

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 998)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR YEAR 2011**

SUMMARY OF RESULTS

The board of directors (the “**Board of Directors**”) of China CITIC Bank Corporation Limited (the “**Bank**”) is pleased to announce the audited consolidated results of the Bank and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2011 (the “**reporting period**”), which have been prepared in accordance with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the International Financial Reporting Standards (the “**IFRS**”). The annual results have been reviewed by the Audit and Related Party Transactions Control Committee of the Bank’s Board of Directors.

FINANCIAL HIGHLIGHTS

Operating Performance

Item	2011	2010	Unit: RMB million
			Growth rate (%)
Operating income	77,092	56,356	36.79
Total profit	41,590	28,695	44.94
Net profit attributable to shareholders of the Bank	30,819	21,509	43.28
Net operating cash flow	300,104	37,325	704.03
Per share			
Basic earnings per share (RMB)	0.71	0.53	33.96
Diluted earnings per share (RMB)	0.71	0.53	33.96
Net operating cash flow per share (RMB)	6.41	0.96	567.71

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

Profitability Indicators

Item	2011	2010	Increase/ (decrease)
Return on average assets (ROAA)	1.27%	1.13%	0.14
Return on average equity (ROAE) (excluding minority interests)	20.92%	19.29%	1.63
Cost-to-income ratio	29.88%	33.63%	(3.75)
Credit cost	0.43%	0.36%	0.07
Net interest spread	2.85%	2.54%	0.31
Net interest margin	3.00%	2.63%	0.37

Scale Indicators

Item	2011	2010	Unit: RMB million
			Growth rate (%)
Total assets	2,765,881	2,081,314	32.89
Total loans and advances to customers	1,434,037	1,264,245	13.43
Total liabilities	2,587,100	1,956,776	32.21
Total deposits from customers	1,968,051	1,730,816	13.71
Total equity attributable to the Bank's shareholders	174,496	120,175	45.20
Net asset per share attributable to the Bank's shareholders (RMB)	3.73	3.08	21.10

Asset Quality Indicators

Item	2011	2010	Unit: RMB million
			Growth rate(%)/ increase/ (decrease)
Performing loans	1,425,496	1,255,712	13.52
Non-performing loans (NPLs)	8,541	8,533	0.09
Allowance for impairment of loans	23,258	18,219	27.66
NPL ratio	0.60%	0.67%	(0.07)
Provision coverage ratio	272.31%	213.51%	58.80
Allowance for impairment of loans to total loans ratio	1.62%	1.44%	0.18

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

Capital Adequacy Indicators

Item	2011	2010	Increase/ (decrease)
Capital adequacy ratio	12.27%	11.31%	0.96
Core capital adequacy ratio	9.91%	8.45%	1.46
Total equity to total assets ratio	6.46%	5.98%	0.48

Five-Year Financial Summary

				<i>Unit: RMB million</i>	
Item	2011	2010	2009	2008 (restated)	2007
Operating performance					
Operating income	77,092	56,356	40,983	41,963	27,955
Total profit	41,590	28,695	19,265	17,713	13,172
Net profit attributable to the Bank's shareholders	30,819	21,509	14,320	13,296	8,322
Net operating cash flow	300,104	37,325	(7,697)	140,459	29,519
Per share					
Basic earnings per share (<i>RMB</i>)	0.71	0.53	0.35	0.38	0.22
Diluted earnings per share (<i>RMB</i>)	0.71	0.53	0.35	0.38	0.22
Net operating cash flow per share (<i>RMB</i>)	6.41	0.96	(0.20)	4.23	0.76
Scale indicators					
Total assets	2,765,881	2,081,314	1,775,031	1,319,570	1,011,186
Total loans and advances to customers	1,434,037	1,264,245	1,065,649	730,386	575,208
Total liabilities	2,587,100	1,956,776	1,668,023	1,190,196	927,095
Total deposits from customers	1,968,051	1,730,816	1,341,927	1,027,325	779,999
Total equity attributable to the Bank's shareholders	174,496	120,175	102,798	119,366	84,086
Net asset per share attributable to the Bank's shareholders (<i>RMB</i>)	3.73	3.08	2.63	3.06	2.15
Profitability indicators					
Return on average assets (ROAA)	1.27%	1.13%	0.94%	1.09%	0.97%
Return on average equity (ROAE)	20.92%	19.29%	12.91%	13.29%	14.37%
Cost-to-income ratio (excluding business tax and surcharges)	29.88%	33.63%	39.95%	34.72%	34.92%
Credit cost	0.43%	0.36%	0.25%	0.81%	0.54%
Net spread	2.85%	2.54%	2.39%	2.94%	2.95%
Net interest margin	3.00%	2.63%	2.51%	3.16%	3.12%
Asset quality indicators					
NPL ratio	0.60%	0.67%	0.95%	1.41%	1.48%
Provision coverage ratio	272.31%	213.51%	149.36%	136.11%	110.01%
Capital adequacy indicators					
Capital adequacy ratio	12.27%	11.31%	10.72%	14.32%	15.27%
Core capital adequacy ratio	9.91%	8.45%	9.17%	12.32%	13.14%

MANAGEMENT DISCUSSION AND ANALYSIS

Economic, Financial and Regulatory Environments

The year of 2011 marked complicated and changing international political and economic situations, slowing down of global economic growth and sliding growth rate of international trade. The major economies such as the United States, European Union and Japan experienced down turns in economic growth; developed countries were yet to achieve an obvious curb on unemployment; the risks of European sovereign debts were radiating to core countries; and the international financial market suffered constant turbulence. The emerging market economies remained under the pressure of inflation. Such instability and uncertainty of world economic recovery gave rise to increasing risks and challenges.

In the face of complicated international and domestic economic environments in 2011, the Chinese government achieved a sound overall operation of the national economy and an admirable beginning of the 12th Five-Year Plan by accelerating the transformation of its economic growth pattern, strengthening and improving macro-economic control, correctly addressing the relationship amongst steady and rapid economic development, economic restructuring and management of expected inflation, and promoting orderly transformation of economic growth from policy stimulation to self motivation. Gross domestic product (GDP) of the year reached RMB4,7156.4 billion, a growth of 9.2% over the previous year. Fixed assets investment maintained a fast growth while enjoying continuous improvement in structure, with a total investment in fixed assets amounting to RMB3,0193.3 billion, up by 23.8% over the previous year. Consumption rose quickly and steadily, with total social retail sales of consumer goods going up to RMB18,122.6 billion, 17.1% higher over the previous year. Foreign trade of the full year in 2011 registered USD3,642.1 billion, an increase of 22.5% over the previous year, and trade surplus was USD155.1 billion, down by USD26.4 billion over the previous year. Market commodity prices recorded a year-on-year increase, with food price rising by a large margin, consumer price index (CPI) up by 5.4% and producer's price index (PPI) up by 6.0% for the full year in 2011.

The financial industry in China generally continued to operate in a prudent manner. As at the end of 2011, the supply of M2, a broad measure of money supply that covers cash in circulation and all deposits and M1, a narrow measure of money supply that covers cash in circulation and demand deposits reached RMB85.2 trillion and RMB29.0 trillion respectively, a growth of 13.6% and 7.9% year-on-year respectively; loan balances of financial institutions totaled RMB54.8 trillion, an increase of RMB7.5 trillion; and the total deposit balance rose to RMB80.9 trillion, up by RMB9.6 trillion. The parity price exchange rate of Renminbi against US dollar stayed at RMB6.3009 as at the end of 2011, an appreciation of 5.1% over the end of the previous year. The stock market tumbled, with the Shanghai Composite Index closing at 2,199.42 at the end of 2011, down by 21.7% year-on-year. Thanks to the continuous optimization of the assets and liabilities structure, increased income from intermediary business and higher net interest margin (NIM), the banking industry in China registered a fast growth in net profit while maintaining a stable asset quality.

In 2011, the CBRC intensified its regulatory supervision and enhanced its regulatory systems. The promulgation of the Guiding Opinion on Implementing New Regulatory Standards for the Banking Sector in China and formulation of a series of regulations such as the Measures for Asset Management of Commercial Banks determined the basic framework for China's asset supervision system and the guideline for China's implementation of new international regulatory standards. By effective application of multiple regulatory means and methods, the CBRC endeavored to guide commercial banks to perfect corporate governance, optimize credit structure, intensify internal management and control, improve risk management, and thereby maintaining the momentum of sound, sustainable and steady development under the complicated and changing economic and financial situations.

The year 2011 marked the commencement of the 12th Five-Year Plan. By responding to the challenges brought about by the changing external environment, speeding up the transformation of development pattern, and deepening strategic transformation, the banking sector in China registered continuous improvement of business performance, continuous optimization of asset quality, and a general trend of positive and steady development, thus laying a solid foundation for a sound development of the Chinese economy.

Analysis of the Financial Statements

Overview

In positive response to the developments in macro-economic and financial environments along with regulatory policy adjustment in 2011, the Group adhered to its guiding principle of “transformation, upgrade, and development”, continued promoting the transformation of business and the adjustment of operation strategies. With all indicators in compliance with regulatory requirements, the Group achieved remarkable increase in economic benefits, maintained a sound asset quality and realized the steady growth in terms of business scale.

In 2011, the Group realized a net profit of RMB30.819 billion attributable to the Bank's shareholders, an increase of RMB9.310 billion or 43.28% over the previous year; net interest income of RMB65.106 billion, an increase of RMB16.971 billion or 35.26% over the previous year; net non-interest income of RMB11.986 billion, an increase of RMB3.765 billion or 45.80% over the previous year. The significant increase in profitability was mainly attributable to three factors: (1) steady growth in the scale of interest-earning assets and continuous increase in net interest margin, which brought along rapid growth of net interest income; (2) proactive expansion of intermediary business and effective adjustment of profitability structure, which resulted in significant increase of net fee and commission income; and (3) enhancement of sophisticated management of expenses and reasonable allocation of fee resources, which contributed to the significant improvement of input-output efficiency.

As at the end of the reporting period, the Group's total assets reached RMB2.765881 trillion, up by RMB684.567 billion or 32.89% year-on-year, of which total loans and advances to customers stood at RMB1,434.037 billion, up by RMB169.792 billion or 13.43% year-on-year; total liabilities of the Group amounted to RMB2.587100 trillion, up by RMB630.324 billion or 32.21% year-on-year, of which total deposits from customers amounted to RMB1,968.051 billion, up by RMB237.235 billion or 13.71% year-on-year. As at the end of the reporting period, the Group's non-performing Loans (NPLs) balance stood at RMB8.541 million, up by RMB8 million or 0.09% year-on-year; NPL ratio was 0.60%, down by 0.07 percentage point year-on-year; and provision coverage ratio reached 272.31%, up by 58.80 percentage points year-on-year, registering a continuing decline of the NPL ratio and a significant increase of the provision coverage ratio.

Income Statement Analysis

Item	2011	2010	Unit: RMB million	
			Increase/ decrease	Growth rate (%)
Net interest income	65,106	48,135	16,971	35.26
Net non-interest income	11,986	8,221	3,765	45.80
Operating income	77,092	56,356	20,736	36.79
Operating expense	(28,381)	(22,638)	5,743	25.37
Asset impairment loss	(7,207)	(5,249)	1,958	37.30
Profit before taxation	41,590	28,695	12,895	44.94
Income tax	(10,746)	(6,916)	3,830	55.38
Net profit	30,844	21,779	9,065	41.26
Including: Net profit attributable to the Bank's shareholders	<u>30,819</u>	<u>21,509</u>	<u>9,310</u>	<u>43.28</u>
Minority interests	<u>25</u>	<u>270</u>	<u>(245)</u>	<u>(90.74)</u>

Net Interest Income

The Group's net interest income was influenced by the difference between the yield of interest-earning assets and the cost rate of interest-bearing liabilities, as well as the average balance of interest-earning assets and interest-bearing liabilities. In 2011, the Group realized a net interest income of RMB65.106 billion, up by RMB16.971 billion or 35.26% year-on-year, which was mainly attributable to the continuous increase in net interest margin and the continuous increase in interest-earning assets.

