dated 20 March 2015, the Bank appropriated RMB 3,899 million to statutory surplus reserve fund and RMB 6,100 million to general reserve for the year of 2014. The Group's subsidiary 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 21 May 2014, a total amount of approximately RMB 11,790 million (RMB 252 cents per 10 shares) were distributed in the form of cash dividend to the Bank's shareholders on 17 July 2014.
- (c) As at 31 December 2014, the retained earnings included the statutory surplus reserve of RMB 34 million contributed by the subsidiaries and attributable to the Bank (31 December 2013: RMB 23 million), of which RMB 11 million (2013: RMB 3 million) was the appropriation made by the subsidiaries for the year ended 31 December 2014. The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.

### 56 Non-controlling interest

As at 31 December 2014, the non-controlling interest included an amount of RMB 1,825 million contributed to the holders of other equity instrument. CBI, an entity ultimately controlled by the Group, issued an Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the "Capital Securities") with nominal value of USD 300 million on 22 April 2014. The Capital Securities are undated and will carry a 7.25% coupon rate until the first call date on 22 April 2019. The coupon rate will be reset every five years if the Capital Securities are not redeemed, to a rate equivalent to the then-prevailing five year US Treasury rate plus 5.627%. CBI may, at its sole discretion, elect to cancel any payment of distribution of coupon, in whole or in part, or redeem the Capital Securities. Therefore, the Group classified it as an equity instrument, and it is considered as the qualified regulatory capital, which resulting in an increase of 0.04% in the Group's Tier 1 capital adequacy ratio. A distribution payment of USD 10.875 million (equivalent to RMB 66 million) was paid to the holder of other equity instruments during the year ended 31 December 2014 by CBI.

### 57 Notes to consolidated cash flow statement

#### Cash and cash equivalents

##### The Group

	2014	2013
Cash	7,232	6,848
Surplus deposit reserve funds	70,166	66,056
Deposits with banks and non-bank financial institutions due within three months when acquired	86,284	88,471
Placements with banks and non-bank financial institutions due within three months when acquired	48,663	26,226
Investment securities due within three months when acquired	16,030	12,042
Total of cash equivalents	221,143	192,795
Total	228,375	199,643

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 58 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	
	2014	2013	2014	2013
Contractual amount				
Loan commitments				
— with an original maturity of within one year	141,614	86,470	80,787	37,076
— with an original maturity of one year or beyond	46,724	50,861	45,557	50,063
Subtotal	188,338	137,331	126,344	87,139
Guarantees	124,008	114,950	123,004	109,999
Letters of credit	134,766	199,762	130,002	191,454
Acceptances	712,985	695,944	711,552	692,522
Credit card commitments	124,106	95,217	117,409	89,589
Total	1,284,203	1,243,204	1,208,311	1,170,703

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

	The Group		The Bank	
	2014	2013	2014	2013
Credit risk weighted amount of contingent liabilities and commitments	455,254	428,172	451,089	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%.

#### (c) Capital commitments

The Group had the following authorised capital commitments at 31 December:

	The Group		The Bank	
	2014	2013	2014	2013
— Contracted for	8,369	2,715	8,329	2,695
— Authorized but not contracted for	44	12	44	12



# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 58 Commitments and contingent liabilities (Continued)

### (d) Operating lease commitments

The Group leases certain properties and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the leases 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	
	2014	2013	2014	2013
Within one year	2,583	2,733	2,392	2,536
After one year but within two years	2,396	2,534	2,233	2,353
After two years but within three years	2,143	2,235	2,005	2,086
After three years but within five years	3,417	3,682	3,204	3,447
After five years	3,545	3,591	3,375	3,328
Total	14,084	14,775	13,209	13,750

### (e) Outstanding litigations and disputes

As at 31 December 2014, the Group was the defendant in certain pending litigations with gross claims of RMB 339 million (2013: RMB 358 million). Based on the opinion of internal and external legal counsels, the Group made a provision of RMB 5 million (2013: RMB 71 million). The Group believes that these provisions 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 dates is based on the nominal 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	
	2014	2013
Bonds redemption obligations	3,865	3,792

The Group estimates that the possibility of redemption before maturity is remote.

### (g) Commitment to share acquisition

On 23 December 2014, the Bank and BBVA reached an acquisition agreement, to which the Bank is committed to purchase the 29.68% share of CIFH held by BBVA with consideration of HKD 8,162 million. This transaction will be settled after the approvals in the general meeting and the relevant regulators are obtained. The Bank announced such acquisition on 24 December 2014.

### (h) Provision against commitments and contingent liabilities

The Group has assessed and has made provision for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the reporting date in accordance with its accounting policies.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 59 Pledged assets

### (a) Financial assets pledged as collaterals

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

	The Group		The Bank	
	2014	2013	2014	2013
Debt securities	64,738	3,134	64,491	1,498
Discounted bills	6,414	4,618	6,414	4,618
Others	67	67	—	—
Total	71,219	7,819	70,905	6,116

### (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 2014, the fair values of collateral held by the Group under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions amounted to RMB 573 million (31 December 2013: nil).

## 60 Transactions on behalf of customers

### (a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals, as well as entrusted provident housing fund mortgage business services. All entrusted loans are made under the instruction or at the direction of these entities, individuals or provident housing fund centre 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 profit or loss and other comprehensive income as fee income.

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

	The Group and the Bank	
	2014	2013
Entrusted loans	524,538	358,561
Entrusted funds	524,538	358,561

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 60 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 various products, including debt securities, money market instruments, credit assets 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. 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 profit and loss and other 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 and The Bank	
	2014	2013
Investments under wealth management services	376,613	246,356
Funds from wealth management services	376,613	246,356

Amongst the above funds from wealth management service, RMB 58,225 million was entrusted to a wholly owned subsidiary of CITIC Group, as at 31 December 2014 (2013: RMB 60,171 million).

## 61 Segment reporting

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

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

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

### (a) Business segments

The Group comprises the following main business segments for management purpose:

#### *Corporate banking*

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions. The products and services include corporate loans, 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, deposit taking activities, agency services, remittance and settlement services and guarantee services provided to small enterprises.



# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 61 Segment reporting (Continued)

### (a) Business segments (Continued)

	2013				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
External net interest income/(expense)	45,763	16,544	23,613	(232)	85,688
Internal net interest income/(expense)	11,265	(2,930)	(6,793)	(1,542)	—
<b>Net interest income/(expense)</b>	<b>57,028</b>	<b>13,614</b>	<b>16,820</b>	<b>(1,774)</b>	<b>85,688</b>
Net fee and commission income/(expense)	3,129	6,758	7,025	(101)	16,811
Other net income (note i)	204	98	1,817	195	2,314
<b>Operating income/(expense)</b>	<b>60,361</b>	<b>20,470</b>	<b>25,662</b>	<b>(1,680)</b>	<b>104,813</b>
Operating expenses					
— depreciation and amortisation	(515)	(840)	(129)	(306)	(1,790)
— others	(19,892)	(14,988)	(3,352)	(413)	(38,645)
Impairment losses	(7,752)	(2,910)	(661)	(617)	(11,940)
Revaluation gain on investment properties	—	—	—	2	2
Share of profit of associates	—	—	—	109	109
<b>Profit/(Loss) before tax</b>	<b>32,202</b>	<b>1,732</b>	<b>21,520</b>	<b>(2,905)</b>	<b>52,549</b>
<b>Capital expenditure</b>	<b>1,214</b>	<b>1,817</b>	<b>112</b>	<b>734</b>	<b>3,877</b>

	31 December 2013				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
<b>Segment assets</b>	<b>1,705,515</b>	<b>595,217</b>	<b>1,307,446</b>	<b>22,405</b>	<b>3,630,583</b>
Interests in associates	—	—	—	2,176	2,176
Deferred tax assets					8,434
<b>Total asset</b>					<b>3,641,193</b>
<b>Segment liabilities</b>	<b>2,166,596</b>	<b>537,464</b>	<b>632,937</b>	<b>73,471</b>	<b>3,410,468</b>
<b>Total liabilities</b>					<b>3,410,468</b>
Off-balance sheet credit commitments	948,225	95,217	199,762	—	1,243,204

Note i: Other net income consists of net trading gain, net (loss)/gain from investment securities, net hedging gain and other operating income.

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 61 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 and Wuxi, as well as Lin'an Rural Bank;
- “Pearl River Delta and West Strait” refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;
- “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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 61 Segment reporting (Continued)

### (b) Geographical segments (Continued)

	2014									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	15,608	11,359	10,632	11,456	12,158	2,683	28,046	2,799	—	94,741
Internal net interest income/(expense)	2,654	978	6,635	1,964	(71)	(126)	(12,536)	502	—	—
<b>Net interest income</b>	<b>18,262</b>	<b>12,337</b>	<b>17,267</b>	<b>13,420</b>	<b>12,087</b>	<b>2,557</b>	<b>15,510</b>	<b>3,301</b>	<b>—</b>	<b>94,741</b>
Net fee and commission income	3,842	2,428	3,746	2,371	2,565	535	9,058	768	—	25,313
Other net income (note i)	935	349	777	293	251	57	1,256	867	—	4,785
<b>Operating income</b>	<b>23,039</b>	<b>15,114</b>	<b>21,790</b>	<b>16,084</b>	<b>14,903</b>	<b>3,149</b>	<b>25,824</b>	<b>4,936</b>	<b>—</b>	<b>124,839</b>
Operating expense	(16,571)	(12,854)	(13,274)	(8,368)	(6,587)	(2,818)	(7,689)	(2,308)	—	(70,469)
— depreciation and amortisation	(349)	(238)	(416)	(257)	(257)	(75)	(416)	(186)	—	(2,194)
— others	(8,898)	(5,729)	(8,354)	(5,867)	(5,399)	(1,343)	(7,042)	(1,970)	—	(44,602)
Impairment losses	(7,324)	(6,887)	(4,504)	(2,244)	(931)	(1,400)	(231)	(152)	—	(23,673)
Revaluation gain on investment properties	—	—	—	—	—	—	—	2	—	2
Share of profit of associates	—	—	—	—	—	—	—	202	—	202
<b>Profit before tax</b>	<b>6,468</b>	<b>2,260</b>	<b>8,516</b>	<b>7,716</b>	<b>8,316</b>	<b>331</b>	<b>18,135</b>	<b>2,832</b>	<b>—</b>	<b>54,574</b>
<b>Capital expenditure</b>	<b>321</b>	<b>181</b>	<b>237</b>	<b>598</b>	<b>240</b>	<b>446</b>	<b>564</b>	<b>73</b>	<b>—</b>	<b>2,660</b>

	31 December 2014									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
<b>Segment assets</b>	<b>832,355</b>	<b>567,700</b>	<b>916,047</b>	<b>510,466</b>	<b>468,004</b>	<b>89,173</b>	<b>1,946,061</b>	<b>198,628</b>	<b>(1,399,806)</b>	<b>4,128,628</b>
Interest in associate	—	—	—	—	—	—	—	870	—	870
Deferred tax assets	—	—	—	—	—	—	—	—	—	9,317
<b>Total assets</b>										<b>4,138,815</b>
<b>Segment liabilities</b>	<b>828,692</b>	<b>564,494</b>	<b>906,031</b>	<b>503,804</b>	<b>460,468</b>	<b>88,544</b>	<b>1,742,187</b>	<b>178,132</b>	<b>(1,400,883)</b>	<b>3,871,469</b>
<b>Total liabilities</b>										<b>3,871,469</b>
Off-balance sheet credit commitment	274,533	192,548	252,594	201,186	141,853	28,261	117,409	75,819	—	1,284,203



# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 61 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	—	—
<b>Net interest income</b>	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/(loss) (note i)	553	273	585	182	113	34	(128)	702	—	2,314
<b>Operating income</b>	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 (loss)/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
<b>Profit before tax</b>	4,911	6,916	11,474	7,989	7,083	1,568	10,507	2,101	—	52,549
<b>Capital expenditure</b>	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
<b>Segment assets</b>	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
<b>Total assets</b>										3,641,193
<b>Segment liabilities</b>	767,235	542,146	839,582	447,303	438,613	97,957	949,745	153,933	(826,046)	3,410,468
<b>Total liabilities</b>										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

Note i: Other net income consists of net trading gain, net (loss)/gain from investment securities, net hedging gain and other operating income.