The table below sets out the average balance and average interest rate of the Group's interest-earning assets and interest-bearing liabilities:

Item	2011			Unit: RMB million 2010		
	Average balance	Interest	Average yield/cost rate (%)	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances						
to customers	1,343,708	82,234	6.12	1,176,711	58,820	5.00
Investment in debt securities	237,823	7,636	3.21	224,614	6,016	2.68
Deposits with the Central Bank	298,864	4,425	1.48	225,305	3,164	1.40
Deposits and placements with banks and non-bank financial institutions	188,459	7,528	3.99	100,653	1,609	1.60
Amounts under resale agreements	98,934	4,796	4.85	100,876	2,840	2.82
Others ⁽¹⁾	—	4	—	1,185	11	0.93
Subtotal	2,167,788	106,623	4.92	1,829,344	72,460	3.96
Interest-bearing liabilities						
Deposits from customers	1,761,117	32,450	1.84	1,515,841	20,143	1.33
Deposits and placements from banks and non-bank financial institutions	194,295	7,247	3.73	155,363	2,969	1.91
Amounts under repurchase agreements	10,420	474	4.55	2,809	46	1.64
Others ⁽²⁾	36,964	1,346	3.64	36,011	1,167	3.24
Subtotal	2,002,796	41,517	2.07	1,710,024	24,325	1.42
Net interest income		65,106			48,135	
Net interest spread ⁽³⁾			2.85			2.54
Net interest margin ⁽⁴⁾			3.00			2.63

Notes:

- (1) Interests collected from loans written off by subsidiaries during the reporting period.
- (2) Including debt securities payable and trading financial liabilities.
- (3) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.
- (4) Calculated by dividing the net interest income by the average balance of total interest-earning assets.

The table below sets out the changes in the Group's net interest income due to the changes of scale factor and interest rate factor, where changes under the joint influence of both factors are reflected in the changes of the interest rate factor.

Unit: RMB million			
2011 compared with 2010			
Item	Interest		Total
	Scale factor	rate factor	
Assets			
Loans and advances to customers	8,350	15,064	23,414
Investment in debt securities	354	1,266	1,620
Deposits with Central Bank	1,030	231	1,261
Deposits and placements with banks and non-bank financial institutions	1,405	4,514	5,919
Amounts under resale agreements	(55)	2,011	1,956
Others	(11)	4	(7)
Changes in interest income	11,073	23,090	34,163
Liabilities			
Deposits from customers	3,262	9,045	12,307
Deposits and placement from banks and non-bank financial institutions	744	3,534	4,278
Amounts under repurchase agreements	125	303	428
Others	31	148	179
Changes in interest expense	4,162	13,030	17,192
Changes in net interest income	6,911	10,060	16,971

Net Interest Margin and Net Interest Spread

In 2011, the Group's net interest margin stood at 3.00%, up by 0.37 percentage point year-on-year, and net interest spread was 2.85%, up by 0.31 percentage point year-on-year. Given the impact of the macro-economic control policies in 2011, the scale expansion of the Group's interest-earning assets and credit assets slowed down. In addition to the impact of interest rate hikes, the increase in net interest spread and net interest margin was mainly attributable to the Group's proactive adoption of the following measures: (1) enhanced management of assets and liabilities, optimized resource allocation through its dynamic interest rate management mechanism, and constantly increased interest rate pricing and improvement of asset pricing capability; (2) expedited strategic transformation of its business operation, proactively adjusted business structure, rational control of high-cost capital, and expanded high-yield business areas.

Interest Income

In 2011, the Group realized an interest income of RMB106.632 billion, up by RMB34.163 billion or 47.15% year-on-year. The increase in interest income was primarily due to the increase in interest-earning assets (the loans and advances to customers in particular) and the increase in the average yield of interest-earning assets. The Group's average yield of interest-earning assets increased from 3.96% in 2010 to 4.92% in 2011, up by 0.96 percentage point. The average balance of interest-earning assets increased to RMB2,167.788 billion in 2011 from RMB1,829.344 billion in 2010, up by RMB338.444 billion or 18.50%.

Interest Income from Loans and Advances to Customers

The interest income from loans and advances to customers has always been the largest component of the Group's interest income. In 2011 and 2010, the interest income from loans and advances to customers accounted for 77.13% and 81.18% of the Group's total interest income, respectively.

The following table sets out the average balance, interest income and average yield of each component of the Group's loans and advances to customers.

Table 1: Classification by Term

Item	Average balance	2011			Unit: RMB million	
		Interest income	Average yield (%)	Average balance	2010 Interest income	Average yield (%)
The Bank						
Short-term loans	656,320	44,181	6.73	590,443	30,424	5.15
Long and medium-term loans	608,977	35,857	5.89	514,697	26,427	5.13
Subtotal	1,265,297	80,038	6.33	1,105,140	56,851	5.14
Overseas business	78,411	2,196	2.80	71,571	1,969	2.75
Total	1,343,708	82,234	6.12	1,176,711	58,820	5.00

Table 2: Classification by Business

Item	2011			Unit: RMB million		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
The Bank						
Corporate loans	998,702	64,028	6.41	879,963	46,466	5.28
Discounted bills	41,467	3,273	7.89	54,886	1,965	3.58
Personal loans	225,128	12,737	5.66	170,291	8,420	4.94
Subtotal	1,265,297	80,038	6.33	1,105,140	56,851	5.14
Overseas business	78,411	2,196	2.80	71,571	1,969	2.75
Total	1,343,708	82,234	6.12	1,176,711	58,820	5.00

In 2011, the Group's interest income from loans and advances to customers stood at RMB82.234 billion, up by RMB23.414 billion or 39.81% year-on-year, including the Bank's interest income from loans and advances to customers of RMB80.038 billion, an increase of RMB23.187 billion or 40.79% year-on-year, which was mainly because the average loan yield was up by 1.19 percentage points and the average balance was increased by RMB160.157 billion. The main reasons that contributed to the increase of the average loan yield are the following: (1) the Bank enhanced its interest rate pricing management through a series of measures of incentive-based assessment guidance and resources allocation, as a result of which, the loan interest rate grew rapidly; (2) the Bank proactively optimized its credit structure, vigorously developed small a medium-sized enterprises business and gradually expanded the scale of high-yield loans, and the "price increase offsetting scale decrease" strategy yielded good effect.

The interest income from loans and advances to customers of overseas subsidiaries stood at RMB2.196 billion, up by RMB227 million or 11.53% year-on-year.

Interest Income from Investment in Debt Securities

In 2011, the Group's interest income from investment in debt securities stood at RMB7.636 billion, up by RMB1.620 billion or 26.93% year-on-year, primarily because the average yield of debt securities increased by 0.53 percentage point and the average balance of debt securities increased by RMB13.209 billion.

Interest Income from Deposits with the Central Bank

In 2011, the Group's interest income from deposits with the Central Bank amounted to RMB4.425 billion, an increase of RMB1.261 billion or 39.85% year-on-year. This was mainly because, compared with 2010, the average balance of deposits with the Central Bank grew by RMB73.559 billion, or up by 32.65%. Meanwhile, the average yield grew from 1.40% in 2010 to 1.48% in 2011. The increase in average balance was due to the increase of deposits from customers and the raise of Renminbi statutory deposit reserve ratio within the year, resulting in the sharp increase of statutory deposit reserves; while the increase in average yield was resulted from the decrease in proportion of the average balance of relatively lower-yield excess reserve.

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

In 2011, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB7.528 billion, up by RMB5.919 billion or 367.87% year-on-year, which was mainly due to the increase of 2.39 percentage points in the average yield of deposits and placements with banks and non-bank financial institutions and the increase of RMB87.806 billion in the average balance of such deposits and placements. As the market rate of deposits and placements with banks and non-bank financial institutions rose, the Group seized the opportunity, while ensuring liquidity safety, to improve the operation efficiency of working capital, which contributed to the increase of average balance and significant growth of average yield.

Interest Income from Amounts under Resale Agreements

In 2011, the Group's interest income from the amounts under resale agreements stood at RMB4.796 billion, up by RMB1.956 billion or 68.87% year-on-year, which was mainly because the average yield of the amounts under resale agreements grew from 2.82% in 2010 to 4.85% in 2011, up by 2.03 percentage points.

Interest Expense

In 2011, the Group's interest expense was RMB41.517 billion, up by RMB17.192 billion or 70.68% year-on-year. The increase in interest expense was primarily due to the increase in the average cost rate of interest-bearing liabilities and the Bank's multiple measures to grow its liability business, which further expanded the scale of interest-bearing liabilities.

The average cost rate of the Group's interest-bearing liabilities rose from 1.42% in 2010 to 2.07% in 2011, up by 0.65 percentage point, while the average balance of its interest-bearing liabilities increased from RMB1,710.024 billion in 2010 to RMB2,002.796 billion in 2011, up by RMB292.772 billion or 17.12%.

Interest Expense on Deposits from Customers

Deposits from customers have always been the primary funding source of the Group. The interest expense on deposits from customers in 2011 and 2010 accounted for 78.16% and 82.81% of the Group's total interest expense, respectively.

The table below sets out the average balance, interest expense and average cost rate of corporate deposits and personal deposits of the Group divided by product type during the periods indicated.

Item	2011			Unit: RMB million 2010		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
The Bank						
Corporate deposits						
Time deposits	718,757	20,767	2.89	583,987	12,209	2.09
Demand deposits	692,926	5,310	0.77	625,533	4,054	0.65
Subtotal	1,411,683	26,077	1.85	1,209,520	16,263	1.34
Personal deposits						
Time deposits	188,359	5,125	2.72	161,129	3,129	1.94
Demand deposits	62,895	290	0.46	52,206	190	0.36
Subtotal	251,254	5,415	2.16	213,335	3,319	1.56
Total for the Bank	1,662,937	31,492	1.89	1,422,855	19,582	1.38
Overseas business	98,180	958	0.98	92,986	561	0.60
Total deposits from customers	<u>1,761,117</u>	<u>32,450</u>	<u>1.84</u>	<u>1,515,841</u>	<u>20,143</u>	<u>1.33</u>

In 2011, the Group's interest expense on deposits from customers stood at RMB32.450 billion, up by RMB12.307 billion or 61.10% year-on-year.

The Bank's interest expense on deposits from customers amounted to RMB31.492 billion, up by RMB11.910 billion or 60.82% year-on-year, which was primarily due to the increase of 0.51 percentage point in average cost rate and the increase of RMB240.082 billion in the Bank's average balance of deposits from customers. The key reasons for the rise in average cost rate of deposits from customers are: (1) the Central Bank raised the benchmark interest rate for deposits from customer for five consecutive times since October 2010, and as the interest rate re-pricing gradually proceeded to its completion, the impacts of the interest rate rises became increasingly obvious; (2) the successive interest rate rises by the Central Bank shifted deposits from customers increasingly towards time deposits, as a result of which, the ratio of average balance of time deposits rose from 52.37% in 2010 to 54.55% in 2011.

The interest expense on deposits from customers of overseas subsidiaries stood at RMB958 million, up by RMB397 million or 70.77% year-on-year.

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

In 2011, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB7.247 billion, up by RMB4.278 billion or 144.09% year-on-year, which was primarily due to the rise of average cost rate of such deposits and placements from 1.91% to 3.73%, up by 1.82 percentage points, and the increase of RMB38.932 billion in average balance thereof. The rise of average cost rate was primarily attributable to the ascending interbank offered rate on the interbank deposit market under the context of tightening monetary policy during the year; while the increase of average balance was primarily due to the business expansion, which resulted in the increase in deposits from banks and non-bank financial institutions.

Interest Expense on Other Borrowed Funds

In 2011, the Group's other interest expenses including those for issued bonds stood at RMB1.346 billion, up by RMB179 million or 15.34% year-on-year, which was primarily resulted from the Group's issuance of RMB16.5 billion subordinated bonds and USD500 million subordinated notes in the middle of 2010, resulting in a year-on-year growth of expense on bond interest payable in 2011.

Net Non-Interest Income

In 2011, the Group continuously improved its intermediary business management system by intensifying the work of the Intermediary Business Development Committee and the Sales and Marketing Committee, deepening the construction of seven specialized marketing platforms for international business, treasury and capital market business, investment banking, custody, credit card, wealth management and private banking business, making performance assessment on intermediary income from main business lines, and meanwhile providing dedicated funding support, which all contributed to the sustained and rapid growth of non-interest income.

In 2011, the Group realized a net non-interest income of RMB11.986 billion, up by RMB3.765 billion or 45.80% year-on-year. The proportion of the Group's net non-interest income to its operating income increased from 14.59% in 2010 to 15.55% in 2011.

Item	2011	2010	Unit: RMB million	
			Increase/ decrease	Growth rate (%)
Net fee and commission income	8,837	5,696	3,141	55.14
Net gain from trading securities	2,260	1,289	971	75.33
Net gain from investment securities	83	142	(59)	(41.55)
Net (loss) from arbitrage	(1)	(1)	—	—
Income from other businesses	807	1,095	(288)	(26.30)
Total net non-interest income	11,986	8,221	3,765	45.80

Net Fee and Commission Income

In 2011, the Group realized a net fee and commission income of RMB8.837 billion, an increase of RMB3.141 billion or 55.14% year-on-year, of which fee and commission income amounted to RMB9.481 billion, up by 50.30% year-on-year. This increase was primarily due to the Group's vigorous development of its intermediary business and the relatively rapid growth in items including consulting and advisory fees, bank card fees, settlement fees, and guarantee fees, with the growth rate of each and every of the above-mentioned items exceeding 50%.