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 62 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.

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 62 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### *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 warning 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.

The Group's retail credit policies and approval processes are designed with reference to the fact that there are high volumes of relatively homogeneous, small value transaction 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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (a) Credit risk (Continued)

##### 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 statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group		The Bank	
	2014	2013	2014	2013
Balances with central banks	531,254	489,628	529,789	487,699
Deposits with bank and non-bank financial institutions	93,991	131,711	81,689	124,860
Placements with banks and non-bank financial	68,180	122,314	47,810	98,414
Financial assets at fair value through profit or loss	27,507	11,016	27,501	10,966
Positive fair value of derivatives	8,226	7,749	5,638	5,866
Financial assets held under resale agreements	135,765	286,767	135,765	286,816
Interest receivables	26,125	15,545	25,546	14,976
Loans and advances to customers	2,136,332	1,899,921	2,012,342	1,798,983
Available-for-sale financial assets	207,188	177,148	186,517	160,176
Held-to-maturity investments	177,957	154,849	177,957	154,788
Investment classified as receivables	653,256	300,158	652,916	300,158
Other financial assets	21,615	6,707	20,815	6,140
Subtotal	4,087,396	3,603,513	3,904,285	3,449,842
Credit commitments	1,284,203	1,243,204	1,208,311	1,170,703
Maximum credit risk exposure	5,371,599	4,846,717	5,112,596	4,620,545

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 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	Loans and advances to customers	Due from banks and non-bank financial institutions	2014 Financial assets held under resale agreements	Debt Securities investments and certificates of deposit	Investments classified as receivable
<b>Impaired</b>						
— Individually assessed						
Gross balance		22,846	29	—	207	—
Allowance for impairment		(11,153)	(8)	—	(123)	—
Net balance		11,693	21	—	84	—
— Collectively assessed						
Gross balance		5,608	—	—	—	—
Allowance for impairment		(3,954)	—	—	—	—
Net balance		1,654	—	—	—	—
<b>Overdue but not impaired</b>	(1)					
Gross balance		47,598	—	—	—	—
Within which						
— Less than 3 months		42,313	—	—	—	—
— 3 months to 1 year		5,285	—	—	—	—
— Over 1 year		—	—	—	—	—
Allowance for impairment		(5,538)	—	—	—	—
Net balance		42,060	—	—	—	—
<b>Neither overdue nor impaired</b>						
Gross balance		2,111,856	162,150	135,765	412,568	653,412
Allowance for impairment	(2)	(30,931)	—	—	—	(156)
Net balance		2,080,925	162,150	135,765	412,568	653,256
<b>Net balance of total assets</b>		<b>2,136,332</b>	<b>162,171</b>	<b>135,765</b>	<b>412,652</b>	<b>653,256</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 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)

		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
<b>Impaired</b>						
— 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	—	—	—	—
<b>Overdue but not impaired</b> (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	—	—	—
<b>Neither overdue nor impaired</b>						
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
<b>Net balance of total assets</b>		<b>1,899,921</b>	<b>254,025</b>	<b>286,767</b>	<b>343,013</b>	<b>300,158</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 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

		2014				
	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
<b>Impaired</b>						
— Individually assessed						
Gross balance		22,285	29	—	118	—
Allowance for impairment		(11,024)	(8)	—	(110)	—
Net balance		11,261	21	—	8	—
— Collectively assessed						
Gross balance		5,600	—	—	—	—
Allowance for impairment		(3,948)	—	—	—	—
Net balance		1,652	—	—	—	—
<b>Overdue but not impaired</b>	(1)					
Gross balance		45,360	—	—	—	—
Within which						
— Less than 3 months		40,208	—	—	—	—
— 3 months to 1 year		5,152	—	—	—	—
— Over 1 year		—	—	—	—	—
Allowance for impairment		(5,524)	—	—	—	—
Net balance		39,836	—	—	—	—
<b>Neither overdue nor impaired</b>						
Gross balance		1,990,233	129,478	135,765	391,967	653,072
Allowance for impairment	(2)	(30,640)	—	—	—	(156)
Net balance		1,959,593	129,478	135,765	391,967	652,916
<b>Net balance of total assets</b>		<b>2,012,342</b>	<b>129,499</b>	<b>135,765</b>	<b>391,975</b>	<b>652,916</b>



## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 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 investments classified as receivable are as follows (Continued):*

#### The Bank (Continued)

		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
<b>Impaired</b>						
— 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	—	—	—	—
<b>Overdue but not impaired</b>						
Gross balance	(1)	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	—	—	—
<b>Neither overdue nor impaired</b>						
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
<b>Net balance of total assets</b>		<b>1,798,983</b>	<b>223,274</b>	<b>286,816</b>	<b>325,930</b>	<b>300,158</b>

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 62 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 2014, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB 39,141 million (2013: RMB 9,938 million). The covered portion and uncovered portion of these loans and advances were RMB 21,634 million (2013: RMB 5,559 million) and RMB 17,507 million (2013: RMB 4,379 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 30,187 million (2013: RMB 8,069 million).

As at 31 December 2014, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB 36,906 million (2013: RMB 9,376 million). The covered portion and uncovered portion of these loans and advances were RMB 20,237 million (2013: RMB 5,125 million) and RMB 16,669 million (2013: RMB 4,251 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 25,143 million (2013: RMB 5,712 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation 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					
	2014			2013		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	384,521	17.6	171,481	412,819	21.3	149,772
— Wholesale and retail	290,107	13.3	168,279	298,847	15.4	149,330
— Real estate	179,677	8.2	152,514	128,930	6.6	113,434
— Transportation, storage and postal services	138,230	6.3	67,508	135,778	7.0	61,179
— Water, environment and public utility management	111,524	5.1	53,463	71,853	3.7	34,543
— Construction	101,834	4.7	46,484	81,873	4.2	32,750
— Rental and business services	83,809	3.8	47,054	67,657	3.5	35,537
— Production and supply of electric power, gas and water	51,828	2.4	16,480	56,817	2.9	15,523
— Public management and social organizations	19,304	0.9	4,624	16,992	0.9	4,880
— Others	204,484	9.3	78,505	164,287	8.5	49,120
Subtotal	1,565,318	71.6	806,392	1,435,853	74.0	646,068
Personal loans	554,547	25.3	406,778	440,553	22.7	330,753
Discounted bills	68,043	3.1	—	64,769	3.3	—
Gross loans and advances to customers	2,187,908	100.0	1,213,170	1,941,175	100.0	976,821

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (a) Credit risk (Continued)

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

	The Bank					
	2014			2013		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	377,992	18.3	169,657	406,726	22.1	147,756
— Wholesale and retail	275,963	13.4	164,742	287,087	15.6	145,686
— Real estate	160,821	7.8	140,107	116,735	6.3	101,770
— Transportation, storage and postal services	136,345	6.6	66,841	134,002	7.3	60,554
— Water, environment and public utility management	111,466	5.4	53,454	71,722	3.9	34,543
— Construction	100,456	4.9	46,053	81,048	4.4	32,440
— Rental and business services	83,514	4.0	47,026	67,428	3.7	35,479
— Production and supply of electric power, gas and water	51,468	2.5	16,390	56,419	3.1	15,453
— Public management and social organizations	19,304	0.9	4,624	16,992	0.9	4,880
— Others	147,749	7.2	64,852	118,368	6.4	41,703
Subtotal	1,465,078	71.0	773,746	1,356,527	73.7	620,264
Personal loans	538,512	26.1	391,971	426,129	23.2	317,126
Discounted bills	59,888	2.9	—	57,188	3.1	—
Gross loans and advances to customers	2,063,478	100.0	1,165,717	1,839,844	100.0	937,390

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

	2014				
	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	8,758	4,465	7,435	6,547	(3,456)
Wholesale and retail	11,025	5,424	6,985	9,522	(6,110)

	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)

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 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: (Continued)

##### The Bank

	2014				
	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	8,470	4,385	7,412	6,518	(3,416)
Wholesale and retail	10,924	5,423	6,938	9,477	(6,064)

	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)

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

	The Group					
	2014			2013		
	Gross balance	%	Loans and advances secured by Collaterals	Gross balance	%	Loans and Advances secured by collaterals
Bohai Rim (including Head Office)	576,598	26.4	258,442	513,609	26.5	214,739
Yangtze River Delta	512,214	23.4	288,924	476,101	24.5	238,225
Pearl River Delta and West Strait	319,360	14.6	230,554	278,425	14.3	180,297
Central	306,274	14.0	176,516	266,342	13.7	139,354
Western	292,793	13.4	172,627	255,620	13.2	133,977
Northeastern	64,071	2.9	41,980	57,920	3.0	34,898
Outside Mainland China	116,598	5.3	44,127	93,158	4.8	35,331
Total	2,187,908	100.0	1,213,170	1,941,175	100.0	976,821

	The Bank					
	2014			2013		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	573,158	27.8	257,823	511,075	27.8	214,041
Yangtze River Delta	509,464	24.7	287,069	472,973	25.7	236,173
Pearl River Delta and West Strait	317,718	15.4	229,702	275,914	15.0	178,947
Central	306,274	14.8	176,516	266,342	14.5	139,354
Western	292,793	14.2	172,627	255,620	13.9	133,977
Northeastern	64,071	3.1	41,980	57,920	3.1	34,898
Total	2,063,478	100.0	1,165,717	1,839,844	100.0	937,390

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 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

	2014		
	loans and impairment advances	Impaired Individually assessed allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	7,151	1,962	10,766
Yangtze River Delta	9,240	3,766	9,959
Pearl River Delta and West Strait	5,140	2,685	7,318
Central	3,453	1,042	6,255
Western	1,276	458	4,923
	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

#### The Bank

	2014		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	7,108	1,919	10,763
Yangtze River Delta	9,231	3,765	9,940
Pearl River Delta and West Strait	4,894	2,655	7,309
Central	3,453	1,042	6,255
Western	1,276	458	4,923
	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

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (a) Credit risk (Continued)

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

	The Group		The Bank	
	2014	2013	2014	2013
Unsecured loans	392,960	399,860	368,639	382,075
Guaranteed loans	513,735	499,725	469,234	463,191
Secured loans				
— Tangible assets other than monetary assets	953,053	740,650	917,020	705,499
— Monetary assets	260,117	236,171	248,697	231,891
Subtotal	2,119,865	1,876,406	2,003,590	1,782,656
Discounted bills	68,043	64,769	59,888	57,188
Gross loans and advances to customers	2,187,908	1,941,175	2,063,478	1,839,844

##### (vi) Rescheduled loans and advances to customers

###### The Group

	2014		2013	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	13,724	0.63%	6,176	0.32%
Less:				
— rescheduled loans and advances overdue more than 3 months	6,901	0.32%	4,045	0.21%
— rescheduled loans and advances overdue less than 3 months	6,823	0.31%	2,131	0.11%

###### The Bank

	2014		2013	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	13,204	0.64%	5,603	0.30%
Less:				
— rescheduled loans and advances overdue more than 3 months	6,901	0.33%	4,045	0.22%
— rescheduled loans and advances overdue less than 3 months	6,303	0.31%	1,558	0.08%

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

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 62 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 organisational 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 authorisation 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 with 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.



## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (b) Market risk (Continued)

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

#### The Group

	Effective interest rate (note (i))	2014					
		Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
<b>Assets</b>							
Cash and balances with central bank	1.49%	538,486	7,232	531,254	—	—	—
Deposits with banks and non-bank financial institutions	3.24%	93,991	—	89,799	2,682	1,510	—
Placements with banks and non-bank financial institutions	3.96%	68,180	21	52,611	15,095	—	453
Financial assets held under resale agreements	5.27%	135,765	—	131,871	3,068	826	—
Investment classified as receivable	6.17%	653,256	424	165,430	370,124	117,278	—
Loans and advances to customers (note (ii))	6.31%	2,136,332	238	984,930	974,735	154,359	22,070
Investments (note (iii))	4.03%	415,740	1,539	79,066	89,141	162,620	83,374
Others		97,065	81,277	5,831	9,957	—	—
<b>Total assets</b>		<b>4,138,815</b>	<b>90,731</b>	<b>2,040,792</b>	<b>1,464,802</b>	<b>436,593</b>	<b>105,897</b>
<b>Liabilities</b>							
Borrowing from central banks	3.50%	50,050	—	50,000	50	—	—
Deposits from banks and non-bank financial institutions	5.08%	688,292	1,369	571,472	104,872	10,579	—
Placements from banks and non-bank financial institutions	1.15%	19,648	—	14,179	4,406	1,063	—
Financial assets sold under repurchase agreements	3.60%	41,609	—	39,440	2,169	—	—
Deposits from customers	2.43%	2,849,574	13,355	1,883,466	685,792	263,226	3,735
Debt certificates issued	4.55%	133,488	—	21,008	13,519	20,260	78,701
Others		88,808	80,147	3,513	4,575	573	—
<b>Total liabilities</b>		<b>3,871,469</b>	<b>94,871</b>	<b>2,583,078</b>	<b>815,383</b>	<b>295,701</b>	<b>82,436</b>
<b>Asset-liability gap</b>		<b>267,346</b>	<b>(4,140)</b>	<b>(542,286)</b>	<b>649,419</b>	<b>140,892</b>	<b>23,461</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (b) Market risk (Continued)

##### The Group (Continued)

	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
<b>Assets</b>							
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	—	—	—	—
<b>Total assets</b>		<b>3,641,193</b>	<b>68,007</b>	<b>2,080,037</b>	<b>1,137,364</b>	<b>288,547</b>	<b>67,238</b>
<b>Liabilities</b>							
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	—	—	—	—
<b>Total liabilities</b>		<b>3,410,468</b>	<b>84,858</b>	<b>2,205,149</b>	<b>761,232</b>	<b>313,481</b>	<b>45,748</b>
<b>Asset-liability gap</b>		<b>230,725</b>	<b>(16,851)</b>	<b>(125,112)</b>	<b>376,132</b>	<b>(24,934)</b>	<b>21,490</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (b) Market risk (Continued)

##### The Bank

	Effective interest rate (note (i))	Total	2014				
			Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
<b>Assets</b>							
Cash and balances with central bank	1.50%	536,811	7,022	529,789	—	—	—
Deposits with banks and non-bank financial institutions	3.43%	81,689	—	77,550	2,629	1,510	—
Placements with banks and non-bank financial institutions	4.70%	47,810	21	32,158	15,178	—	453
Financial assets held under resale agreements	5.27%	135,765	—	131,871	3,068	826	—
Investment classified as receivables	6.17%	652,916	424	165,430	369,924	117,138	—
Loans and advances to customers (note (ii))	6.47%	2,012,342	—	873,780	964,493	152,101	21,968
Investments (note (iii))	4.08%	403,981	10,456	70,858	85,660	154,209	82,798
Others		91,322	75,534	5,831	9,957	—	—
<b>Total assets</b>		<b>3,962,636</b>	<b>93,457</b>	<b>1,887,267</b>	<b>1,450,909</b>	<b>425,784</b>	<b>105,219</b>
<b>Liabilities</b>							
Borrowing from central banks	3.50%	50,000	—	50,000	—	—	—
Deposits from banks and non-bank financial institutions	5.17%	698,362	226	581,485	106,072	10,579	—
Placements from banks and non-bank financial institutions	2.98%	18,703	—	13,785	4,406	512	—
Financial assets sold under repurchase agreements	3.79%	41,381	—	39,212	2,169	—	—
Deposits from customers	2.48%	2,699,597	6,219	1,776,811	651,413	261,419	3,735
Debt certificates issued	5.03%	115,592	—	14,433	9,253	16,479	75,427
Others		83,278	74,617	3,513	4,575	573	—
<b>Total liabilities</b>		<b>3,706,913</b>	<b>81,062</b>	<b>2,479,239</b>	<b>777,888</b>	<b>289,562</b>	<b>79,162</b>
<b>Asset-liability gap</b>		<b>255,723</b>	<b>12,395</b>	<b>(591,972)</b>	<b>673,021</b>	<b>136,222</b>	<b>26,057</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (b) Market risk (Continued)

##### The Bank (Continued)

	Effective interest rate (note (i))	Total	Non-interest bearing	2013			
				Less than three months	Between three months and one year	Between one and five years	More than five years
<b>Assets</b>							
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	—	—	—	—
<b>Total assets</b>		<b>3,492,977</b>	<b>70,190</b>	<b>1,958,427</b>	<b>1,115,855</b>	<b>281,579</b>	<b>66,926</b>
<b>Liabilities</b>							
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	—	—	—	—
<b>Total liabilities</b>		<b>3,269,621</b>	<b>73,902</b>	<b>2,112,849</b>	<b>733,509</b>	<b>308,630</b>	<b>40,731</b>
<b>Asset-liability gap</b>		<b>223,356</b>	<b>(3,712)</b>	<b>(154,422)</b>	<b>382,346</b>	<b>(27,051)</b>	<b>26,195</b>

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 62 Financial risk management (Continued)

### (b) Market risk (Continued)

- Notes: (i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.
- (ii) For loans and advances to customers at Group level, the above 'Less than three months' category includes overdue amounts (net of allowances for impairment losses) of RMB 43,496 million as at 31 December 2014 (2013: RMB 22,869 million).
- For loans and advances to customers at Bank level, the above 'Less than three months' category includes overdue amounts (net of allowances for impairment losses) of RMB 43,486 million as at 31 December 2014 (as at 31 December 2013: RMB 21,969 million).
- (iii) Investments include the financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and interest in associate. At the bank level, they also include the interests in subsidiaries.

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 2014 and 31 December 2013.

	2014		2013	
	Change in interest rates (in basis point)		Change in interest rates (in basis point)	
	(100)	100	(100)	100
Increase/(Decrease) in annualized net interest income (in millions of RMB)	552	(552)	(1,570)	1,570

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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (b) Market risk (Continued)

The exposures at the reporting date were as follows:

##### The Group

	2014				Total
	RMB	USD	HKD	Others	
<b>Assets</b>					
Cash and balances with central bank	526,072	10,145	2,078	191	538,486
Deposits with banks and non-bank financial institutions	17,389	67,694	5,908	3,000	93,991
Placements with banks and non-bank financial institutions	45,714	21,359	315	792	68,180
Financial assets held under resale agreements	135,194	571	—	—	135,765
Investment classified as receivables	652,033	1,223	—	—	653,256
Loans and advances to customers	1,918,137	154,673	54,167	9,355	2,136,332
Investments	388,142	15,468	8,403	3,727	415,740
Others	90,525	2,797	3,309	434	97,065
<b>Total assets</b>	<b>3,773,206</b>	<b>273,930</b>	<b>74,180</b>	<b>17,499</b>	<b>4,138,815</b>
<b>Liabilities</b>					
Borrowing from central banks	50,050	—	—	—	50,050
Deposits from banks and non-bank financial institutions	661,496	21,950	392	4,454	688,292
Placements from banks and non-bank financial institutions	5,423	13,218	—	1,007	19,648
Financial assets sold under repurchase agreements	41,381	228	—	—	41,609
Deposits from customers	2,528,282	225,951	78,818	16,523	2,849,574
Debt certificates issued	117,576	10,824	2,488	2,600	133,488
Others	80,839	2,379	3,181	2,409	88,808
<b>Total liabilities</b>	<b>3,485,047</b>	<b>274,550</b>	<b>84,879</b>	<b>26,993</b>	<b>3,871,469</b>
<b>Net on-balance sheet position</b>	<b>288,159</b>	<b>(620)</b>	<b>(10,699)</b>	<b>(9,494)</b>	<b>267,346</b>
Credit commitments	1,137,105	113,081	27,163	6,854	1,284,203
Derivatives (note(i))	(19,902)	(14,798)	25,585	17,848	8,733

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (b) Market risk (Continued)

The Group (Continued)

	2013				Total
	RMB	USD	HKD	Others	
<b>Assets</b>					
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
<b>Total assets</b>	<b>3,322,579</b>	<b>246,204</b>	<b>59,416</b>	<b>12,994</b>	<b>3,641,193</b>
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>3,078,402</b>	<b>220,756</b>	<b>74,096</b>	<b>37,214</b>	<b>3,410,468</b>
<b>Net on-balance sheet position</b>	<b>244,177</b>	<b>25,448</b>	<b>(14,680)</b>	<b>(24,220)</b>	<b>230,725</b>
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)



## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (b) Market risk (Continued)

##### The Bank

	2014				Total
	RMB	USD	HKD	Others	
<b>Assets</b>					
Cash and balances with central bank	524,992	9,775	1,879	165	536,811
Deposits with banks and non-bank financial institutions	17,292	61,336	967	2,094	81,689
Placements with banks and non-bank financial institutions	32,103	15,510	197	—	47,810
Financial assets held under resale agreements	135,194	571	—	—	135,765
Investment classified as receivable	651,693	1,223	—	—	652,916
Loans and advances to customers	1,899,740	103,054	1,203	8,345	2,012,342
Investments	395,798	7,693	—	490	403,981
Others	85,641	5,124	18	539	91,322
<b>Total assets</b>	<b>3,742,453</b>	<b>204,286</b>	<b>4,264</b>	<b>11,633</b>	<b>3,962,636</b>
<b>Liabilities</b>					
Borrowing from central banks	50,000	—	—	—	50,000
Deposits from banks and non-bank financial institutions	671,786	21,836	286	4,454	698,362
Placements from banks and non-bank financial institutions	5,063	12,633	—	1,007	18,703
Financial assets sold under repurchase agreements	41,381	—	—	—	41,381
Deposits from customers	2,496,448	188,554	6,989	7,606	2,699,597
Debt certificates issued	115,592	—	—	—	115,592
Others	76,598	4,463	191	2,026	83,278
<b>Total liabilities</b>	<b>3,456,868</b>	<b>227,486</b>	<b>7,466</b>	<b>15,093</b>	<b>3,706,913</b>
<b>Net on-balance sheet position</b>	<b>285,585</b>	<b>(23,200)</b>	<b>(3,202)</b>	<b>(3,460)</b>	<b>255,723</b>
Credit commitments	1,131,175	71,045	188	5,903	1,208,311
Derivatives (note(i))	(8,388)	4,322	1,840	11,790	9,564

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (b) Market risk (Continued)

##### The Bank (Continued)

	2013				Total
	RMB	USD	HKD	Others	
<b>Assets</b>					
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
<b>Total assets</b>	<b>3,293,365</b>	<b>187,812</b>	<b>2,365</b>	<b>9,435</b>	<b>3,492,977</b>
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>3,048,787</b>	<b>188,686</b>	<b>9,086</b>	<b>23,062</b>	<b>3,269,621</b>
<b>Net on-balance sheet position</b>	<b>244,578</b>	<b>(874)</b>	<b>(6,721)</b>	<b>(13,627)</b>	<b>223,356</b>
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)