Item	2011	2010	Unit: RMB million	
			Increase/ decrease	Growth rate (%)
Consulting and advisory fees	2,659	1,696	963	56.78
Bank card fees	2,283	1,455	828	56.91
Settlement fees	1,755	1,063	692	65.10
Guarantee fees	887	408	479	117.40
Wealth management fees	847	771	76	9.86
Agency fees	725	692	33	4.77
Custody and other trusted services commissions	320	208	112	53.85
Others	5	15	(10)	(66.67)
Subtotal	9,481	6,308	3,173	50.30
Fee and commission expense	(644)	(612)	32	5.23
Net fee and commission income	8,837	5,696	3,141	55.14

Net Gain from Trading

Item	2011	2010	Unit: RMB million	
			Increase/ decrease	Growth rate (%)
Net gain from foreign exchange trading	1,293	1,583	(290)	(18.32)
Debt securities	46	52	(6)	(11.54)
Derivatives	919	(316)	1,235	—
Investment funds	1	(23)	24	—
Financial liabilities measured at fair value through profit or loss	1	(7)	8	—
Net gain from trading	2,260	1,289	971	75.33

In 2011, the Group's net gain from trading was RMB2.260 billion, up by RMB971 million or 75.33% year-on-year, which was mainly due to the increase in the fair value of the Group's derivative through revaluation.

Loss on Asset Impairment

Item	2011	2010	Unit: RMB million	
			Year-on-year increase/decrease	Year-on-year growth rate (%)
Loans and advances to customers	5,734	4,238	1,496	35.30
Off-balance sheet assets ⁽¹⁾	1,222	338	884	261.54
Investments	181	579	(398)	(68.74)
Others ⁽²⁾	70	94	(24)	(25.53)
Total loss on asset impairment	7,207	5,249	1,958	37.30

Notes: (1) Including the RMB1.14 billion provision for impairment losses of Farmington off-balance sheet guarantee charged by CIFH, a subsidiary of the Group.

(2) Including the impairment losses of repossessed assets, placements with banks and other assets.

In 2011, the Group's impairment losses on assets were RMB7.207 billion, up by RMB1.958 billion or 37.30% year-on-year, of which impairment losses on loans and advances to customers were RMB5.734 billion, up by RMB1.496 billion or 35.30% year-on-year.

Operating Expenses

Item	2011	2010	Unit: RMB million	
			Increase/decrease	Growth rate (%)
Staff cost	12,294	10,053	2,241	22.29
Property and equipment expenses and amortization	3,987	3,345	642	19.19
General and administrative expenses	6,757	5,555	1,202	21.64
Total operating expenses	23,038	18,953	4,085	21.55
Business tax and surcharges	5,343	3,685	1,658	44.99
Total operating expenses	28,381	22,638	5,743	25.37
Cost-to-income ratio	36.81%	40.17%	Down by 3.36 percentage points	
Cost-to-income ratio (deducting business tax and surcharges)	29.88%	33.63%	Down by 3.75 percentage points	

In 2011, the Group's operating expenses amounted to RMB28.381 billion, up by RMB5.743 billion or 25.37% year-on-year, which was primarily because: (1) the Group's staff cost, property and equipment expenses, and amortization increased due to the increase of business outlets; (2) the Group's business expenses went up due to the increase in its dedicated funding support so as to promote its restructuring program.

In 2011, the Group's cost-to-income ratio stood at 29.88%, down by 3.75 percentage points year-on-year, thus maintaining relatively high input-output efficiency.

Income Tax Analysis

In 2011, the Group's income tax expense was RMB10.746 billion, up by RMB3.830 billion or 55.38% year-on-year. The Group's effective tax rate stood at 25.84%, up by 1.74 percentage points from 24.10% in 2010.

Balance Sheet Analysis

Item	31 December 2011		Unit: RMB million 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Total loans and advances to customers	1,434,037	—	1,264,245	—
Including:				
Corporate loans	1,116,389	—	992,272	—
Discounted bills	49,451	—	55,699	—
Personal loans	268,197	—	216,274	—
Provisions for impairment losses	(23,258)	—	(18,219)	—
Net amount of loans and advances to customers	1,410,779	51.0	1,246,026	59.9
Investments ⁽¹⁾	253,388	9.2	271,258	13.0
Cash and deposits with Central Bank	366,391	13.2	256,323	12.3
Net amount of deposits and placements with banks and non-bank financial institutions	537,539	19.4	130,588	6.3
Amounts under resale agreements	162,211	5.9	147,632	7.1
Others ⁽²⁾	35,573	1.3	29,487	1.4
Total assets	2,765,881	100.0	2,081,314	100.0
Deposits from customers	1,968,051	76.1	1,730,816	88.5
Including:				
Corporate deposits	1,622,087	62.7	1,430,062	73.1
Personal deposits	345,964	13.4	300,754	15.4
Deposits and placement from banks and non-bank financial institutions	540,222	20.9	148,735	7.6
Amounts under repurchase agreements	9,806	0.4	4,381	0.2
Debt securities payable	33,730	1.3	34,915	1.8
Others ⁽³⁾	35,291	1.3	37,929	1.9
Total liabilities	2,587,100	100.0	1,956,776	100.0

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

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

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

Most of the Group's assets are loans and advances to customers. As at the end of 2011, The Group's loans and advances to customers after deducting provisions for impairment losses accounted for 51.0% of the Group's total assets, down by 8.9 percentage points over the previous year.

For the analysis of loan business, please refer to "Risk Management".

Investment Businesses

Investment Portfolio Analysis

Item	31 December 2011		<i>Unit: RMB million</i> 31 December 2010	
	Value	Proportion (%)	Value	Proportion (%)
Debt securities				
Held-to-maturity debt securities	108,468	42.8	129,041	47.7
Available-for-sale debt securities	126,875	50.1	129,342	47.7
Debt securities measured at fair value through profit or loss	8,188	3.2	2,848	1.0
Total debt securities	243,531	96.1	261,231	96.4
Investment funds				
Available-for-sale investment funds	5,706	2.3	6,342	2.3
Investment funds measured at fair value through profit or loss	2	—	4	—
Total investment funds	5,708	2.3	6,346	2.3
Equity investments				
Available-for-sale equity investments	40	—	32	—
Equity investments for trading purposes	—	—	3	—
Long-term equity investments	2,343	0.9	2,386	0.9
Total equity investments	2,383	0.9	2,421	0.9
Available-for-sale financial assets-certificates of deposit	1,766	0.7	1,260	0.4
Total investments	253,388	100.0	271,258	100.0
Market value of listed securities in held-to-maturity debt securities	692		917	

Classification of Debt Securities Investment

As at the end of 2011, the Group's investment in debt securities reached RMB243.531 billion, a decrease of RMB17.700 billion or 6.78% over the end of the previous year, which was primarily because the Group adjusted its securities investments, reduced some government bonds and central bank bonds while increasing the high-yield and high credit rating medium-to-long term bonds issued by policy banks, banks and non-bank financial institutions as well as corporate bonds based on its judgment of the trend of future market rate and its adjustment of its assets and liabilities structure as well as full considerations of investment returns and risks as well as the liquidity management requirement.

Item	31 December 2011		31 December 2010	
	Proportion		Proportion	
	Value	(%)	Value	(%)
Government	62,150	25.5	66,408	25.4
Banks and non-bank financial institutions	47,974	19.7	31,620	12.1
Policy banks	39,709	16.3	33,163	12.7
PBC	26,860	11.0	69,411	26.6
Public entities	75	—	1,725	0.7
Others <i>(Note)</i>	66,763	27.5	58,904	22.5
Total debt securities	243,531	100.0	261,231	100.0

Note: Primarily corporate bonds.

	31 December 2011		31 December 2010		31 December 2009	
	Proportion		Proportion		Proportion	
	Value	(%)	Value	(%)	Value	(%)
Domestic	224,976	92.4	238,056	91.1	169,065	84.4
Overseas	18,555	7.6	23,175	8.9	31,225	15.6
Total debt securities	245,531	100.0	261,321	100.0	200,290	100.0

Foreign Currency Denominated Debt Securities Held

As at the end of 2011, the Group held a total of USD3.906 billion foreign currency denominated debt securities (equivalent to RMB24.613 billion), of which the Bank held USD1.550 billion and the Bank's overseas subsidiaries held the rest USD2.356 billion. The Group's allowance for foreign currency denominated debt securities investment impairment was USD70 million (equivalent to RMB440 million), of which the Bank's balance of provision for impairment was USD47 million and the the balance of provision for impairment of overseas subsidiaries was the rest USD23 million.

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 2011.

Name of Debt Securities	Book value	Maturity Date	Unit: RMB million	
			Annual interest rate (%)	Provision for impairment
Debt Securities 1	3,012	20 February 2015	4.26	—
Debt Securities 2	2,299	7 December 2015	5.56	—
Debt Securities 3	2,205	6 May 2017	3.83	—
Debt Securities 4	1,941	2 June 2014	3.40	—
Debt Securities 5	1,769	19 April 2021	5.73	—
Debt Securities 6	1,450	24 February 2018	4.20	—
Debt Securities 7	1,447	12 June 2017	3.87	—
Debt Securities 8	1,395	19 August 2021	4.90	—
Debt Securities 9	1,315	11 October 2018	4.74	—
Debt Securities 10	1,298	29 May 2017	3.85	—
Total debt securities	18,131			

Investment Quality Analysis

Changes in the Provisions for Investment Impairment Loss

Item	Unit: RMB million	
	As at 31 December 2011	As at 31 December 2010
Beginning balance	350	586
Accruals during the year ⁽¹⁾	181	579
Write-offs	(11)	(579)
Transfer out ⁽²⁾	(80)	(236)
Ending balance	440	350

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

(2) Transfer-out includes the amount transferred from the provisions for impairment loss of investment in overdue debt securities to the provisions for bad debt, the sale of impaired investments and the impact due to changes in exchange rate.

Item	Unit: RMB million	
	As at 31 December 2011	As at 31 December 2010
Provisions for available-for-sale investment impairment	303	241
Provisions for held-to-maturity investment impairment	137	109
Provisions for long-term equity investment impairment	—	—
Total	440	350

Classification of Derivatives and Fair Value Analysis

Item	Unit: RMB million					
	31 December 2011			31 December 2010		
	Nominal principal	Fair value Assets Liabilities		Nominal principal	Fair value Assets Liabilities	
Interest rate derivatives	200,104	1,627 1,314		210,359	1,481 1,521	
Currency derivatives	404,074	3,036 2,438		429,730	2,985 2,591	
Credit derivatives	1,050	19 11		968	7 9	
Equity derivatives	15	1 1		395	5 5	
Total	605,243	4,683 3,764		641,452	4,478 4,126	

On-Balance Sheet Interest Receivables

The table below sets out the changes in interest receivables of the Group.

Item	Unit: RMB million			
	31 December 2010	Increase during the current period	Collected during the current period	31 December 2011
Loan interest receivables	2,921	82,234	(81,589)	3,566
Interest receivables for debt securities	2,999	7,636	(7,120)	3,515
Other interest receivables	205	16,753	(13,932)	3,026
Subtotal	6,125	106,623	(102,641)	10,107
Allowances for impairment losses on interest receivables	(30)	(38)	12	(56)
Total	6,095	106,585	(102,629)	10,051

Reposessed Assets

The table below sets out the status of the reposessed assets of the Group.

Item	<i>Unit: RMB million</i>	
	31 December 2011	31 December 2010
Original value of reposessed assets		
– Land, premises and constructions	404	487
– Others	34	234
Provisions for impairment of reposessed assets		
– Land, premises and constructions	(137)	(205)
– Others	(24)	(75)
Total book value of reposessed assets	277	441

Deposits from Customers

The Group

Item	<i>Unit: RMB million</i>					
	31 December 2011		31 December 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits						
Demand deposits	787,052	40.0	752,219	43.5	581,483	43.3
Time deposits	835,035	42.4	677,843	39.1	516,369	38.5
Including: negotiated	69,866	3.6	30,130	1.7	7,810	0.6
Subtotal	1,622,087	82.4	1,430,062	82.6	1,097,852	81.8
Personal deposits						
Demand deposits	91,762	4.7	87,521	5.1	66,908	5.0
Time deposits	254,202	12.9	213,233	12.3	177,167	13.2
Subtotal	345,964	17.6	300,754	17.4	244,075	18.2
Total deposits from customers	1,968,051	100.0	1,730,816	100.0	1,341,927	100.0

As at the end of 2011, deposits from customers of the Group totaled RMB1,968.051 billion, an increase of RMB237.235 billion or 13.71% over the end of the previous year.

The Bank

Item	<i>Unit: RMB million</i>					
	31 December 2011		31 December 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits						
Demand deposits	770,384	41.3	735,188	45.0	563,534	44.8
Time deposits	787,775	42.2	633,497	38.7	485,851	38.5
Including: negotiated	69,240	3.7	30,100	1.8	7,810	0.6
Subtotal	1,558,159	83.5	1,368,685	83.7	1,049,385	83.3
Personal deposits						
Demand deposits	79,753	4.3	71,140	4.4	49,066	3.9
Time deposits	227,309	12.2	194,505	11.9	160,613	12.8
Subtotal	307,062	16.5	265,645	16.3	209,679	16.7
Total deposits from customers	1,865,221	100.0	1,634,330	100.0	1,259,064	100.0

As at the end of 2011, the Bank's deposits from customers totaled RMB1,865.221 billion, an increase of RMB230.891 billion or 14.13% over the end of the previous year. The balance of corporate deposits of the Bank increased by RMB189.474 billion over the end of the previous year, of which the negotiated deposits increased by RMB39.140 billion, which was mainly because the Bank properly obtained certain negotiated deposits considering the match of the maturity of assets and liabilities and the Bank's personal deposits increased by RMB41.417 billion or 15.59% over the end of the previous year.

Breakdown of Deposits from Customers by Currency

Item	<i>Unit: RMB million</i>			
	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
RMB	1,816,875	92.3	1,583,501	91.5
Foreign currencies	151,176	7.7	147,315	8.5
Total	1,968,051	100.0	1,730,816	100.0

Breakdown of Deposits by Geographical Location

Item	31 December 2011		31 December 2010	
	Balance	Proportion	Balance	Proportion
		(%)		(%)
Bohai Rim <i>(Note)</i>	538,762	27.4	492,182	28.4
Yangtze River Delta	505,692	25.7	439,504	25.4
Pearl River Delta and West Strait	278,346	14.1	241,641	14.0
Central region	257,689	13.1	218,978	12.7
Western region	227,366	11.6	187,530	10.8
Northeastern region	57,160	2.9	54,495	3.1
Overseas	103,036	5.2	96,486	5.6
Total deposits from customers	1,968,051	100.0	1,730,816	100.0

Note: Including the Head Office.

Breakdown of Deposits by Remaining Maturity

The table below sets out the deposits from customers based on the remaining maturity as at the end of 2011.

Item	Repayable-on-demand		Within 3 months		Within 3 to 12 months		Within 1 to 5 years		After 5 years		Total	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
		(%)		(%)		(%)		(%)		(%)		(%)
Corporate deposits	842,524	42.8	356,333	18.1	312,704	15.9	97,796	5.0	12,730	0.6	1,622,087	82.4
Personal deposits	169,403	8.6	88,340	4.5	69,106	3.5	19,091	1.0	24	0.0	345,964	17.6
Total	1,011,927	51.4	444,673	22.6	381,810	19.4	116,887	6.0	12,754	0.6	1,968,051	100.0

Shareholders' Equity

For changes in shareholder's equity during the reporting period, please refer to "Consolidated Statement of Changes in Equity".

Major Off-Balance Sheet Items

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

Item	Unit: RMB million	
	31 December 2011	31 December 2010
Credit commitments		
– Banker's Acceptance bill	503,666	427,573
– Letter of guarantees issued	64,534	68,932
– Letter of credit issued	244,312	116,529
– Irrevocable loan commitments	95,218	60,496
– Credit card commitments	60,937	49,844
Subtotal	968,667	723,374
Operating leasing commitments	8,260	6,641
Capital commitments	1,438	424
Pledged assets	11,637	6,952
Total	990,002	737,391

Supplementary Financial Indicators

Major Indicators ⁽¹⁾	Data of the Bank (%)			
	Standard (%)	31 December 2011	31 December 2010	31 December 2009
Liquidity ratio				
(both RMB and Foreign currency)	≥ 25	60.89	59.11	51.61
Including: RMB	≥ 25	58.97	56.75	48.12
Foreign currencies	≥ 25	96.55	68.68	104.47
Loan-to-deposit ratio ⁽²⁾				
(both RMB and Foreign currency)	≤ 75	72.97	72.83	79.62
Including: RMB	≤ 75	73.26	73.31	79.96
Foreign currencies	≤ 75	65.44	60.42	70.97

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

(2) Discounted bills are included in loans.

Capital Management

The Group's objective of capital management includes: to ensure the capital adequacy ratio fulfill the regulatory requirements at any time, to establish a long-term capital replenishing mechanism for maintaining a solid capital base, to specify the asset expansion plan according to capital base for balancing capital, yields and risks and to maximize shareholders' value with controllable risks.

To achieve the above-mentioned objectives, the Group's capital management strategies are: (1) considering the Group's overall development strategy and risk preference, the Group set up a targeted range of capital adequacy ratio. Meanwhile, the Group set up internal capital alarming lines and regularly monitored the capital adequacy ratio of the whole bank. If the capital adequacy ratio or core capital adequacy ratio falls below the alarming lines, a series of measures, such as replenishing capital and adjusting asset structure or other effective methods, shall be taken immediately so as to ensure the capital adequacy ratio within the targeted range; (2) the Group reasonably utilized all sorts of capital instruments and optimized the total amount and the structure of capital in order to improve capital quality and the capability of losses bearing; and (3) the Group improved its capital management mechanism, established a scientific capital management system, improved the awareness of capital constraints so as to use capital more efficiently. Performance-based employee evaluation system emphasizing "economic profits" and "return on risk capital" was promulgated throughout the Bank. By leveraging on the internal capital allocation system, the Group realized an optimized allocation of economic capital among institutions, products, industries and clients to ensure a consistent and stable increase in return on capital.

To ensure the implementation of the afore-mentioned strategies, the Group was expediting the improvement of risk measurement techniques and steadily expanding the application of capital management in various areas such as product pricing, performance evaluation and operation plans, etc, so that the function of economic capital as an instructive baton to the Bank's business operation could have been enhanced.

The Group calculated and disclosed its capital adequacy ratio in accordance with the Measures for the Administration of Capital Adequacy Ratio of Commercial Banks (Decree of the CBRC [2004] No. 2) promulgated by the CBRC in 2004 and the relevant provisions subsequently revised.

Item	<i>Unit: RMB million</i>		
	31 December 2011	31 December 2010	31 December 2009
Total capital before deduction	214,002	160,928	122,735
Including: Total core capital	171,534	119,166	103,573
Total supplementary capital	42,468	41,762	19,162
Deduction: Unconsolidated equity investment and others	4,134	4,314	4,147
Net capital	209,868	156,614	118,588
Net core capital	169,466	116,988	101,527
Risk-weighted assets	1,702,165	1,385,262	1,106,648
Market risk capital	696	—	—
Core capital adequacy ratio	9.91%	8.45	9.17
Capital adequacy ratio	12.27%	11.31	10.72

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

Major Accounting Estimates and Assumptions

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

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

Measurement of Fair Value

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

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

Items Measured at Fair Value Held

Unit: RMB million

Item	Beginning balance	Gain/loss from changes in fair value in 2011	Accumulated changes in fair value recognized in equity	Provision for impairment charged in 2011	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss for the current period	2,855	41	—	—	8,190
2. Financial derivative assets	4,478	903	—	—	4,683
3. Available-for-sale financial assets	136,976	—	255	—	134,387
Subtotal of financial assets	144,309	944	255	—	147,260
Investment properties	248	29	—	—	272
Total	144,577	973	255	—	147,532
Financial liabilities					
1. Trading financial liabilities	10,729	—	—	—	—
2. Derivative financial liabilities	4,126	(95)	—	—	3,764
Total of financial liabilities	14,855	(95)	—	—	3,764

Financial Assets and Liabilities Denominated in Foreign Currencies Held

Unit: RMB million

Item	Beginning balance	Gain/loss from changes in fair value in 2011	Accumulated changes in fair value recognized in equity	Provision for impairment charged in 2011	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss for the current period	151	28	—	—	103
2. Derivative financial assets	1,866	163	—	—	2,218
3. Available-for-sale financial assets	32,845	—	(163)	—	29,234
4. Loans and receivables	160,686	—	—	(19)	166,349
5. Held-to-maturity investments	3,670	—	—	—	1,658
6. Investment properties	248	29	—	—	272
Total of financial assets	199,466	220	(163)	(19)	199,834
Financial liabilities	175,035	(99)	—	—	179,951

Segment Report

Business Segment

Unit: RMB million

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

Item	31 December 2011					Total
	Corporate banking	Personal banking	Treasury business	CIFH	Other and unallocated	
Segment assets	1,460,870	310,607	848,186	135,347	5,688	2,760,698
Segment liabilities	2,089,057	312,222	44,867	124,995	15,959	2,587,100
Off-balance sheet credit commitments	<u>872,369</u>	<u>55,543</u>	<u>—</u>	<u>40,755</u>	<u>—</u>	<u>968,667</u>

Item	2010					Total
	Corporate banking	Personal banking	Treasury business	CIFH	Other and unallocated	
Operating income	43,031	8,409	1,992	3,073	(149)	56,356
Operating expense	(13,556)	(7,297)	(362)	(1,285)	(138)	(22,638)
Asset impairment loss	(3,678)	(546)	—	(1,025)	—	(5,249)
Operating profit/ (loss)	<u>25,797</u>	<u>566</u>	<u>1,630</u>	<u>989</u>	<u>(287)</u>	<u>28,695</u>

Item	31 December 2010					Total
	Corporate banking	Personal banking	Treasury business	CIFH	Other and unallocated	
Segment assets	1,309,027	239,356	399,306	123,464	5,343	2,076,496
Segment liabilities	1,525,051	277,972	40,594	112,757	402	1,956,776
Off-balance sheet credit commitments	<u>640,308</u>	<u>44,169</u>	<u>—</u>	<u>38,897</u>	<u>—</u>	<u>723,374</u>

The Group has maintained a leading position in corporate banking business. In 2011, the corporate banking business contributed an operating profit of RMB32.670 billion to the Group, with the proportion of 77.07%; the personal banking business contributed an operating profit of RMB751 million to the Group, with the proportion of 1.77%; the treasury business contributed an operating profit of RMB8.646 billion to the Group, with the proportion of 20.40%; and the overseas subsidiaries contributed an operating profit of RMB324 million, with the proportion of 0.76%.

Geographical Segment

Unit: RMB million

Item	2011									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central region	Western region	Northeastern region	Head Office	Hong Kong	Offset	Total
Operating income	18,258	10,107	16,478	9,540	8,117	2,115	9,475	3,002	—	77,092
Operating expense	(6,723)	(3,953)	(5,761)	(3,510)	(3,054)	(832)	(3,009)	(1,539)	—	(28,381)
Asset impairment loss	(1,932)	(872)	(935)	(1,000)	(699)	(244)	(300)	(1,225)	—	(7,207)
Operating profit/(loss)	<u>9,603</u>	<u>5,282</u>	<u>9,782</u>	<u>5,030</u>	<u>4,364</u>	<u>1,039</u>	<u>6,166</u>	<u>324</u>	<u>—</u>	<u>41,590</u>

Item	31 December 2011									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central region	Western region	Northeastern region	Head Office	Hong Kong	Offset	Total
Segment assets	641,067	407,317	740,810	337,367	314,148	69,579	855,864	139,763	(745,217)	2,760,698
Segment liabilities	629,878	401,011	730,097	331,652	308,503	68,109	735,288	127,779	(745,217)	2,587,100
Off-balance sheet credit commitments	265,912	111,062	226,460	160,111	83,237	25,587	55,543	40,755	—	968,667

Item	2010									
	Pearl River			Central region	Western region	Northeastern region	Head		Offset	Total
	Yangtze River Delta	Delta and West Strait	Bohai Rim				Office	Hong Kong		
Operating income	13,960	7,690	12,909	6,795	5,646	1,615	4,561	3,180	—	56,356
Operating expense	(5,351)	(2,980)	(4,560)	(2,644)	(2,326)	(628)	(2,813)	(1,336)	—	(22,638)
Asset impairment loss	(1,098)	(847)	(1,371)	(407)	(235)	(24)	(242)	(1,025)	—	(5,249)
Operating profit/(loss)	<u>7,511</u>	<u>3,863</u>	<u>6,978</u>	<u>3,744</u>	<u>3,085</u>	<u>963</u>	<u>1,506</u>	<u>1,045</u>	<u>—</u>	<u>28,695</u>

	31 December 2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central region	Western region	Northeastern region	Head Office	Hong Kong	Offset	Total
Segment assets	491,160	286,131	549,592	260,996	224,362	57,878	637,529	116,295	(547,447)	2,076,496
Segment liabilities	482,494	281,102	540,602	256,611	220,190	56,517	555,563	111,144	(547,447)	1,956,776
Off-balance sheet credit commitments	<u>172,279</u>	<u>103,236</u>	<u>179,721</u>	<u>105,890</u>	<u>54,386</u>	<u>24,763</u>	<u>44,169</u>	<u>38,930</u>	<u>—</u>	<u>723,374</u>

The Bohai Rim (including the Head Office), the Yangtze River Delta, the Pearl River Delta and the West Strait have always been the most important contributors to the Group's income and profit growth, contributing a total operating profit of RMB30.833 billion to the Group in 2011, with the proportion of 74.14%. The Group's business in Central, Western and Northeastern regions of China have been developing rapidly in recent years, and in 2011, the operating profit from these three regions amounted to RMB10.433 billion, with the proportion of 25.09%. In addition, the profit derived from operations in Hong Kong amounted to RMB324 million with the proportion of 0.77% and the economic efficiency grew steadily.