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.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 62 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 profit. The following table sets forth, as at 31 December 2014 and 31 December 2013, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

	2014		2013	
	Change in foreign currency exchange rate (in basis point)		Change in foreign currency exchange rate (in basis point)	
	(100)	100	(100)	100
(Decrease)/increase in annualized profit (in millions of RMB)	(12.78)	12.78	(0.14)	0.14

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 profit 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 tools 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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 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

	Repayable on demand	Within 3 months	2014				Total
			Between three months and one year	Between one and five years	More than five years	Indefinite (note (i))	
<b>Assets</b>							
Cash and balances with central banks	77,398	—	—	—	—	461,088	538,486
Deposits with banks and non-bank financial institutions	70,434	19,365	2,682	1,510	—	—	93,991
Placements with banks and non-bank financial institutions	—	50,799	17,360	—	—	21	68,180
Financial assets held under resale agreements	—	131,709	3,068	988	—	—	135,765
Investment classified as receivables	—	165,430	370,124	117,278	—	424	653,256
Loans and advances to customers (note (ii))	20,578	469,777	790,021	485,009	336,118	34,829	2,136,332
Investments (note (iii))	4,190	33,044	75,585	203,675	96,437	2,809	415,740
Others	17,193	31,338	17,563	1,733	956	28,282	97,065
<b>Total assets</b>	<b>189,793</b>	<b>901,462</b>	<b>1,276,403</b>	<b>810,193</b>	<b>433,511</b>	<b>527,453</b>	<b>4,138,815</b>
<b>Liabilities</b>							
Borrowing from central banks	—	50,000	50	—	—	—	50,050
Deposits from banks and non-bank financial institutions	124,269	448,572	104,872	10,579	—	—	688,292
Placements from banks and non-bank financial institutions	—	14,179	4,406	1,063	—	—	19,648
Financial assets sold under repurchase agreements	—	39,440	2,169	—	—	—	41,609
Deposits from customers	1,290,019	591,897	682,497	265,392	19,769	—	2,849,574
Debt certificates issued	—	17,897	14,665	18,593	82,333	—	133,488
Others	42,583	12,738	9,491	18,090	2,380	3,526	88,808
<b>Total liabilities</b>	<b>1,456,871</b>	<b>1,174,723</b>	<b>818,150</b>	<b>313,717</b>	<b>104,482</b>	<b>3,526</b>	<b>3,871,469</b>
<b>(Short)/Long position</b>	<b>(1,267,078)</b>	<b>(273,261)</b>	<b>458,253</b>	<b>496,476</b>	<b>329,029</b>	<b>523,927</b>	<b>267,346</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (c) Liquidity risk (Continued)

The Group (Continued)

	Repayable on demand	Within 3 months	Between three months and one year	2013 Between one and five years	More than five years	Indefinite (note(i))	Total
<b>Assets</b>							
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
<b>Total assets</b>	<b>132,025</b>	<b>881,951</b>	<b>1,122,043</b>	<b>645,773</b>	<b>391,976</b>	<b>467,425</b>	<b>3,641,193</b>
<b>Liabilities</b>							
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	16,720	45,280	—	76,869
Others	31,087	8,721	10,021	18,103	1,559	2,862	72,353
<b>Total liabilities</b>	<b>1,297,247</b>	<b>958,880</b>	<b>770,974</b>	<b>331,407</b>	<b>49,098</b>	<b>2,862</b>	<b>3,410,468</b>
<b>(Short)/Long position</b>	<b>(1,165,222)</b>	<b>(76,929)</b>	<b>351,069</b>	<b>314,366</b>	<b>342,878</b>	<b>464,563</b>	<b>230,725</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 62 Financial risk management (Continued)

#### (c) Liquidity risk (Continued)

##### The Bank

	Repayable on demand	Within 3 months	2014				Total
			Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	
<b>Assets</b>							
Cash and balances with central banks	76,737	—	—	—	—	460,074	536,811
Deposits with banks and non-bank financial institutions	56,859	20,691	2,629	1,510	81,689	—	—
Placements with banks and non-bank financial institutions	—	32,611	15,178	—	—	21	47,810
Financial assets held under resale agreements	—	131,709	3,068	988	—	—	135,765
Investment classified as receivables	—	165,430	369,924	117,138	—	424	652,916
Loans and advances to customers (note (ii))	18,946	437,732	751,392	450,073	320,396	33,803	2,012,342
Investments (note (iii))	4,190	26,082	72,563	193,990	95,429	11,727	403,981
Others	14,605	30,730	17,558	1,731	956	25,742	91,322
<b>Total assets</b>	<b>171,337</b>	<b>844,985</b>	<b>1,232,312</b>	<b>765,430</b>	<b>416,781</b>	<b>531,791</b>	<b>3,962,636</b>
<b>Liabilities</b>							
Borrowing from central banks	—	50,000	—	—	—	—	50,000
Deposits from banks and non-bank financial institutions	124,494	457,217	106,072	10,579	—	—	698,362
Placements from banks and non-bank financial institutions	—	13,785	4,406	512	—	—	18,703
Financial assets sold under repurchase agreements	—	39,212	2,169	—	—	—	41,381
Deposits from customers	1,251,178	500,985	664,246	263,419	19,769	—	2,699,597
Debt certificates issued	—	14,433	9,253	16,479	75,427	—	115,592
Others	40,224	12,336	9,341	18,092	2,380	905	83,278
<b>Total liabilities</b>	<b>1,415,896</b>	<b>1,087,968</b>	<b>795,487</b>	<b>309,081</b>	<b>97,576</b>	<b>905</b>	<b>3,706,913</b>
<b>(Short)/Long position</b>	<b>(1,244,559)</b>	<b>(242,983)</b>	<b>436,825</b>	<b>456,349</b>	<b>319,205</b>	<b>530,886</b>	<b>255,723</b>

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 62 Financial risk management (Continued)

### (c) Liquidity risk (Continued)

#### The Bank (Continued)

	Repayable on demand	Within 3 months	Between three months and one year	2013 Between one and five years	More than five years	Indefinite (note(i))	Total
<b>Assets</b>							
Cash and balances with central banks	72,274	—	—	—	—	422,042	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
<b>Total assets</b>	<b>122,022</b>	<b>838,499</b>	<b>1,077,353</b>	<b>609,288</b>	<b>375,264</b>	<b>470,551</b>	<b>3,492,977</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>1,262,998</b>	<b>888,999</b>	<b>747,658</b>	<b>326,732</b>	<b>42,290</b>	<b>944</b>	<b>3,269,621</b>
<b>(Short)/Long position</b>	<b>(1,140,976)</b>	<b>(50,500)</b>	<b>329,695</b>	<b>282,556</b>	<b>332,974</b>	<b>469,607</b>	<b>223,356</b>

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 amounts represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

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

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



# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 62 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 organisation 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.

## 63 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. These requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 63 Capital Adequacy Ratio (Continued)

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios as stipulated in the “Regulation Governing Capital of Commercial Banks (provisional)” by the end of 2018. 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, overseas subsidiaries and branches are directly regulated by local banking regulatory committees, 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.

	2014	2013
<b>Core tier-one capital adequacy ratio</b>	<b>8.93%</b>	8.78%
<b>Tier-one capital adequacy ratio</b>	<b>8.99%</b>	8.78%
<b>Capital adequacy ratio</b>	<b>12.33%</b>	11.24%
<i>Components of capital base</i>		
Core tier-one capital:		
Share capital	46,787	46,787
Valid portion of capital reserve	49,296	49,296
Other comprehensive income	(1,833)	(7,007)
Surplus reserve	19,394	15,495
General reserve	50,447	44,340
Retained profits	95,586	76,690
Valid portion of non-controlling interests	4,311	3,865
Total core tier-one capital	<b>263,988</b>	229,466
Core tier-one capital deductions:		
Goodwill (net of related deferred tax liability)	795	792
Other intangible assets other than land use right (net of related deferred tax liability)	407	363
Net core tier-one capital	<b>262,786</b>	228,311
Other tier-one capital (a)	1,796	69
Net tier-one capital	<b>264,582</b>	228,380
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	73,618	40,930
Surplus provision for loan impairment	23,123	21,288
Valid portion of non-controlling interests	1,525	1,614
Net capital base	<b>362,848</b>	292,212
Total risk-weighted assets	<b>2,941,627</b>	2,600,494

(a) As at 31 December 2014, the Group's other tier-one capital is the valid portion of non-controlling interests.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 64 Fair value

#### (a) The fair value of financial assets and financial liabilities not measured at fair value

Except for below items, the carrying value of the Group's other financial assets and liabilities approximated their fair values at the reporting date:

##### The Group

	Carrying values		Fair values	
	2014	2013	2014	2013
Held-to-maturity investments	177,957	154,849	177,856	147,052
Debt certificates issued				
— Certificates of deposit (not for trading purpose)	11,167	12,718	11,193	12,732
— Debt securities issued	16,302	15,904	16,656	15,393
— Subordinated bonds issued	82,333	45,279	83,715	40,640
— Certificates of interbank deposit issued	23,686	2,968	24,978	2,956
<b>Total</b>	<b>311,445</b>	<b>231,718</b>	<b>314,398</b>	<b>218,773</b>

##### The Bank

	Carrying values		Fair values	
	2014	2013	2014	2013
Held-to-maturity investments	177,957	154,788	177,856	146,990
Debt certificates issued				
— Debt securities issued	16,479	14,999	16,834	14,480
— Subordinated bonds issued	75,427	38,472	76,566	33,660
— Certificates of interbank deposit issued	23,686	2,968	24,978	2,956
<b>Total</b>	<b>293,549</b>	<b>211,227</b>	<b>296,234</b>	<b>198,086</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 64 Fair value (Continued)

#### (a) The fair value of financial assets and financial liabilities not measured at fair value (Continued)

The fair value of financial assets and liabilities above at fair value hierarchy is as follows:

##### The Group

	2014			Total
	Level 1	Level 2	Level 3	
Held-to-maturity investments	1,365	176,491	—	177,856
Debt certificates issued				
— Certificates of deposit (not for trading purpose) issued	—	11,193	—	11,193
— Debt securities issued	—	16,656	—	16,656
— Subordinated bonds issued	7,149	76,566	—	83,715
— Certificates of interbank deposit issued	—	24,978	—	24,978
<b>Total</b>	<b>8,514</b>	<b>305,884</b>	<b>—</b>	<b>314,398</b>

	2013			Total
	Level 1	Level 2	Level 3	
Held-to-maturity investments	547	146,505	—	147,052
Debt certificates issued				
— Certificates of deposit (not for trading purpose) issued	—	12,732	—	12,732
— Debt securities issued	507	14,886	—	15,393
— Subordinated bonds issued	6,980	33,660	—	40,640
— Certificates of interbank deposit issued	—	2,956	—	2,956
<b>Total</b>	<b>8,034</b>	<b>210,739</b>	<b>—</b>	<b>218,773</b>

##### The Bank

	2014			Total
	Level 1	Level 2	Level 3	
Held to maturity investments	1,365	176,491	—	177,856
Debt certificates issued				
— Debt securities issued	—	16,834	—	16,834
— Subordinated bonds issued	—	76,566	—	76,566
— Certificates of interbank deposit issued	—	24,978	—	24,978
<b>Total</b>	<b>1,365</b>	<b>294,869</b>	<b>—</b>	<b>296,234</b>