Business Overview

Corporate Banking

Business Strategies

Amidst the complicated macro-economic situation in 2011, the Bank continued to optimize its operation pattern for corporate banking business through proactive development of specialized marketing and service systems and continuous promotion of the construction of business platforms such as small business financing, investment banking, supply chain financing and corporate electronic finance, thereby further enhancing its professional services and marketing capability for corporate banking and consolidating its overall competitiveness in corporate banking business.

Business Overview

The Bank proactively optimized its corporate banking business model in 2011 based on the development of "big corporate banking" platform through intensifying resources integration and business synergy, developing the tiered customer operation system, expediting product and service integration and innovation, and boosting transaction banking business including cash management and supply chain financing. In parallel with consolidating and escalating the competitive edges of traditional corporate financing business, the Bank conducted effective adjustment to its business structure, customer structure and income structure, thus further improving its development sustainability. As at the end of the reporting period, the Bank's total balance of corporate deposit was RMB1,558.159 billion, an increase of 13.84% year-on-year; total corporate loan balance was RMB1,103.460 billion, up by 11.83% year-on-year. During the reporting period, the Bank realised net non-interest income from corporate banking of RMB6.013 billion, up by 57.41% year-on-year.

- The Bank achieved coordinated development of corporate customers. As at the end of the reporting period, the number of strategic clients was 3,690, the balance of general loans to strategic clients was RMB437.157 billion, accounting for 41.31% of the total balance of corporate general loans; the balance of general loans to small business customers reached RMB103.95 billion, an increase of RMB38.432 billion or 58.66% over the end of the previous year, accounting for 9.82% of the total balance of general corporate loans, up by 2.80¹ percentage points over the previous year.

¹ In the process of business management, the Bank made dynamic adjustment to the results of small business clients identification based on the changes of financial data of enterprises, and restated the figures as at the beginning of the year. The restated number of small business customers with credit extension was 11,025 and the balance of general loans was RMB65.518 billion as at the beginning of 2011.

- The Bank continued to take the lead among peers in terms of international business. During the reporting period, the Bank's cross-border Renminbi settlement reached RMB144.662 billion with a market share of 7.6%. The Bank maintained its position steadily leading other Chinese-funded national commercial banks in terms of indicators such as the number of accounts of interbank transactions in cross-border Renminbi settlement, account balance, cross-border purchase and selling of Renminbi.
- Investment banking business registered a rapid growth. During the reporting period, the net non-interest income from investment banking business reached RMB2.004 billion, an increase of 50.10% year-on-year. Fee income from structured financing and bond underwriting grew by 106.67% and 74.06% respectively year-on-year.
- Small business financing business developed fast. As at the end of the reporting period, the balance of credit granted to small enterprises reached RMB246.495 billion, an increase of RMB91.176 billion or 58.70% over the end of the previous year; balance of general loans reached RMB103.950 billion, an increase of RMB38.432 billion or 58.66% over the end of the previous year, of which the NPL amounted to RMB335 million and the NPL ratio was only 0.32%.
- Custody business grew against a slack market. As at the end of the reporting period, the balance of assets under custody reached RMB333.744 billion, up by 31.25% over the end of the previous year. Income from custody business during the reporting period totaled RMB320 million, up by 53.85% over the end of the previous year.
- Auto financing business registered a steady development. During the reporting period, the Bank established a "head office-to-head office" business cooperation network covering 60 automobile brands, an increase of 11 over the previous year, covering all key domestic automobile manufacturers in China. Meanwhile, during the reporting period, the Bank provided RMB336.665 billion worth financing services to auto dealers, up by 36.87% year-on-year.

During the reporting period, the Bank continued to acquire high reputation for its series of corporate financial service brands, receiving over 20 awards including "Excellent Competitive Corporate Banking Service Provider", "Best Supply Chain Financing Bank", "Best Investment Bank of Excellent Competitiveness", "Best Cash Management Bank", "Outstanding Contribution to Cash Management Sector in China", "Best Syndicated Loan Program" and "Innovation Award for Best Financing Services to SMEs".

Corporate Deposits and Loans

During the reporting period, the Bank kept optimizing the development strategy of corporate liability business under capital constraints, expediting the nurturing of endogenous growth mechanism for corporate liability business, intensifying marketing in areas such as institutional deposits, corporate deposits from settlement and fund raising for customers with direct-financing demands, intensifying cross-selling of corporate products, making effective use of transaction banking services including payment settlement, cash management and trade financing, enlarging up and down-stream medium and small customer groups with large customers as its core, and promoting the growth of liabilities with low-cost and high stability. As at the end of the reporting period, the Bank's corporate deposit customers reached 284,000, an increase of 25,284 over the end of the previous year. The Bank's

balance of corporate deposits was RMB1,558.159 billion, up by 13.84% over the end of the previous year, of which, the balance of deposits from institutional customers including fiscal and taxation entities registered RMB409.606 billion, up by 10.18% over the end of the previous year, accounting for 26.29% of the Bank's total corporate deposits.

The Bank placed emphasis on steady growth of high-quality and high-yield asset business. By making use of the comprehensive corporate customer value evaluation system, the Bank enhanced its value analysis of credit-receiving customers, and effectively geared credit resources towards high risk premium and low capital consumption business and high comprehensive yield customers. As a result, the Bank's high-yield asset business registered a steady growth and corporate loan structure was effectively adjusted. As at the end of the reporting period, the Bank's corporate loan balance (including discounted bills) registered RMB1,103.460 billion, up by 11.83% year-on-year, and the balance for corporate general loans increased by RMB124.943 billion over the beginning of 2011, a growth of 13.39% over the end of the previous year.

Based on its "customer-oriented" philosophy, the Bank intensified its operation on corporate customers of different tiers and established differentiated marketing management model and product service system targeting different corporate customers. The Bank continued to reinforce its centralized management and unified coordination of strategic customers marketing and deepen the cooperative relationship with these customers. Meanwhile, the Bank initiated its efforts to establish a marketing management system targeting medium corporate customers, and strengthened the specialized business operation regarding small business customers, thus promoting a synergized development of the Bank's large, medium and small corporate customers.

Business with Financial Institutions

During the reporting period, the Bank continued the development of interbank platforms and business cooperation, during which process the Bank verified the credit line to 17 national banks and 144 local banks. In addition, the Bank strengthened business expansion regarding third-party depositary and margin trading and short selling business by signing third-party depositary agreements with a total of 89 brokers and agreements on margin trading and short selling business with 16 brokers. In the meantime, the Bank made quicker progress in its cooperation with insurance companies, financial leasing companies and financial assets management corporations, and unveiled its financial service plan regarding cooperation between the Bank and insurance companies and cooperation between the Bank and financial leasing companies. While conducting effective risk prevention, the Bank seized the market opportunities to vigorously promote the development of asset businesses with other financial institutions including notes interbank discount under resale agreements, Renminbi non-settlement deposits with other banks and non-bank financial institutions and amounts borrowed from other banks and non-bank financial institutions, and promote the growth of monetary market related businesses including placements from and with other banks and non-bank financial institutions and debt securities repurchase so as to increase the capital operation benefits.

As at the end of the reporting period, the Bank's daily average balance of deposits from financial institutions registered RMB181.98 billion, of which the proportion of daily average balance of deposits from financial institutions reached 39.1%, and the daily average balance of Renminbi assets business with other financial institutions reached RMB210.98 billion.

2011 witnessed the slowing down of global economic growth and shrinking demands from major European and American countries as a consequence of the European debt crisis, along with capital constraints and shortage of resources resulting from stringent financial regulation. Large customers thereby demanded even higher standard financial services, coupled with fiercer horizontal competition in international business. During the reporting period, the Bank pursued an international business development strategy featuring “structural adjustment for higher comprehensive contribution; innovation and uniqueness for sustainable development”, thanks to which the Bank managed to tide against the negative market, made proactive efforts in resources allocation, incentives-based assessment orientation, customer marketing and product innovation, and upgraded its business performance to a new stage.

Guided by the 3S principle of “specialist, speed, slim”, the Bank’s international business achieved a coordinated development of scale and profit. During the reporting period, the Bank achieved USD213.834 billion in foreign exchange receipt and payment (including trade account and non-trade account) in its international business, up by 26.97% over the previous year, which exceeded the growth rate of China’s foreign trade by 4.5 percentage points, making its ranking amongst its peers continue to rise. The Bank’s intermediary business income for the reporting period totaled RMB1.995 billion, an increase of 59.1% year-on-year, setting a new record of growth rate, while interest income registered RMB984 million, representing a significant growth of economic benefits. The advantages of international business, i.e., high yields and obvious comprehensive benefits with less capital use were given full play.

During the reporting period, the Bank actively developed new businesses, constantly expanded service chains and tapped into new sources of earnings. In line with the internationalization of Renminbi and “Going out” of Chinese enterprises, the Bank achieved rapid growth in cross-border Renminbi business and maintained its leading position among other domestic commercial banks in terms of business volume. During the reporting period, the volume of cross-border Renminbi settlement of the Bank reached RMB144.662 billion with a market share of 7.6%. The Bank took a stable lead amongst its peers in terms of indicators including the numbers of current accounts of Renminbi settlement with other banks, balances in accounts, cross-border purchase and selling of Renminbi. In the meantime, the Bank seized the market opportunity by actively expanding domestic L/C business and thereby rigorously intensifying the service system that integrated domestic and international trade. Bearing in mind the shortage of foreign exchange funds and constraints on credit scale, the Bank made active use of refinance fund to assist clients to overcome the bottleneck of resources. In 2011, the Bank’s refinance business reached USD27.641 billion, up by 159% year-on-year.

During the reporting period, the Bank’s international business was awarded by the *Trade Finance* magazine “Best International Business Brand” and “Best Innovator for International Business”. The Bank received “Outstanding Annual Contribution to Cross-Border Renminbi Settlement Service” conferred by the MOFCOM and *International Business Daily*, received “Star of International Balance of Payment Statistics” in 2010 selected by the SAFE. In addition, the Bank became the first bank receiving SWIFT bank-enterprise express service certification in China.

Investment Banking Business

In 2011, under the macro context that traditional banking business tightened their credit scale, and experienced increasing pressures from loan-to-deposit ratio and capital supervision, the Bank took the initiative to adjust its approach of development for investment banking business. By taking customer needs of both debt and equity financing into equal consideration, the Bank achieved breakthroughs in diversification of both customer structure and profit-making pattern during the reporting period, resulting in rapid growth of business income. During the reporting period, the Bank's net non-interest income from investment banking business reached RMB2.004 billion, up by 50.10% year-on-year, accounting for 33.33% of the Bank's total net non-interest income from corporate banking business, of which structured financing and bond underwriting generated business income of RMB620 million and RMB317 million respectively, up by 106.67% and 74.06% respectively year-on-year. In 2011, various key business areas of investment banking exhibited a dynamic momentum of growth in scale, with the sales of investment banking products reaching RMB392.2 billion, up by 75% year-on-year.

In 2011, the Bank took the lead in financial industry in terms of the number of projects registered in the national interbank bond market and underwritten by it as lead underwriter and succeeded in underwriting the first batch of local government bonds, short-term commercial paper (SCP) and regional optimized collective bills. The Bank's ranking with *Bloomberg Press* remained the second in Chinese Mainland in terms of the scale of syndicated loans arranged by foreign and domestic banks. Because of its investment banking business, during the reporting period, the Bank was honored "Most Innovative Investment Bank in China" by *The Securities Times*, won the "Top Performance Award" and the "Best Transaction Award" for syndicated loan business from the China Banking Association, and the international award "Deal of the Year" from *Trade Finance*.

Transaction Banking Business

The Bank continued to optimize the organization and management model for supply chain financing business and keeps enhancing its centralized management of supply chain financing business by establishing centralized operation platform. During the reporting period, the Bank intensified its innovation and application of supply chain financing products by launching products including bill bank and bill pool pledge financing, thus further escalating the market competitiveness of the Bank's supply chain financing business. As at the end of the reporting period, the number of effective credit-receiving customers of supply chain financing business (excluding auto financing business) of the Bank reached 3,827, an increase of 1,564 over the end of the previous year, with an accumulative volume of financing reaching RMB344.7 billion, up by 66.7% year-on-year. Meanwhile, the acceptance and discount of electronic bills reached RMB137.3 billion, constituting a comprehensive market share of nearly 20%.