	2013			Total
	Level 1	Level 2	Level 3	
Held to maturity investments	547	146,443	—	146,990
Debt certificates issued				
— Debt securities issued	—	14,480	—	14,480
— Subordinated bonds issued	—	33,660	—	33,660
— Certificates of interbank deposit issued	—	2,956	—	2,956
<b>Total</b>	<b>547</b>	<b>197,539</b>	<b>—</b>	<b>198,086</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 64 Fair value (Continued)

#### (b) The year-end fair value of financial assets and financial liabilities measured at fair value

	The Group			Total
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	
As at 31 December 2014				
Recurring fair value measurements				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Trading financial assets				
— Debt securities	1,616	11,130	—	12,746
— Investment funds	—	—	2	2
— Certificates of interbank deposit	—	13,923	—	13,923
Financial assets designed at fair value through profit or loss				
— Debt securities	—	838	—	838
Positive fair value of derivatives				
— Interest rate derivatives	—	972	5	977
— Currency derivatives	10	6,396	—	6,406
— Precious metals derivatives	—	843	—	843
Available-for-sale financial assets				
— Debt securities	23,055	160,233	12	183,300
— Investment funds	—	320	127	447
— Certificates of deposit and certificates of interbank deposit	228	23,660	—	23,888
— Equity instruments	89	1,548	—	1,637
<b>Total financial assets recurringly measured at fair value</b>	<b>24,998</b>	<b>219,863</b>	<b>146</b>	<b>245,007</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
— Short position in debt securities	(573)	—	—	(573)
Negative fair value of derivatives				
— Interest rate derivatives	—	(744)	(10)	(754)
— Currency derivatives	(1)	(6,207)	—	(6,208)
— Precious metals derivatives	—	(385)	—	(385)
<b>Total financial liabilities recurringly measured at fair value</b>	<b>(574)</b>	<b>(7,336)</b>	<b>(10)</b>	<b>(7,920)</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 64 Fair value (Continued)

#### (b) The year-end fair value of financial assets and financial liabilities measured at fair value (Continued)

	The Group			Total
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	
As at 31 December 2013				
Recurring fair value measurements				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Trading financial assets				
— Debt securities	—	10,966	—	10,966
— Investment funds	—	—	2	2
Financial assets designed at fair value through profit or 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
— Investment funds	—	315	290	605
— Certificates of deposit	247	4,581	—	4,828
— Equity instruments	76	—	—	76
<b>Total financial assets recurringly measured at fair value</b>	<b>15,802</b>	<b>180,437</b>	<b>357</b>	<b>196,596</b>
<b>Liabilities</b>				
Negative fair value of derivatives				
— Interest rate derivatives	—	(1,299)	(17)	(1,316)
— Currency derivatives	—	(5,535)	—	(5,535)
— Other derivatives	—	(2)	—	(2)
<b>Total financial liabilities recurringly measured at fair value</b>	<b>—</b>	<b>(6,836)</b>	<b>(17)</b>	<b>(6,853)</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 64 Fair value (Continued)

#### (b) The year-end fair value of financial assets and financial liabilities measured at fair value (Continued)

	The Bank			Total
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	
As at 31 December 2014				
Recurring fair value measurements				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Trading financial assets				
— Certificates of interbank deposit	1,609	11,131	—	12,740
— Certificates of deposit	—	13,923	—	13,923
Financial assets designed at fair value through profit or loss				
— Debt securities	—	838	—	838
Positive fair value of derivatives				
— Interest rate derivatives	—	718	5	723
— Currency derivatives	—	4,072	—	4,072
— Precious metals derivatives	—	843	—	843
Available-for-sale financial assets				
— Debt securities and certificates of interbank deposit	6,832	159,026	9	165,867
— Investment funds	—	320	—	320
— Certificates of deposit	—	20,650	—	20,650
— Equity instruments	38	1,548	—	1,586
<b>Total financial assets recurringly measured at fair value</b>	<b>8,479</b>	<b>213,069</b>	<b>14</b>	<b>221,562</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
— Short position in debt securities	(573)	—	—	(573)
Negative fair value of derivatives				
— Interest rate derivatives	—	(703)	(10)	(713)
— Currency derivatives	—	(3,902)	—	(3,902)
— Precious metals derivatives	—	(385)	—	(385)
<b>Total financial liabilities recurringly measured at fair value</b>	<b>(573)</b>	<b>(4,990)</b>	<b>(10)</b>	<b>(5,573)</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 64 Fair value (Continued)

#### (b) The year-end fair value of financial assets and financial liabilities measured at fair value (Continued)

	The Bank			Total
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	
As at 31 December 2013				
Recurring fair value measurements				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
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
— Investment funds	—	315	—	315
— Equity instruments	31	—	—	31
<b>Total financial assets recurringly measured at fair value</b>	<b>6,210</b>	<b>171,123</b>	<b>21</b>	<b>177,354</b>
<b>Liabilities</b>				
Negative fair value of derivatives				
— Interest rate derivatives	—	(1,186)	(17)	(1,203)
— Currency derivatives	—	(4,415)	—	(4,415)
— Other derivatives	—	(2)	—	(2)
<b>Total financial liabilities recurringly measured at fair value</b>	<b>—</b>	<b>(5,603)</b>	<b>(17)</b>	<b>(5,620)</b>

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



## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 64 Fair value (Continued)

#### (b) The year-end fair value of financial assets and financial liabilities measured at fair value (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		Total
	Trading financial assets	Financial assets designed at fair value through profit or loss	Positive fair value of derivatives	Available-for-sale financial assets	Investment funds	Total	Negative fair value of derivatives	
	Investment funds	Debt securities	Interest rate derivatives	Debt securities	Investment funds		Interest rate derivatives	
As at 1 January 2014	2	40	12	13	290	357	(17)	(17)
Total gains or losses								
— In profit or loss	—	—	(8)	—	—	(8)	12	12
— In other comprehensive income	—	—	—	(1)	(25)	(26)	—	—
Purchase	—	—	—	—	15	15	—	—
Settlements	—	(40)	1	—	(153)	(192)	(5)	(5)
Exchange effect	—	—	—	—	—	—	—	—
As at 31 December 2014	2	—	5	12	127	146	(10)	(10)
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))	—	—	—	—	—	—	4	4

	Assets					Liabilities		Total
	Trading financial assets	Financial assets designed at fair value through profit or loss	Positive fair value of derivatives	Available-for-sale financial assets	Investment funds	Total	Negative fair value of derivatives	
	Investment funds	Debt securities	Interest rate derivatives	Debt securities	Investment funds		Interest rate derivatives	
As at 1 January 2013	2	39	84	17	364	506	(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)	(10)	—	—
As at 31 December 2013	2	40	12	13	290	357	(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

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 64 Fair value (Continued)

#### (b) The year-end fair value of financial assets and financial liabilities measured at fair value (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

	Positive fair value of derivatives Interest rate derivatives	Assets Available-for-sale financial assets Debt securities	Total	Liabilities Negative fair value of derivatives Interest rate derivatives	Total
As at 1 January 2014	12	9	21	(17)	(17)
Total gains or losses					
— In profit or loss	(8)	1	(7)	12	12
— In other comprehensive income	—	(1)	(1)	—	—
Settlements	1	—	1	(5)	(5)
As at 31 December 2014	5	9	14	(10)	(10)
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))	—	—	—	4	4

	Positive fair value of derivatives Interest rate derivatives	Assets Available-for-sale financial assets Debt securities	Total	Liabilities Negative fair value of derivatives Interest rate derivatives	Total
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

- (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 profit or loss and other comprehensive income.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 65 Related parties

### (a) Relationship of related parties

- (i) Related parties of the Group include CITIC Group and its fellow entities, subsidiaries, joint ventures and associates of the Group as well as BBVA, which is a strategic investor of the Group.
- (ii) On 6 August 2014, the Bank was noticed that its immediate parent has been renamed as CITIC Corporation Limited. On 25 August 2014, the transaction of transferring the share of CITIC Corporation Limited held by CITIC Group and Beijing CITIC Enterprise Management Co., Ltd to CITIC Pacific Limited (has been renamed as CITIC Limited on 27 August 2014) was completed. As at 31 December 2014, the immediate parent of the Bank is CITIC Corporation Limited, and the ultimate parent of the Bank remains unchanged, being CITIC Group.
- (iii) According to the relevant requirements on information disclosures of listed companies issued by China Securities Regulatory Commission (“CSRC”), all parties that hold more than 5% of a listed company’s shares should be recognised 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 9.6% of the Bank’s share as of 31 December 2014 (2013: 9.9%) and therefore BBVA is recognised as a related party of the Group under the definition provided by the local regulators.
- (iv) Besides the subsidiaries of the Bank mentioned in Note 31, CITIC Corporation Limited, 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. Transactions during the relevant years and the corresponding balances outstanding at the reporting dates are as follows:

	Ultimate holding company and fellow entities	2014		
		BBVA	Associates	Subsidiaries Note (i)
<b>Profit and loss</b>				
Interest income	385	—	—	47
Fee and commission income and other operating income	423	—	—	—
Interest expense	(1,595)	(2)	—	(549)
Net trading gain/(loss)	380	(124)	—	1
Other service fees	(848)	—	—	(89)
		2013		
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
<b>Profit and loss</b>				
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 gain/(loss)	(10)	242	16	—
Other service fees	(582)	—	(1)	(84)

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 65 Related parties (Continued)

#### (b) Related party transactions (Continued)

	Ultimate holding company and fellow entities	2014		
		BBVA	Associates	Subsidiaries Note (i)
<b>Assets</b>				
Gross loans and advances to customers	6,588	—	—	—
Less: collectively assessed allowances for impairment loss	(51)	—	—	—
Loans and advances to customers (net)	6,537	—	—	—
Gross amount of deposits and placements with banks and non-bank financial institutions	212	673	—	3,661
Less: Allowances for impairment losses	(7)	—	—	—
Deposit and placement with banks and non-bank financial institutions (net)	205	673	—	3,661
Investments	252	—	870	9,986
Other assets	7,759	152	—	11
<b>Liabilities</b>				
Deposits from customers	34,751	—	30	124
Deposits and placements from banks and non-bank financial institutions	26,842	908	—	10,290
Other liabilities	228	103	—	27
<b>Off-balance sheet items</b>				
Guarantees and letters of credit	204	307	—	—
Acceptances	258	—	—	—
Guarantees received	10	33	—	—
Nominal amount of derivatives	3,001	19,789	—	—

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 65 Related parties (Continued)

#### (b) Related party transactions (Continued)

	Ultimate holding company and fellow entities	2013		
		BBVA	Associates	Subsidiaries Note (i)
<b>Assets</b>				
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
<b>Liabilities</b>				
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
<b>Off-balance sheet items</b>				
Guarantees and letters of credit	389	—	5	—
Acceptances	926	—	—	—
Guarantees received	328	5	—	20
Nominal amount of derivatives	4,507	15,467	—	61

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

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 65 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 jointly controlled 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, their close family members or those companies controlled or jointly controlled by them.

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:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	7,059.9	5,595.0
Discretionary bonuses	12,356.4	10,336.4
Contributions to defined contribution retirement schemes	1,444.2	1,047.4
	<b>20,860.5</b>	16,978.8

### (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 44(c)).

### (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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 66 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 2014 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 recognised:

Carrying Amount	The Group 31 December 2014						Maximum risk exposure
	Held-to- maturity investments	Available for sale financial assets	Investment classified as receivables	Carrying amount Financial assets held under resale agreements	Interest Receivable	Total	
Wealth management products	—	—	78,859	—	1,598	80,457	80,457
Investment management products managed by securities companies	—	—	452,319	2,107	7,905	462,331	462,331
Trust investment plans	—	—	108,535	15	1,549	110,099	110,099
Asset-backed financings	7,110	9	—	—	—	7,119	7,119
Investment funds	—	127	—	—	—	127	127
<b>Total</b>	<b>7,110</b>	<b>136</b>	<b>639,713</b>	<b>2,122</b>	<b>11,052</b>	<b>660,133</b>	<b>660,133</b>

Carrying Amount	The Group 31 December 2013						Maximum risk exposure
	Held-to- maturity investments	Available for sale financial assets	Investment classified as receivables	Carrying amount 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
<b>Total</b>	<b>202</b>	<b>305</b>	<b>277,544</b>	<b>9,657</b>	<b>2,049</b>	<b>289,757</b>	<b>289,757</b>

# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 66 Involvement with unconsolidated structured entities (Continued)

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The maximum exposures to risk 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 risk 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 recognised in the statement of financial positions.

### (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 2014, the carrying amounts of management fee receivables being recognised in the statement of financial position is RMB 855 million (31 December 2013: RMB 474 million).

As at 31 December 2014, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB 376,613 million (31 December 2013: RMB 246,356 million).

As at 31 December 2014, the amount of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB 16,800 million (31 December 2013: RMB 5,750 million). During the year of 2014, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB 39,420 million (2013: RMB 7,450 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During the year of 2014, the amount of fee and commission income earned from the abovementioned structured entities by the Group is RMB 3,958 million (2013: RMB 2,491 million).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2014 but matured before 31 December 2014 is RMB 393.9 billion (2013: RMB 247.5 billion).

In 2014, the carrying amount of those assets transferred to the securitization vehicles by the Group during the relevant transactions was RMB 6,197 million. The Group held some asset-backed securities, whose information can be seen in note 67.



# Notes to the Financial Statements

*(Expressed in millions of Renminbi unless otherwise stated)*

## 67 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

### Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's retain of risk and rewards on the transferred assets. The Group will assess derecognise the assets or not to the extent of risks and rewards retained. If the Group transfers substantially all of the risks and rewards of ownership of financial assets to an unconsolidated securitisation vehicle and retains a relatively small interest in the vehicle or a servicing arrangement in respect of the transferred financial assets, the financial assets are derecognised in their entirety, then the interest in unconsolidated securitisation vehicles that the Group receives as part of the transfer and the servicing arrangement represent continuing involvement with those assets.

As part of certain securitisation transactions, the Group retains servicing rights in respect of the transferred financial assets. Under the servicing arrangements, the Group collects the cash flows on the transferred assets on behalf of the unconsolidated securitisation vehicle. In return, the Group receives a fee that is expected to compensate the Group adequately for servicing the related assets. Consequently, the Group accounts for the servicing arrangements as executory contracts and has not recognised a servicing asset/liability. The servicing fees are based on a fixed percentage of the cash flows that the Group collects as an agent on the transferred assets.

In August 2014, the Group transferred corporate loans to an unconsolidated securitisation vehicle. The loans were classified as loans and advances to customers and measured at amortised cost. Their total carrying amount at the time of transfer was RMB 6,197 million. As part of the consideration, received notes issued by the securitisation vehicle represent 5% of the issued asset-backed securities, which are recorded as available for sale assets, and the carrying amount is RMB 284 million, which is also the amount that best represents the Group's maximum exposure to loss.

In 2014, the Group realised a loss of 16.93 million on such transfers of corporate loans. Interest income amounting to RMB 4.12 million is recognised in the profit or loss while fair value changes of RMB 0.40 million is recognised in other comprehensive income. The Group recognised income of RMB 6.35 million in 2014 in respect of servicing the corporate loans. On 31 December 2014, the fair value of the loans and advances to customers that the Group still services amounted to RMB 2,946 million. The fair value of servicing assets and liabilities on 31 December 2014 is not material.

## 68 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously ("the offset criteria").

The Group enters into enforceable master netting arrangements with counterparties. If an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis. Except for the event of default, all outstanding transactions with the counterparty are settled on a gross basis and generally do not result in offsetting the assets and liabilities in the statement of financial position.

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 68 Offsetting financial assets and financial liabilities (Continued)

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

#### The Group

	Gross amounts of recognised financial instruments	Gross amounts offset in the statement of financial position	2014			
			Amounts presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
<b>Financial assets</b>						
Derivatives	8,226	—	8,226	(3,383)	(34)	4,809
<b>Financial liabilities</b>						
Derivatives	7,347	—	7,347	(3,383)	—	3,964

	Gross amounts of recognised financial instruments	Gross amounts offset in the statement of financial position	2013			
			Amounts presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
<b>Financial assets</b>						
Derivatives	7,749	—	7,749	(3,677)	(345)	3,727
<b>Financial liabilities</b>						
Derivatives	6,853	—	6,853	(3,677)	—	3,176

## Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

### 68 Offsetting financial assets and financial liabilities (Continued)

#### The Bank

	2014					
	Gross amounts of recognised financial instruments	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
Financial instruments				Cash collateral received		
<b>Financial assets</b>						
Derivatives	5,638	—	5,638	(2,392)	—	3,246
<b>Financial liabilities</b>						
Derivatives	5,000	—	5,000	(2,392)	—	2,608

	2013					
	Gross amounts of recognised financial instruments	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
Financial instruments				Cash collateral received		
<b>Financial assets</b>						
Derivatives	5,866	—	5,866	(2,997)	—	2,869
<b>Financial liabilities</b>						
Derivatives	5,620	—	5,620	(2,997)	—	2,623

### 69 Ultimate parent

As at 31 December 2014, the immediate parent of the Bank is CITIC Corporation Limited and the ultimate parent of the Bank is CITIC Group.

# Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

## 70 Possible impact of amendments, new standards and interpretations issued but not yet effective

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 2014 and which have not been adopted in these financial statements.

- IFRS 9, *Financial instruments*;
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11, *Joint arrangements, Accounting for Acquisitions of Interests in Joint Operations*
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 16, Property, plant and equipment and IAS 38, *Intangible assets, Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 19, *Employee benefits, Defined Benefit Plans: Employee Contributions*
- Amendments to IAS 27, *Separate financial statements, Equity Method in Separate Financial Statements*
- Amendments to IFRS 10, Consolidated financial statements and IAS 28, *interests in associates and joint ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle
- Annual Improvements to IFRSs 2012–2014 Cycle

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.

## 71 Comparative figures

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

## 72 Events after the reporting date

The Bank proposed to issue no more than 2,462,490,897 A shares to China National Tobacco Corporation, raising no more than RMB11,918 million in aggregate. The proceeds from this issue will be used to replenish core tier 1 capital after deducting issuance costs. This private placement proposal was approved by CBRC on 5 March 2015, and will be executed after obtaining the approval of CSRC.

The Bank proposed to establish a wholly-owned subsidiary, CITIC Financial Leasing Company ("the Leasing Company") with a registered capital of RMB 4 billion. This proposal was approved by CBRC on 26 February 2015. The Leasing Company will commence operation after obtaining further approval by relevant regulatory authorities.

# Unaudited Supplementary Financial Information

(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 2014 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 2014 or total equity as at 31 December 2014 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 2014	31 December 2013
RMB current assets to RMB current liabilities	52.59%	43.45%
Foreign currency current assets to foreign currency current liabilities	40.45%	106.78%

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

## 3 Currency concentrations

	31 December 2014			
	US Dollars	HK Dollars	Others	Total
Spot assets	273,930	74,180	17,499	365,609
Spot liabilities	(274,550)	(84,879)	(26,993)	(386,422)
Forward purchases	439,345	36,632	55,218	531,195
Forward sales	(469,947)	(10,956)	(35,412)	(516,315)
Options	15,804	(91)	(1,958)	13,755
Net (short)/long position	(15,418)	14,886	8,354	7,822

	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

## Unaudited Supplementary Financial Information

(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 2014			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	10,829	5	16,839	27,673
— of which attributed to Hong Kong	3,559	—	5,964	9,523
Europe	6,496	52	907	7,455
North and South America	33,075	10	8,722	41,807
<b>Total</b>	<b>50,400</b>	<b>67</b>	<b>26,468</b>	<b>76,935</b>

	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
<b>Total</b>	<b>62,898</b>	<b>195</b>	<b>15,283</b>	<b>78,376</b>

## Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

### 5 Overdue loans and advances to customers by geographical sectors

	31 December 2014		
	Gross loans and advances	Loans and Advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	576,598	8,557	7,151
Yangtze River Delta	512,214	10,064	9,240
Pearl River Delta and West Strait	319,360	6,055	5,140
Central	306,274	4,239	3,453
Western	292,793	1,624	1,276
Northeastern	64,071	1,996	1,923
Outside Mainland China	116,598	375	271
<b>Total</b>	<b>2,187,908</b>	<b>32,910</b>	<b>28,454</b>

	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
<b>Total</b>	<b>1,941,175</b>	<b>20,165</b>	<b>19,966</b>

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.

## Unaudited Supplementary Financial Information

(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

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

	31 December 2014	31 December 2013
Gross amounts due from banks and other financial institutions which have been overdue	29	126
As a percentage of total gross amounts due from banks and other financial institutions	0.02%	0.05%

#### (b) Gross amounts of overdue loans and advances to customers

	31 December 2014	31 December 2013
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	8,986	3,654
— between 6 and 12 months	13,167	8,505
— over 12 months	10,757	8,006
Total	32,910	20,165
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	0.41%	0.19%
— between 6 and 12 months	0.60%	0.44%
— over 12 months	0.49%	0.41%
Total	1.50%	1.04%

- 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 2014, the loans and advances to customers of RMB 26,681 million (2013: RMB 16,180 million) and RMB 6,229 million (2013: RMB 3,985 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB 8,668 million (2013: RMB 3,786 million) and RMB 18,013 million (2013: RMB 12,394 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB 14,099 million (2013: RMB 6,723 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB 11,442 million (2013: RMB 8,714 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 2014, 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

### IPO

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

In consideration of its proposed non-public offering of A Shares to China Tobacco Corporation, pursuant to relevant regulatory requirements, and in order not to affect the progress of the non-public offering and promote long-term development of the Bank, the Board of Directors suggested that the Bank do not make any dividend distribution in cash for full year of 2014.

The above-mentioned plan on dividend distribution is pending approval by the shareholders at the 2014 Annual General Meeting.

### Stock Code and Stock Name:

<b>A-share</b>	
SSE	601998 CNCB
Reuters	601998.SS
Bloomberg	601998 CH

<b>H-share</b>	
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  
3/F, China Insurance Building, No. 166 Lu Jia Zui East Road, Pudong New District,  
Shanghai  
Tel: +86-21—68870587

**H-share**  
Computershare Hong Kong Investor Services Limited  
Room 1712-16, 17/F, Hopewell Centre, No. 183 Queen's Road East, Wan Chai,  
Hong Kong  
Tel: +852-2862 8555  
Fax: +852-2865 0990  
E-mail: hkinfo@computershare.com.hk

## Reference for Shareholders

### Credit Rating

Ratings by Moody's Investors Service: Baa1 for long-term rating, P-2 for short-term rating, D+ for financial strength; and neutral for rating prospect.

Ratings by Fitch ratings: BBB for long-term 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  
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: No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing  
Tel: +86-10-89938900  
Fax: +86-10-85230081  
E-mail: ir\_cncb@citicbank.com

### | Other Information

This annual report is available in both the Chinese and English languages. To obtain copies of the annual report prepared in accordance with the international accounting standards, please write to Computershare Hong Kong Investor Services Limited, the Bank's H-share Registrar. For copies of the annual report prepared in accordance with the PRC accounting standards, please visit places of business of the Bank. This annual report is also available (in both the Chinese and English languages) on the following websites: bank.ecitic.com, www.sse.com.cn, www.hkexnews.hk.

Should you have any queries about how to obtain copies of this annual report or how to access the annual report on the Bank's website, please call the Bank's hotline at +86-10-89938900.