During the reporting period, the Bank launched depositary service of multi-bank system (MBS) for cash management in line with the trends of innovative cash management business, preliminarily established the MBS depositary system platform, initiated "cloud service" and consulting service of CITIC Bank cash management business, launched Cash Management version 5.1 online, expanded

functionalities such as access to historical balance and real-name affiliated accounts, thereby diversifying the product series of cash management. The B2B commercial system platform of the Bank went through continuing optimization, expanding services to satisfying cash management service for third-party transaction platform, third-party payment institutions and core merchants conducting E-commerce and expanding service functionalities including capital management and on-line payment. The Bank became the only domestic commercial bank approved to participate in the E-commerce intelligent payment technique project under the national science and technology support scheme in the 12th Five-Year Plan of the MOST. As at the end of the reporting period, the numbers of cash management projects and customers reached 1,937 and 11,800 respectively, up by 32.67% and 33.9% respectively over the previous year, with the transaction volume reaching RMB11.3 trillion, an increase of 37.46% over the previous year.

Small Business Financing Business

In 2011, the Bank developed a customized financial product “Growth Support Loan” for quality small corporate customers belong to “One Chain, Two Circles, and Three Clusters”¹. In the meantime, the Bank expedited its innovation of products and schemes, put forward unique financial products such as supply loan, sales loan, market loan, industrial/development zone loan, chamber of commerce loan and portfolio loan, etc, and launched regional optimized collective bond issuance by competitive small enterprises and loan issuance to small and micro enterprises merchandising on the Internet. These efforts stimulated business development while effectively putting risks under control.

As at the end of the reporting period, the Bank had 16,114 small business clients², an increase of 5,089 over the beginning of 2011, to which the total balance of credit granted reached RMB246.495 billion, increasing by RMB91.176 billion or 58.70% over the end of the previous year; the balance of general loans totaled RMB103.950 billion, growing by RMB38.432 billion or 58.66% over the end of the previous year, of which NPL balance was RMB335 million and the NPL ratio was merely 0.32%. In parallel with sound and rapid development of small business credit business, the Bank’s advantages in making benefits showed gradually. As at the end of the reporting period, the interest rate of outstanding loans for small businesses was 23.69% above the benchmark interest rate, which was at the medium level in the industry and above the average level of interest rate float over benchmark interest rate for corporate outstanding loans, and was consistent with the Bank’s positioning of focusing on quality growing small business clients.

The CBRC named “Growth Support Loan”, a customized financial product of the Bank for quality small corporate customers, “Unique Financial Service Product of Banking Institutions for Small Enterprises” during the reporting period.

1 One Chain refers to the up and down stream in supply chain; Two Circles refer to trade concentration area and manufacturing concentration area; Three Clusters refer to clusters of markets, chambers of commerce and development/industrial zones.

2 The Bank defines small business as enterprise and legal entity with a net asset of RMB15 million or below as at the end of the previous year or with a turnover of RMB150 million or below for the previous year.

Asset Custody Business

In 2011, asset custody and pension business of the Bank maintained rapid development against a slack market. While domestic securities market kept declining and thereby the continuous shrinkage of valuation of securities investment funds with underlying stock and debt securities and wealth management products issued by brokers, the Bank persisted with both traditional and innovative approaches which resulted in rapid growth of custody fee income, continuous record brushing of custody scale, and industrial leadership in terms of the growth rate of the scale of annuity put in operation for two consecutive years by fully leveraging on the advantages of integrated platform of CITIC Group Corporation, enabling the cross-selling of corporate and retail banking products and business interaction, actively promoting market share and industry position. As at the end of the reporting period, assets under the Bank's custody reached RMB333.744 billion, an increase of 31.25% year-on-year. During the reporting period, total income from custody fees reached RMB320 million, up by 53.85% year-on-year; while the scale of pension business under contract totaled RMB14.597 billion, up by 60.21% year-on-year.

During the reporting period, the Bank won the "Award for Best Asset Custody in China" from *The CFO* magazine for the third year and continued its position as a Standing Member of the Professional Committee of Asset Custody under the China Banking Association.

Auto Finance

In 2011, the Bank overcame negative factors such as sliding growth rate of the domestic auto sector and scale restriction of auto credit, kept pioneering into new markets, achieved a sustainable growth of the overall yields and thereby maintained a sound momentum of development as a whole. During the reporting period, the Bank registered substantial growth in all operation indicators including the scale of auto financing, number of cooperating auto dealers, and deposits of auto dealers, which further consolidated the Bank's competitive advantages in auto financing business.

As at the end of the reporting period, the Bank established a "head office-to-head office" business cooperation network covering 60 automobile brands, an increase of 11 over the previous year, covering all key domestic automobile manufacturers in China. The number of cooperating car dealers reached 4,035, an increase of 40.01% over the previous year. Meanwhile, the Bank provided RMB336.665 billion worth of financing services to auto dealers, up by 36.87% over the previous year, reaching another historical high. The total daily average deposits from car dealers and manufacturers registered RMB72.072 billion, up by 21.99% over the previous year. The growth rate of all indicators of the Bank's auto financing business surpassed that of the auto sales nationwide.

With its outstanding performance in auto finance business, the Bank was awarded "2011 Best Auto Finance Service Bank" in the "2011 China Auto Finance Annual Conference and Award Ceremony for 2011 China Auto Gold Engine Award" sponsored by *Moneyweek*.

Retail Banking

Business Strategy

In the face of complicated and volatile external market situation in 2011, the Bank put forward the development philosophy of “Intensify management of main business lines, promote coordinated business development and improve integrated benefits for customers through profit-making orientation by way of customer acquiring and managing and with establishment of a comprehensive retail banking system as the foundation” for its retail banking business, and promoted all aspects of work according to this philosophy.

Business Overview

As at the end of the reporting period, the Bank’s balance for personal deposits reached RMB307.062 billion, up by 15.59% year-on-year; balance of personal loans¹ of the Bank reached RMB253.867 billion, up by 26.08% year-on-year. During the reporting period, the Bank achieved RMB10.427 billion operating income from retail banking business, up by 24.00% year-on-year, accounting for 13.94% of the Bank’s total operating income, of which the net non-interest income from retail banking business reached RMB3.085 billion, up by 53.10% year-on-year and accounting for 29.71% of the Bank’s total net non-interest income. During the reporting period, the customer base of retail banking business was further expanded, reaching 21.1785 million as at the end of the reporting period, an increase of 12.38% year-on-year.

- The three profit drivers, i.e. personal wealth management, consumer credit and credit card, maintained steady growth.
 - Accumulative sales of wealth management products (exclusive of structural wealth management products) during the reporting period reached RMB475.398 billion, up by 118.33% year-on-year.
 - Balance of personal housing mortgage loans totaled RMB169.763 billion as at the end of the reporting period, up by 13.29% year-on-year, accounting for 66.87% of the balance of total personal loans.
 - The credit card transactions volume reached RMB166.4 billion, up by 66% year-on-year, and the income from credit card business reached RMB3.6 billion, an increase of RMB1.2 billion or 48% year-on-year.
- The number of personal Internet banking customers totaled 5.7071 million, an increase of 1.2947 million or 29.34% over the beginning of 2011; while the number of personal Internet banking transactions (including on-line payment) and transactions volume (including on-line payment) reached 35.9354 million and RMB2.27 trillion respectively, 2.15 and 2.25 times respectively of that of the previous year.

¹ Balance of personal loans include balance of retail credit, credit card loans and personal auto consumer loans.

- During the reporting period, the Bank continued optimizing its unique CITIC Bank “Five-type Private Banking” system, with the number of private banking customers exceeding 20,000 and outstanding improvement of main business indicators and profitability.

In 2011, the Bank won various honors for its retail banking business in numerous nation-wide award events. During the reporting period, the Bank received the “Best Retail Bank” award from both the “Most Respected Banks” Initiative hosted by *Moneyweek* magazine and the “Golden Diamond Award” Initiative hosted by Netease. The “2011 *China Business News* Financial Value List” named the Bank “Innovative Retail Bank of the Year”. For retail banking products, the personal credit business of the Bank was honored “Excellent Personal Mortgage Product” by *The Asian Banker*; the Fragrant Card was named “Best Marketing Case” by *The Chinese Banker* magazine; *Moneyweek* magazine named Xinfunianhua Card “Best Debit Card”, while bankrate.com.cn named CITIC Bank’s personal Internet banking “Personal Internet Banking of the Year Most Satisfactory to Consumers”.

Retail Assets under Management (AUM)¹

During the reporting period, the Bank put emphasis on comprehensive wealth management for retail customers, expanded channels of savings deposit, and enhanced innovation of wealth management products to promote synergized development of savings and wealth management and jointly promote a steady growth of retail AUM. As at the end of the reporting period, the Bank’s balance for personal savings deposit reached RMB307.062 billion, up by 15.59% year-on-year; while retail AUM reached RMB415.490 billion, up by 8.18% year-on-year.

Retail Credit

In 2011, by adjusting retail credit product structure, escalating marketing efforts and maintaining housing mortgage loans as the core business, the Bank vigorously developed personal business loans and credit card loans, and accelerated to expand to other consumer loans, thereby achieving a rapid growth in retail loan scale. As at the end of the reporting period, the balance of retail credit totaled RMB217.758 billion, up by 21.13% year-on-year, of which the balance of personal housing mortgage loan reached RMB169.763 billion, up by 13.29% year-on-year, the balance of personal business loans (excluding commercial housing loans and business car loans) reached RMB27.945 billion, up by 90.30% year-on-year; and the balance of commercial housing loans totaled RMB8.789 billion, up by 82.12% year-on-year. In parallel with the increase in loan scale, the Bank made great efforts to promote a continuous growth of the overall yields of retail banking business through adjustment of product structure and improvement of loan pricing capability.

The Bank has always attached great emphasis on the risk management of retail credit. Despite tremendous changes of the macro-economic environment, both the NPL balance and NPL ratio registered a decrease and hit a historical low. The NPL balance of retail credit was RMB345 million, a drop of RMB10 million over the end of the previous year while the NPL ratio was 0.16%, down by 0.04 percentage point over the end of the previous year. Amongst others, the NPL ratio of housing mortgage loans was 0.10%, drop by 0.01 percentage point over the end of the previous year.

¹ Retail assets under management (AUM) refer to the aggregate value of individual customers’ savings deposits and wealth management assets under the Bank’s management.

In 2011, with the macro-economic policy adjustment and given the restrictions on investment in real estate, a sluggish stock market and high inflation in China, the Bank sized up the situation and captured the opportunity by actively adjusting product research and development strategies and continuously innovating wealth management products in line with market development and customer demands. In 2011, in addition to optimizing its wealth management products, including the launch of Daily Express Supreme Version, the Bank also launched innovative fixed-maturity wealth management products including Tongying Series, and series of customized products targeting specific customers, including Daijinbao, Kaixinbao, Guixiang and Xiangying, etc.. With regard to risk management, in order to further enhance risk disclosure at the early stage in the sales of personal wealth management products and ensure healthier and more orderly development of its personal wealth management business, the Bank, in line with the regulatory requirements, made further efforts to sort out and adjust the personal wealth management risk ratings, and established consistent risk assessment standards and interpretations bankwide in accordance with relevant regulatory requirements, which greatly lowered the risks in wealth management products sales and effectively protect customer interests.

The Bank further intensified the development and marketing of agency sales service during the reporting period. In pursuance with the philosophy of “adhering to market-oriented issuance, focusing on customers and providing customers with sound agency sales services”, the Bank put stringent control over the qualification of newly introduced agents, and established good partnership with a group of fund management companies, insurance companies and brokers that enjoyed prestigious brands, stable operation and development potentials. Open-ended funds that the Bank sold on an agency basis covered all types of funds including equity funds, hybrid funds, bond funds, principal guaranteed funds, money market funds, LOF, ETF, innovative close-end funds, and QDII funds. The Bank sold over 200 insurance products as an agent for 11 insurance companies including China Life Insurance Company Ltd, Ping An Life Insurance Company of China, Ltd, and Xinhua Life Insurance. Government bonds sold by the Bank on an agency basis included certificate government bonds and savings bonds. The rich varieties of agency sales service fully satisfied the diversified investment demands of various customers. As at the end of the reporting period, the fee income of the Bank generated from fund and insurance sales on agency basis totaled RMB173 million.

In 2011, the Bank focused its efforts on intensifying cross marketing to its VIP customers and conducted the special Platinum Marketing Initiative. As at the end of the reporting period, the balance of AUM of VIP customer reached RMB265.192 billion, accounting for 63.82% of the total retail AUM; the AUM VIP customers increased by RMB17.036 billion, accounting for 54.23% of the Bank’s total increment of retail AUM; and the number of VIP customers holding AUM over RMB500,000 reached 158,147, an increase of 2,621 or 1.69% year-on-year.