## List of Domestic and Overseas Affiliates

As at the end of the reporting period, the Bank had 1,230 outlets in 121 large and medium-sized cities in China, consisting of 40 tier-one branches (directly managed by the Head Office), 76 tier-two branches, 8 out-of-town sub-branches, and 1,106 other business outlets. CITIC Bank International (CNCBI), an affiliate of the Bank, had 42 outlets in Hong Kong, Macao, New York, Los Angeles, Singapore and mainland China.

Head Office		Tier-one Branches			Tier-two branches			
Address: No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100010 Website: <a href="http://bank.ecitic.com">http://bank.ecitic.com</a>					Tel: 4006800000 Fax: 010-85230002/3 Hotline: 95558			
Region	Province	Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax
Bohai Rim	Beijing	Beijing branch	66	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code:100033	010-66211769 010-66211770		—	
	Tianjin	Tianjin Branch	30	Address: F/3-8 Tianjin Global Financial Center, No. 2, North Dagu Road, Heping District, Tianjin Postal Code: 300020	022-23028888 022-23028800	Binhai New Area Branch	Address: No.16, Third Avenue, Tianjin Economic Development Zone Postal Code: 300457	022-25206823 022-25206631
Hebei	Shijiazhuang Branch	42	Address: CITIC Tower, No. 10, Ziqiang Road, Shijiazhuang, Hebei Province Postal Code: 050000	0311-87033788 0311-87884483	Baoding Branch	Address: No.178, Middle Swan Road, Baoding City, Hebei Province Postal Code: 071000	0312-2081598 0312-2081510	
					Handan Branch	Address: Jinlin Building, No. 408 Renmin Road, Congtai District, Handan, Hebei Province Postal Code: 056002	0310-7059688 0310-2076050	
	Tangshan Branch	16	Address: No. 46, Xinhua West Road, Tangshan, Hebei Province Postal Code: 063000	0315-3738508 0315-3738522		—		
					Cangzhou Branch	Address: Yihe Mansion, intersection of West Jiefang Road and Jing'er Avenue, Canal District, Cangzhou City, Hebei Province Postal Code: 061001	0317-5588001 0317-5588018	
Shandong	Jinan Branch	41	Address: CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province Postal Code: 250011	0531-86911315 0531-86929194	Zibo Branch	Address: CITIC Mansion, No. 230 Liuquan Road, Zhangdian District, Zibo, Shandong Province Postal Code: 255000	0533-3169875 0533-2210138	
					Jining Branch	Address: No. 28, Gongxiao Road, Jining, Shandong Province Postal Code: 272000	0537-2338888 0537-2338888	
					Dongying Branch	Address: No. 128, Fuqian Avenue, Dongcheng, Dongying, Shandong Province Postal Code: 257091	0546-7922255 0546-8198666	
					Linyi Branch	Address: No.138 Linyi Road, Linyi Economic Development Zone, Shandong Province Postal Code: 276034	0539-8722768 0539-8722768	
		Qingdao Branch	54	Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	0532-85022889 0532-85022888	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	0631-5336802 0631-5314076
					Yantai Branch	Address: No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province Postal Code: 264001	0535-6611030 0535-6611032	
					Weifang Branch	Address: No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province Postal Code: 261041	0536-8056002 0536-8056002	

## List of Domestic and Overseas Affiliates

Region	Province	Tier-one Branches				Tier-two branches			
		Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax	
Yangtze River Delta	Shanghai	Shanghai Branch	47	Address: Aurora Plaza, No. 99, Fucheng Road, Pudong New District, Shanghai Postal Code: 200120	021-58771111 021-58776606	Shanghai FTZ Branch	Address: CNCB, No.1 Jilong Road, Waigaoqiao Bonded Area, Shanghai Postal Code: 200131	021-58693053 021-58691213	
	Jiangsu	Nanjing Branch	63	Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	025-83799181 025-83799000	Changzhou Branch	Address: Boai Plaza, No.72, Boai Road, Changzhou, Jiangsu Province Postal Code: 213003	0519-88108833 0519-88107020	
						Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225300	0514-87890717 0514-87890531	
						Taizhou Branch	Address: No. 15, Gulou Road, Taizhou Postal Code: 225300	0523-86399111 0523-86399120	
						Nantong Branch	Address: Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province Postal Code: 226001	0513-81120909 0513-81120900	
						Zhenjiang Branch	Address: Building No. 66, Shenhua Guancheng International, No.8, Tanshan Road, Zhenjiang, Jiangsu Province Postal Code: 212003	0511-89886271 0511-89886200	
						Yancheng Branch	Address: No.188, South Yingbin Road, Yancheng, Jiangsu Province Postal Code: 224000	0515-89089958 0515-89089900	
			Wuxi Branch	19	Address: No. 187, Zhongshan Road, Wuxi, Jiangsu Province Postal Code: 214001	0510-82707177 0510-82709166		—	
			Suzhou Branch	27	Address: No. 258, Zhuhui Road, Suzhou, Jiangsu Province Postal Code: 215006	0512-65190307 0512-65198570		—	
	Zhejiang	Hangzhou	Branch	79	Address: No. 88, Yan'an Road, Hangzhou, Zhejiang Province Postal Code: 310002	0571-87032888 0571-87089180	Jiaxing Branch	Address: No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province Postal Code: 314000	0573-82097693 0573-82093454
							Shaoxing Branch	Address: No. 289, West Renmin Road, Shaoxing, Zhejiang Province Postal Code: 312000	0575-85227222 0575-85110428
							Wenzhou Branch	Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou Postal Code: 325000	0577-88858466 0577-88858575
							Yiwu Branch	Address: No. 100, Huangyuan Road, Yiwu, Zhejiang Province Postal Code: 322000	0579-85378838 0579-85378817
						Huzhou Branch	Address: No. 318, Huancheng West Road, Huzhou, Zhejiang Province Postal Code: 313000	0572-2226055 0572-2226055	
						Taizhou Branch	Address: No. 489, Shifu Avenue, Taizhou, Zhejiang Province Postal Code: 318000	0576-81889666 0576-88819916	
						Lishui Branch	Address: No.1, Zijin Road, Lishui, Zhejiang Province Postal Code: 323000	0578-2082977 0578-2082985	
						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	0580-8258288 0580-8258655	
		Ningbo Branch	23	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	0574-87733065 0547-87973742		—		

## List of Domestic and Overseas Affiliates

Region	Province	Tier-one Branches			Tier-two branches				
		Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax	
Pearl River Delta and West Strait	Fujian	Fuzhou Branch	32	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350001	0591-87613100 0591-87537066	Putian Branch	Address: 1/F & 2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian, Fujian Province Postal Code: 351100	0594-2853280 0594-2853260	
						Zhangzhou Branch	Address: 1/F -4/F, Yiqun Building, West Shengli Road, Zhangzhou Postal Code: 363000	0596-2995568 0596-2995207	
						Ningde Branch	Address: No.70 South Jiaocheng Road, Ningde, Fujian Province Postal Code: 352100	0593-8991918 0593-8991901	
		Xiamen Branch	17	Address: CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province Postal Code: 361001	0592-2995685 0592-2389037	Longyan Branch	Address: F/1-3, No. 153, East Fushan International Center, Denggao West Road, Xinluo District, Longyan, Fujian Province Postal Code: 364000	0597-2956510 0597-2956500	
		Quanzhou Branch	10	Address: F/1-3, Kaixiang Building, No. 336, Fengze Street, Quanzhou, Fujian Province Postal Code: 362000	0595-22148687 0595-22148222		—		
	Guangdong	Guangzhou Branch	61	Address: CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	020-87521188 020-87520668	Foshan Branch	Address: A Tower, Caifu Plaza, No. 37, Fenjiang South Road, Chancheng District, Foshan, Guangdong Province Postal Code: 528000	0757-83994912 0757-83998273	
						Zhongshan Branch	Address: No. 82, Dixing Plaza 2, Zhongshansi Road, Zhongshan, Guangdong Province Postal Code: 528400	0760-88668311 0760-88668383	
							Jiangmen Branch	Address: CNCB Tower, No. 131, Yingbin Avenue, Jiangmen, Guangdong Province Postal Code: 529000	0750-3939098 0750-3939029
							Huizhou Branch	Address: 1/F & 5/F, Dalong Building (Phase II), No. 2 Wenhua 1st Road, Jiangbei, Huizhou, Guangdong Province Postal Code: 516000	0752-2898862 0752-2898851
							Zhuhai Branch	Address: No. 1, Guanhaijing Floor 1 & 2, Jidajingshan Road, Xiangzhou District, Zhuhai, Guangdong Province Postal Code: 519015	0756-3292968 0756-3292956
						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	0758-2312888 0758-2109113	
	Shenzhen Branch	38	Address: Phase II Time Square, No.8 Third Central Road, Shenzhen, Guangdong Province Postal Code: 518000	0755-23610522 0755-25942028	Qianhai Branch	Address: No.103-104, F/1 Building No.2, Zhaoshang Plaza, Intersection of 2nd Industrial Road and Wanghai Road, Shekou, Nanshan District, Shenzhen, Guangdong Province Postal Code: 518000	0755-26862900 0755-26867195		
	Dongguan Branch	27	Address: Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	0769-22667888 0769-22667999		—			

## List of Domestic and Overseas Affiliates

Region	Province	Name of branch	Tier-one Branches			Tier-two branches			
			Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax	
	Hainan	Haikou Branch	6	Address: F/1-3, Banshan Hua Yuan, No.1 Middle Jinmao Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	0898-68578310 0898-68578364	Sanya Branch	Address: Building G, Juxinyuan, No.180 Phoenix Road, Jiyang District, Sanya, Hainan Province Postal Code: 572000	0898-88895558 0898-88861755	
Central Region	Anhui	Hefei Branch	33	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	0551-62898328 0551-62896226	Wuhu Branch	Address: X1-X4, West Jing Street, No. 8, Jinghu Road, Wuhu Postal Code: 241000	0553-3888685 0553-3888685	
						Anqing Branch	Address: No. 101, Zhongxing Road, Anqing, Anhui Province Postal Code: 246005	0556-5280606 0556-5280605	
						Bengbu Branch	Address: No. 1859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province Postal Code: 233000	0552-2087001 0552-2087001	
						Chuzhou Branch	Address: No.79 West Langya Road, Chuzhou City, Anhui Province Postal Code: 239000	0550-3529558 0550-3529559	
						Maanshan Branch	Address: No.1177 Central Huxi Road, Maanshan City, Anhui Province Postal Code: 243000	0555-2773228 0555-2773217	
						Henan	Zhengzhou Branch	57	Address: CITIC Mansion, No.1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018
							Jiaozuo Branch	Address: No. 1736, Tanan Road, Jiaozuo, Henan Province Postal Code: 454000	0391-8768282 0391-8789969
							Nanyang Branch	Address: Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province Postal Code: 473000	0377-61626896 0377-61628299
							Anyang Branch	Address: F/1, Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province Postal Code: 455000	0372-5998026 0372-5998086
							Pingdingshan Branch	Address: F/1-2, Phase II of Pingan Yi Yuan, Middle Miners' Road, Pingdingshan City, Henan Province Postal Code: 467000	0375-2195563 0375-2195519
							Xingxiang Branch	Address: Xinghairuyi Building, intersection of Xinzhong Avenue & East Renmin Road, Xingxiang, Henan Province Postal Code: 453000	0373-5891022 0373-5891055
	Hubei	Wuhan Branch	40	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	027-85355111 027-85355222	Huangshi Branch	Address: No.71 West Hangzhou Road, Tuanchengshan, Xialu District, Huangshi City, Hubei Province Postal Code: 435000	0714-6221099 0714-6226555	
						Xiangyang Branch	Address: Special No.1 Nanpaopu Street, People's Square, Xiangyang City, Hubei Province Postal Code: 441000	0710-3454199 0710-3454166	
Ezhou Branch						Address: 1/F, Hongchen Mansion, No. 91 Gucheng Road, Ezhou District, Ezhou, Hubei Province Postal Code: 436000	0711-3835776 0711-3835776		