Thanks to its excellent performance in wealth management, the Bank was awarded multiple prizes in various events hosted by major authoritative organizations, i.e., “2011 Top Bank Brand of Wealth Management” from the “2011 the 4th Initiative for Assessment and Selection of the Most Respected Banks and Best Retail Banks in China”; “2011 Best Bank-offered Wealth Management Product” from the “2011 Hexun.com List of Banking and Financial Champions” produced by Hexun.com; and “Innovative Bank Product of 2011” from the “Golden Wealth Management” Initiative sponsored by the Shanghai Securities News for its Kaixinbao Series of personal wealth management products.

Private Banking

The Bank provides private banking services to high net worth individuals with over RMB8 million available for investment and companies in which he/she has controlling or non-controlling interests. As at the end of the reporting period, the number of private banking customers of the Bank reached 23,152, indicating the Bank's private banking business entered a development stage of capacity release and profit orientation. Based on the service philosophy of "preserving wealth, creating wealth and enjoying life" and regarding dynamic wealth management as its core, the Bank created two major themed product lines, i.e. "Wealth-Preserving" and "Wealth-Creating" products; structured an investment consulting service system which provides private banking customers with dynamic and adjustable wealth portfolio recommendations; and further improved its club and "circle" models of value added service system, with steadily improved satisfaction of customer experience.

During the reporting period, Bank's brand reputation and market influence in private banking business witnessed all-round escalation. The Private Banking Center cooperated with the China Young Entrepreneurs Association, Yabuli Chinese Entrepreneurs Forum, Talent Magazine, and China Business News on multiple productive marketing campaigns. The Bank also worked with the Chinese Banking Research Center of the Central University of Finance and Economics on publishing the Research Report on Customer Features and Future Development Trend of Private Banking in China, which represents an outstanding contribution to the research on private banking market and sector.

Private banking of the Bank won numerous awards in 2011, i.e., "Most Complete Private Banking Product Line" from Euro Money, "2011 Best Private Banking Services" from *Money Week* magazine, "Most Satisfactory Private Banking Services" from Financial Money magazine and "Private Banking Services of the Year" from Sohu.com.

Credit Card

In 2011, the Bank followed the guideline of "focusing on customers and making products and services the Bank's core competitiveness" for its credit card business. Efforts were exerted to enhance the upgrading of product lines and consolidate advantages of leading products, which helps the formation of four major customer groups, i.e., high-end customers, business travelers, females and youngsters. During the reporting period, targeting high-end customers, the Bank successfully launched the UnionPay VIP Platinum Card which, as the first of its kind focusing on health management concept, realized an issuance of over 10,000 within the first three months after launch, generating an annual fee income of more than RMB10 million. Oriented to business travelers, the Bank successfully launched the China Eastern Airline Unlimited Card on top of cards co-branded with Air China and China Southern Airline. Further, cards co-branded with Ctrip.com and Shenzhen Airline are about to be available on the market. To satisfy the female customer group, the Magic Female Card went through comprehensive upgrade, highlighting product value positioning and customer loyalty. Meanwhile, considering preferences of different customers, the Bank set up some clubs including "Travel in Guoling", "Travel Season", "Parents-Kids Club", "Love Trust be Together" and "Fun Movie", so as to effectively satisfy the demand of customers in all life cycle.

As one of the core business areas for the year, installment business of credit card consumer finance achieved brand new breakthroughs during the reporting period. Targeting its customers of payroll agency service, the Bank put forward cash installment products including “Tuan Jin Bao”, “Xu Jin Bao”, and “Yuan Meng Jin”, etc, which, while registering new breakthroughs, laid a solid foundation for future development of consumer finance business.

As at the end of the reporting period, the Bank issued a total of 14.07 million credit cards, up by 22% year-on-year. During the reporting period, the credit card transaction volume reached RMB166.4 billion, up by 66% year-on-year, with a total income of RMB3.6 billion, an increase of RMB1.2 billion or 48% year-on-year.

Personal Auto Consumer Credit

While maintaining its leading position in corporate auto financing business, the Bank’s personal auto consumer credit business has been growing rapidly thanks to the Bank’s sound cooperative relations with auto manufacturers and dealers and advanced business philosophy and operation model in the auto financing industry.

The Bank has acquired major local market shares in Beijing and Shanghai via auto consumer credit business conducted through its auto finance sub-centers in the two cities. As at the end of the reporting period, the Bank had established partnership with 59 auto brands, and its personal auto consumer credit business covered 436 dealers in Beijing and Shanghai, an increase of 44.37% year-on-year, with the balance of personal auto consumer credit registering RMB4.205 billion, an increase of RMB1.971 billion over the end of the previous year, of which NPL balance was RMB3.98 million, recording an NPL ratio of 9.47 out of ten thousand and maintaining a good quality in overall assets.

With its outstanding performance in auto finance business, the Bank was awarded “2011 Best Auto Loan Providing Bank” in the “Most Respected Bank in 2011 and Best Retail Banking” selection activity sponsored by *Moneyweek*.

Channel Development and Service Quality Management

The Bank continued to enhance its E-banking service capacity in retail banking business in 2011. (Please refer to “Management Discussion and Analysis – Domestic Distribution Channels” for details.)

Meanwhile, the Bank further enhanced its professional management of services and promoted establishment of the service quality system. (Please refer to “Management Discussion and Analysis – Service Quality Management” for details.)

Treasury and Capital Market Business

Business Strategy

The treasury and capital market business of the Bank adhered to the development strategy of “simple products and efficient marketing” in 2011. Efforts were underway to promote the development of traditional business with competitive advantages in line with customer demands, organically integrate the development of new businesses and expansion of effective customers and at the same time enhance the management of main business lines for the constant consolidation of business development foundation.

Business Overview

In 2011, the Bank enhanced business structure and asset distribution of its treasury and capital market business, kept consolidating its customer base and improving its business sustainability, proactively improved its institutional systems, and enhanced internal control management, as a result of which all business areas of the Bank exhibited a sound development momentum. As at the end of the reporting period, the Bank’s operating income from the treasury and capital market business reached RMB8.994 billion, accounting for 12.02% of the Bank’s total operating income; and the net non-interest income from the treasury and capital market business totaled RMB1.284 billion, accounting for 12.37% of the Bank’s total net non-interest income.

Foreign Exchange Business

Affected by the domestic and international economic situations in 2011, the international foreign exchange market went through further volatility with escalated uncertainty of exchange rates. Confronted with such market changes, the Bank adopted positive countermeasures, and steadily promoted the fee-based income growth and the enhancement of its market competitiveness. As per requirements of regulatory authorities and in light of its own specific situations, the Bank further refined its policies, strategies and business flow of liquidity management. Continuous efforts were made to promote the establishment of the liquidity risk management information system, which resulted in comprehensive measurement of liquidity risk and satisfied the demand for steady and prudent management.

During the reporting period, the Bank took a leading position amongst small and medium commercial banks in terms of market share of foreign exchange settlement and sales and exchange gains. Once again the Bank was honored with the awards of “Best Spot Market Maker”, “Most Popular Market Maker”, and “Best Foreign Exchange Market Maker” of the interbank foreign exchange market from the China Foreign Exchange Trading Center in 2010. In 2011, the Bank was rated “Best Local Foreign Exchange Service Provider – Most Innovative Foreign Exchange Product and Transaction Concept” in an initiative sponsored by *Asiamoney*, an authoritative magazine on foreign exchange, finance and economics.

Renminbi Bond and Interest Rate Market-Making Business

In 2011, under the pressure of domestic inflation and macro-economic readjustment, the Central Bank continued its prudent monetary policy resulting in tightened liquidity, drastic fluctuation of interest rates, and the Renminbi bond market experiencing the trend of rising first and declining afterwards. Confronted with the negative market environment, the Bank based itself on the prerequisite of market risk control and adopted prudent transaction strategies, continuously improved its capability in pricing and trend judging and steadily conducted Renminbi bond market making and interest rate derivatives market making business. Meanwhile, in parallel with active innovation and improvement of profit-making models, the Bank paid attention to its sustainability and retained high market shares in the above-mentioned business areas and further escalated its influence and competitiveness at the Renminbi market.

During the reporting period, the Bank was named “2010 Excellent Market Maker of the Nationwide Interbank Bond Market” jointly by the PBC and the National Association of Financial Market Institutional Investors, being the only national joint stock commercial bank accorded this honor.

Wealth Management and Derivative Trading Business

In 2011, based on customers’ needs and market environment, the Bank made full use of its “sales-trading” system by proactively managing asset portfolios and focusing on developing short-maturity and low-risk prudent bond-type financial products. On top of the existing product series, the Bank launched product series such as Guixiang, Kaixinbao, and Huiying, resulting in 130% increase in transaction of wealth management business over the previous year, and effectively satisfying customer demand for products of various maturities. The Bank also actively captured market opportunities and investment hot spots. Structural products such as Zhiying, Letou, Jiariying and Qiqiying met the demands of investors for their assets value preservation and appreciation while putting risks under stringent control, promoted the rapid growth of intermediary business income and played a positive role in customer retaining and marketing.

Persistent with its prudent development strategy, the Bank intensified its efforts to conduct market research and judgment on customer-driven derivatives, enhanced capacity building for capturing market opportunities, and satisfied customer demand for mitigating interest rate and exchange rate risks with its professional services in standardized interest-rate and exchange-rate derivatives.

Asset Management

The year 2011 features the slowing down of the world economic growth, further deterioration of the European debt crisis and drastic fluctuation of the international financial market. Under the pressure of inflation, domestic monetary policy in China remained tight while the Chinese stock market experienced rapid switch from bear to bull. Under such a complicated macro environment, the Bank pursued the principle of balancing safety, liquidity and profitability in asset management, effectively implemented the matrix scientific investment decision-making mechanism and thus further improved the quality of asset management.

During the reporting period, the Bank made positive efforts to overcome negative impacts of the Renminbi bond market and adopted short-duration strategies in the first half of the year. In the second half, the Bank captured the market opportunity of high expected yield, increased the proportions of medium-to-long term bond categories, and thus greatly improving the rate of return from Renminbi bond investment business with obvious rise of market value floating surplus. Meanwhile, the Bank proactively grasped opportunities for bond operation, resulting in remarkable year-on-year growth in fee-based income such as income from the spread business, and therefore the satisfaction of both short-term and long-term yield objectives. In terms of foreign currency asset management, the Bank made use of the fluctuations of the international bond market by actively adjusting foreign currency assets structure and reducing assets with high expected risks, and thus further enhanced risk resilience of its assets in general.

Service Quality Management

In pursuit of the operation philosophy of “operation with integrity, customer orientation, and value creation for customers”, the Bank specified its service modes and deepened its service connotation to develop a bank of integrity. Efforts were underway to focus on customers and develop brands of excellence. Through extensive reform covering product service, business expansion, risk management and information technology, the Bank effectively improved quality of its products and services and built up a brand image of integrity, prudence, friendliness and excellence, thereby progressing towards a bank of renowned brand.

The Bank adopted a series of measures to enhance management of service quality from the perspective of customer experience throughout 2011. Efforts were made to optimize organizational structure of service management so as to provide institutional guarantee for service management; improve the service appraisal system for consolidation of system infrastructure of service quality; expedite transformation of outlets and enhance the standards of service quality for better customer experience; diversify the training system for construction of first-class service teams; integrate physical outlets with telephone service channels for creating unique CITIC Bank services; and strengthen the service monitoring mechanism for constantly improving customer satisfaction.

With the concerted efforts of the Bank’s staff, the service qualities management of the Bank has been highly recognized by all sectors of the society. Five sub-branch outlets of the Bank won the honor of the “Top 100 Demonstration Units of China Banking Civilized and Standardized Service in China’s Banking Industry in 2011”, which event was organized by China Banking Association. Meanwhile, the Bank also won the “Prize for Outstanding Contribution to Civilization and Standardized Service in China’s Banking Industry in 2011”. In the election of the “Star Duty Manager” of China Banking civilization and standardized service organized by the China Banking Association, a total of 40 duty managers of the Bank won the title of “Star Duty Manager”, of whom 8 duty managers were honored as “Star of Wealth Management”, “Star of Glamour”, “Star of Goodwill” and “Star of Smile”, etc.

Integrated Financial Service Platform of CITIC Group Corporation

CITIC Group Corporation has numerous subsidiaries that are engaged in multiple business areas including banking, securities, fund, trust, insurance and futures, most of which are leaders of their respective sectors. The Bank has long been practicing the operation philosophy of “customer orientation”, and gradually established its unique competitive advantages via the integrated financial service platform of CITIC Group Corporation. In the meantime, the Bank continued consolidating its cooperation with CIFH and CITIC Bank International to keep refining and developing the strategy of its internationalized business operation.