## List of Domestic and Overseas Affiliates

Region	Province	Tier-one Branches			Tier-two branches							
		Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax				
Hunan	Changsha Branch	38	Address: Beichen Times Square, No.1500 North Xiangjiang Road, Kaifu District, Changsha, Hunan Province Postal Code: 410000	0731-84582008 0731-84582008	Yichang Branch	Address: No. 2 Meianchangdi Office Wing, Floor 1 & 2, Xilinyi Road, Xilin District, Yichang, Hubei Province Postal Code: 443000	0717-6495558 0717-6433698					
					Shiyan Branch	Address: F/1-2, Hua Fu Ming Di Project, No.3 Middle Beijing Road, aojian District, Shiyan City, Hubei Province Postal Code: 442000	0719-8106678 0719-8106606					
					Zhuzhou Branch	Address: Building No.2 Yaohua Jinyuan Mansion, North Yangtze Road, Tianyuan District, Zhuzhou, Hunan Province Postal Code: 412000	0731-22822800 0731-22822829					
					Xiangtan Branch	Address: No. 19, Middle Furong Road, Yuetang District, Xiangtan, Hunan Province Postal Code: 411100	0731-52350999 0731-55571058					
					Hengyang Branch	Address: No. 38, Jiefangdadao, Huaxin Development Zone, Hengyang, Hunan Province Postal Code: 421001	0734-8669859 0734-8669899					
					Yueyang Branch	Address: No. 366, Jianxiang Road, Yueyanglou District, Yueyang, Hunan Province Postal Code: 414000	0730-8923077 0730-8923078					
					Jiangxi	Nanchang Branch	19	Address: Tower A, No. 16, Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang Postal Code: 330003	0791-6660109 0791-6660107	Pingxiang Branch	Address: Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province Postal Code: 337000	0799-6890078 0799-6890078
										Jiujiang Branch	Address: Tower B, Jinxuanyijun Hotel, No. 276, Changhong Avenue, Lushan District, Jiujiang City, Jiangxi Province Postal Code: 332000	0792-8193535 0792-8193551
										Ganzhou Branch	Address: B Tower, Caifu Plaza, No.16, Xingguo Road, Zhanggong District, Ganzhou, Jiangxi Province Postal Code: 341000	0797-2136888 0797-2136863
										Shanxi	Taiyuan Branch	20
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	0352-2513779 0352-2513800										
					Changzhi Branch	Address: Office Building, Upper City No.2, Binhe City, No.288 Chengdong Road, Changzhi, Shanxi Province Postal Code: 046000	0355-8590000 0355-8590956					



## List of Domestic and Overseas Affiliates

Region	Province	Name of branch	Tier-one Branches			Tier-two branches		
			Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax
Western region	Chongqing	Chongqing Branch	26	Address: Block B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing Postal Code: 400010	023-63107677 023-63107527		—	
	Guangxi	Nanning Branch	17	Address: No. 36-1, Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	0771-5569881 0771-5569889	Liuzhou Branch	Address: No. 7, South Side of Guizhong Avenue, Liuzhou, Guangxi Zhuang Autonomous Region Postal Code: 545026	0772-2083609 0772-2083622
						Qinzhou Branch	Address: No. 10, Yongfu West Road, Qinzhou, Guangxi Postal Code: 535000	0777-2366139 0777-3253388
						Guilin Branch	Address: China Software•Modern City F/1,3,4, No.28 Wangjiang Road, Qixing District, Guilin, Guangxi Postal Code: 541000	0773-3679878 0773-3679819
	Guizhou	Guiyang Branch	11	Address: Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province Postal Code: 550002	0851-5587009 0851-5587377	Zunyi Branch	Address: Tian'an Hotel, Xiamen Road, Huichuan District, Zunyi, Guizhou Province Postal Code: 563000	0852-8322999 0852-8627318
	Inner Mongolia	Hohhot Branch	30	Address: No. 68, Xinhua Avenue, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	0471-6664933 0471-6664933	Baotou Branch	Address: No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region Postal Code: 014010	0472-5338930 0472-5338909
						Erdos Branch	Address: Anxijayuan, Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region Postal Code: 017000	0477-8188031 0477-8187016
						Chifeng	Address: No. 128, West Hada Street, Hongshan District, Chifeng, Inner Mongolia Autonomous Region Postal Code: 024000	0476-8867021 0476-8867022
	Ningxia	Yinchuan Branch	3	Address: No.160 Middle Beijing Road, Yinchuan, Ningxia Hui Autonomous Region Postal Code:750002	0951-7659955 0951-7653000		—	
	Qinghai	Xining Branch	4	Address: No.1 Jiaotong Lane, Xining, Qinghai Province Postal Code:810008	0971-8812658 0971-8812616		—	
	Shaanxi	Xi'an Branch	34	Address: No. 1, Middle Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	029-89320028 029-89320029	Xianyang Branch	Address: F/1-2, Lyuyan Building, No.33 Middle Renmin Road, Xianyang, Shaanxi Province Postal Code: 712000	029-33192666 029-33192691
						Baoji Branch	Address: No 50, Caifu Plaza B, Gaoxindadao, Baoji, Shaanxi Province Postal Code: 721013	0917-3158830 0917-3158818
						Weinan Branch	Address: Xinda Plaza, Shijimingzhu Plaza, Chaoyangdajie, Weinan, Shaanxi Province Postal code: 714000	0913-2089622 0913-2089606
						Yulin Branch	Address: CITIC Bank, Changxing Road, Yulin Economic Development Zone, Shaanxi Province Postal code: 719000	0912-6662063 0912-8160016

## List of Domestic and Overseas Affiliates

Region	Province	Name of branch	Number of outlets	Tier-one Branches		Tier-two branches		
				Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax
	Sichuan	Chengdu Branch	36	Address: No.1480 Tianfu Avenue, High-Tech Area, Chengdu, Sichuan Province Postal Code: 610041	028-85258881 028-85258898	Yibin Branch	Address: No.4 West Guangchang Road, Yibin, Sichuan Province Postal Code: 644001	0831-2106910 0831-2106915
	Xinjiang	Urumqi Branch	9	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	0991-2365936 0991-2365888		—	
	Yunnan	Kunming Branch	31	Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	0871-63648555 0871-63648667	Qujing Branch	Address: Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province Postal Code: 655000	0874-3119536 0874-3115696
						Dali Branch	Address: Mansion of the Disaster Relief Materials Center of the Bureau of Civil Affairs, Wanhua Road, Xiaguan District, Dali, Yunan Province Postal Code: 671000	0872-3035228 0872-3035228
	Gansu	Lanzhou Branch	13	Address: No. 638, West Donggang Road, Lanzhou, Gansu Province Postal Code: 730000	0931-8890699 0931-8890699		—	
Northeastern region	Heilongjiang	Harbin Branch	16	Address: No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province Postal Code: 150090	0451-55558112 0451-53995558	Mudanjiang Branch	Address: No. 80 Xisantiao Road, Xi'an District, Mudanjiang City, Heilongjiang Province Postal Code: 157099	0453-6313011 0453-6313016
	Jilin	Changchun Branch	15	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130042	0431-81910011 0431-81910123	Jilin Branch	Address: No. 818 East Jiefang Road, Changyi District, Jilin, Jilin Province Postal Code: 132001	0432-65156111 0432-65156100
	Liaoning	Shenyang Branch	40	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	024-31510456 024-61510234	Fushun Branch	Address: No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113006	024-53886701 024-53886711
		Dalian Branch	40	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	0411-82821868 0411-82815834	Anshan Branch	Address: No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province Postal Code: 114001	0412-2230815 0412-2230815
						Huludao Branch	Address: No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	0429-2808185 0429-2800885
						Yingkou Branch	Address: No. 8, Yinggang Road, Bayu District, Liaoning Province Postal Code: 115007	0417-8208939 0417-8208989
Subsidiaries and Overseas Representative Office								
China	Hong Kong	CIFH	—	Address: Room 2701-9, 27/F, CITIC Tower 1 Tim Mei Avenue, Central, Hong Kong	+852-36073000 +852-25253303	CNCBI	Address: 61-65 Des Voeux Road Central Hong Kong	+852 3603 6633 +852 3603 4000
		CIFL	—	Address: Room 2106, 21/F, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	+852-25212353 +852-28017399		—	
China	Zhejiang	Lin'an CITIC Rural Bank	1	Address: No. 777, Shijing Street, Jincheng Road, Lin'an, Zhejiang Province Postal Code: 311300	0571-61109006 0571-61106889		—	
Europe	UK	London Representative Office	1	Second Floor, 34 Threadneedle Street, London, EC2R 8AY	—		—	

# Definition

Articles of Association Bank/Company/China CITIC Bank/ CITIC Bank/CNCB	Articles of Association of China CITIC Bank Corporation Limited China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
Board of Directors	Board of Directors of the Bank
Board of Supervisors	Board of Supervisors of the Bank
CBRC	China Banking Regulatory Commission
Central Bank/PBC	The People's Bank of China
China AMC	China Asset Management Co., Ltd.
China Securities	China Securities Co., Ltd.
CIAM	CITIC International Assets Management Limited
CIAM Group	CIAM Group Limited
CIFH	CITIC International Financial Holdings Limited
CIFL	China Investment and Finance Limited
CITIC Asset Management	CITIC Asset Management Corporation Ltd.
CITIC Capital	CITIC Capital Holdings Limited
CITIC Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited prior to its renaming in August 2014)
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 Limited	CITIC Limited (formerly known as CITIC Pacific Limited which was renamed CITIC Limited in August 2014)
CITIC Pacific	CITIC Pacific Limited (renamed CITIC Limited in August 2014)
CITIC Securities	CITIC Securities Co., Ltd.
CITIC Securities (Shandong)	CITIC Securities (Shandong) Co., Ltd.
CITIC Securities (Zhejiang)	CITIC Securities (Zhejiang) Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Ltd.
CITIC-Prudential Life Insurance	CITIC-Prudential Life Insurance Company Ltd.
CNCBI	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
Group	China CITIC Bank Corporation Limited and its subsidiaries
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
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, China Zheshang Bank, China Bohai Bank and Evergrowing Bank
KPMG Huazhen	KPMG Huazhen (Special General Partnership)
Large State-owned Banks	Including Industry and Commerce Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Corporation Limited
MOF	Ministry of Finance of the People's Republic of China
NSSF	National Council for Social Security Fund
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 Holdings Limited
Tianan Insurance	Tianan Insurance Company Limited of China
Yuan	RMB Yuan

## Definition

In this report, geographical regions, as defined for description about business breakdown and loan distribution by location, are as follows:

“Yangtze River Delta” refers to the following areas where tier-1 branches of the Bank are located: Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo and Wuxi; plus Lin’an CITIC Rural Bank, a subsidiary of the Bank.

“Pearl River Delta and West Strait” refers to the following areas where tier-1 branches of the Bank are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen and Haikou.

“Bohai Rim” refers to the following areas where tier-1 branches of the Bank are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan.

“Central region” refers to the following areas where tier-1 branches of the Bank are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang.

“Western region” refers to the following areas where tier-1 branches of the Bank are located: Chengdu, Chongqing, Xi’an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining and Yinchuan.

“Northeastern region” refers to the following areas where tier-1 branches of the Bank are located: Shenyang, Changchun and Harbin;

“Head Office” refers to the headquarters 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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