Provision of Integrated Financial Solutions

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

- Underwriting of debt financing instruments. The Bank and CITIC Securities, as joint lead-underwriters, jointly underwrote RMB13.18 billion worth of debt financing instruments.
- Issuance of corporate wealth management products. In collaboration with CITIC Securities, the Bank issued an accumulative amount of RMB19.181 billion worth of corporate wealth management products of “CITIC Jujin Overall Wealth Management Portfolio Series” during 2011.

Extensive Sharing of Customer Resources

The Bank has been working with the four securities companies under CITIC Group Corporation, i.e. CITIC Securities, CITIC Securities (Zhejiang) , China Securities, and CITIC Wantong Securities, on third-party depositary services, becoming the main deposition management bank for CITIC Securities and CITIC Securities (Zhejiang) , and the general deposition management bank for China Securities and CITIC Wantong Securities. Meanwhile, cooperating with Tianan Insurance and CITIC-Prudential Life Insurance, subsidiaries of CITIC Group Corporation, in liabilities, settlement and cash management, the Bank became the main cooperative bank with these two insurance companies.

- Institutional customers. As at the end of the reporting period, the Bank was sharing 6,011 customers with the aforementioned four securities companies.
- Personal customers. As at the end of the reporting period, the number of personal accounts of third-party depositary business from the four securities companies increased by 5,000 over the previous year.

Cross-Design and Cross-Selling

- Cooperation on developing and selling personal wealth management products. The Bank has continued to strengthen its cooperation in product R&D with CITIC Trust under CITIC Group Corporation. During the reporting period, the Bank, in cooperation with CITIC Trust, issued 386 personal wealth management products and realized a sales volume of approximately RMB179.140 billion.

- Realization of the advantages of the custody business platform. Making use of the integrated financial service platform of CITIC Group Corporation and its own banking network resources, the Bank conducted all-round cooperation with CITIC Securities, CITIC Trust, China Securities, CITIC Capital, CITIC Splendid Capital, and CIFL in product development, establishment of the industry (VC) fund business platform and market expansion of custody business, whereby respective resources advantages of all concerned parties were leveraged for further business development. In particular, the custody scale of PE products denominated in both Renminbi and foreign currencies jointly launched with CITIC Capital reached RMB590 million; the custody scale of the corporate collective/targeted asset management program jointly launched with CITIC Securities totaled RMB10.7 billion; and the collective fund trust scheme jointly launched with CITIC Trust registered RMB62.858 billion in scale.
- Joint development of annuity business. Since obtaining its qualification for annuity custodian, the Bank has been engaged in extensive cooperation with subsidiaries of CITIC Group Corporation that hold the qualification for annuity manager namely, CITIC Trust, CITIC Securities, and China AMC. Such cooperation has led to joint design and marketing of CITIC Xinrui, a corporate annuity product, which reached RMB77.6346 million in scale as at the end of 2011. The Bank invited CITIC Trust to act as the account manager of “Xiangrui Xingtai”, a series of corporate annuity programs jointly launched by the Bank and Taikang Pension & Insurance Co., Ltd., which was valued at RMB205 million in scale as at the end of 2011. Further, the Bank invited CITIC Securities to be the investment manager of “Splendid Life”, a corporate annuity program jointly launched by the Bank and Ping An Annuity Insurance Company of China, Ltd., which totaled RMB309 million in scale as at the end of 2011. The Bank also invited China AMC to be the investment manager of “Golden Life No. 1”, a corporate annuity program jointly launched by the Bank and China Merchants Bank Co., Ltd., totaling RMB124 million in scale as at the end of 2011. In customer marketing, the Bank worked with CITIC Trust and CITIC Securities on many occasions for joint customer bidding and customer service and has provided corporate annuity management services to many customers.

Cooperation with Strategic Investors

Based on the principle of friendship, mutual trust and reciprocity, the Bank accelerated its cooperation with BBVA in selected projects in a focused way, promoting all-round strategic cooperation between the two parties in all related business areas.

- Cash Management. The Bank cooperated with BBVA on marketing the MANGO (China) cash management project.
- International business. In terms of cooperation in cross-border Renminbi business, as a result of joint efforts and consultation, the Bank has opened 7 cross-border Renminbi settlement accounts for BBVA’s Peru Branch, Chile Branch, Uruguay Branch, Venezuela Branch, New York Branch, Mexico Branch and Panama Branch during the reporting period, thereby completing the work of opening Renminbi accounts in major Latin American countries for BBVA.

- Treasury and capital market business. The Bank continued to enhance its cooperation with BBVA during the reporting period. Fully leveraging on the advantages of the Bank in treasury and capital market business and those of BBVA in the global financial market, the two parties conducted close cooperation in foreign exchange transaction, simple derivatives and structural wealth management products, with the annual transaction volume reaching RMB57 billion which broke even with that of 2010.
- Pension business. Since 8 November 2010, when CITIC Bank and BBVA signed in Beijing their Framework Agreement on Strategic Cooperation in Pension Business, the two parties have been steadily promoting multi-faceted and multi-modeled cooperation in pension business within the scope of this framework agreement. Currently, the two parties are planning to carry out cooperation in both consulting services in pension product design and pension operation system, and professional technical exchanges between the business teams of the two parties based on the rich managerial experiences of BBVA in the Latin American pension market.
- Investment banking. The Bank actively cooperated with BBVA in export credit, sub-loan, cross-border project financing and advisory services for cross-border M&A financing, which provided the Bank's strategic customers with integrated financing solutions to cross-border investment and financing. During the reporting period, the Bank and BBVA successfully organized the first Corporate and Investment Business Conference between CNCB and BBVA, and reached consensus thereby on linkage mechanism, key market regions and key clients financing support. During the reporting period, USD210 million worth of cross-border financing service was provided to customers jointly by the two parties through innovative structure design, which was a significant support to its domestic customers' demand of "going out" for financing abroad.
- Private banking. During the reporting period, with entry into effect of all major contracts between the Bank and BBVA, the private banking business cooperation unit initiated its official operation, enabling the Bank to become the only one of all domestic Chinese commercial banks that enjoys China-Europe cooperation in providing private banking services.

Information Technology

The Bank kept intensifying its input in information technology (IT) construction under the guidance of its IT Development Plan and the support of three specialized systems, i.e., application development system, operation and maintenance management system and quality safety system, so as to meet the demand of operation and management of the Bank.

In terms of application development, the project to upgrade the core system of the Bank was under implementation and the demand development and system design were in orderly progress. The launch of the consulting project regarding data management and data standard provided a solid foundation for bankwide data asset management and application. Enterprise Customer Information Facility (ECIF) , corporate customer relation management system (Phase II) and comprehensive business management system of private banking came into operation, supporting the escalation of customer management and customer service capability. Basic platforms including unified development platform (version 1.0) , work flow platform, content management platform and organization-level project management platform were put in operation, greatly contributing to the great improvement of efficiency of development and lowering the costs of development and maintenance. Projects including corporate Internet banking version 6.3, direct link between bank and enterprises version 3.2.0.0, B2B E-commerce (Phase II) , corporate financial call version 1.0.0.0, and mobile banking (iPad version) were successfully completed, continuously improving and escalating services rendered via electronic channels. In addition, a series of other projects, including market risk, liquidity risk, operational risk, internal control platform, tax control platform, financial IC card, and supply chain financing, etc. were all being implemented as scheduled.

In terms of operation and maintenance management, the Bank has been persistent in pursuing the development of an integrated operation and maintenance management system, improving the index and evaluation system for operation and maintenance management, enhancing service support and management of the Head Office to the branches in terms of production operation, actively promoting the establishment of Information Technology Infrastructure Library (ITIL) . The Bank launched and implemented the IT infrastructure construction including the dual centers of Internet banking and automated operation and maintenance management platform, resulting in the steady improvement in applicability of the IT system throughout the Bank. Meanwhile the Bank also improved its IT system emergency plan and organized rehearsals for many times, giving rise to the continuous enhancement of capacity building for emergency responding and security. By and large, the Bank's IT system operated in a safe and stable fashion in 2011, while the main transaction systems enjoyed steadfast improvement of applicability and stability, as result of which the Bank continued to take the lead among peers in terms of transaction success rate of UnionPay interbank debit cards and interbank credit cards.

In terms of quality safety, the Bank continued enhancing the management of quality safety and IT risks. Efforts were made to refine the quality safety management system by developing and improving a series of regulations and technical norms regarding quality safety. The Bank launched its centralized customer ID management project, established a regular safety inspection mechanism for the Internet and bank cards, completed compliance comparison with ISO27001, and standardized and intensified its coordination and supervision over quality safety through internal inspection on IT safety risks, specialized self-inspection on IT safety, and monthly quality analysis meetings.

Domestic Distribution Channels

Branches

The Bank kept optimizing the geographic layout of its branches in 2011. During the reporting period, 10 branches were opened in Bengbu, Baoji, Zhuhai, Handan, Yingkou, Weinan, Qinzhou, Longyan, Yichang and Hengyang, and 63 sub-branches were opened and 2 sub-branches in Yiwu and Zhongshan were upgraded to tier-2 sub-branches. In addition, the establishment of two other branches in Haikou and Chuzhou were approved and were under preparation. The Bank's controlled subsidiary Zhejiang LinAn CITIC Rural Bank were approved, and began its trial operation on 9 January 2012. As at the end of the reporting period, the Bank had 773 outlets in 95 large and medium cities in Mainland China, of which 35 were tier-1 branches (directly affiliated), 54 were tier-2 branches and 684 were sub-branches.

The Bank will pay special attention to the need of transformation and cost-effectiveness in its institutional network construction during 2012. Firstly, the Bank will give more support in promoting the transformation of corporate banking business, expediting outlet configuration in both Eastern cities at the prefecture level and selecting mid and Western cities at the prefecture level. Secondly, the Bank will give more support to its retail banking development, increasing outlet density in tier-1 cities and raising proportions of outlets in economically developed cities.

Self-Service Outlets and Self-Service Terminals

In 2011, in parallel with the enhancement of risk prevention of self-service banking, the Bank also made continuous efforts to expand the distribution networks of self-service banking and equipment and raise the rate of self-service equipment replacing labor for transactions. As at the end of the reporting period, the Bank had established 1,335 self-service banks and installed 4,739 units of self-service equipment (ATM, CDM and CRS) in Mainland China, up by 13.91% and 13.02% respectively year-on-year.

Mobile Banking

The Bank first initiated the brand of "Mobile Banking" in financial industry based on the concept of "creating a bank nearby". The Bank launched the iPhone version and iPad version of mobile banking on 8 March 2011 and 9 June 2011 respectively and upgraded the iPad version to version 2.0 in October 2011. As at the end of the reporting period, the Bank had 72,242 mobile banking customers, an increase of 55,212 or 324.2% over the beginning of 2011 and the transaction volume reached RMB631 million, 4.9 times of that in the previous year.

Internet Banking

In pursuit of the strategy of "higher technology substitution rate" in developing personal Internet banking business, the Bank adopted the approach of concurrently promoting customer acquisition, operation and upgrading, enjoyed an increasingly matured system for operation of E-banking customers, and maintained a momentum of leapfrog development. The E-banking substitution rate of the Bank (in terms of the number of transactions completed via E-banking) reached 67.68%, up

by 4.38 percentage points over the beginning of 2011, which effectively diverted the number of customers and business volume of physical outlets and reduced operation costs. In terms of customer acquisition, the Bank adhered to the marketing concepts of “equal attention to quality and quantity” and “two cards plus one KEY”, and adopted branch frontline marketing, cross marketing, bulk marketing and data-based marketing, maintaining a rapid and steady growth in both the number and coverage of customers. As at the end of the reporting period, the number of personal Internet banking customers reached 5.7071 million, an increase of 1.2947 million or 29.34% over the beginning of 2011, of which 3.2320 million were digital-certificate customers; the coverage of personal Internet banking customers reached 26.95%, up by 3.54 percentage points over the beginning of 2011. In terms of customer operation, the Bank carried out a series of marketing activities themed “10-Year Internet banking with Splendid Wonders”. Transaction volume of personal Internet banking registered leapfrog growth. The number and volume of transactions for personal Internet banking reached 35.9354 million and RMB2.27 trillion respectively, 2.15 and 2.25 times of the figures of the previous year respectively. In order to satisfy the customer need for investment and wealth management and increase its income from intermediary services, the Bank enhanced its product distribution via Internet banking system, selling RMB274.041 billion worth of personal wealth management products for the full year in 2011, accounting for 57.22% of the sales volume of wealth management products sold in all channels and 3.93 times of the sales volume of wealth management products via Internet banking in previous year; and the sales volume of funds via Internet banking were RMB11.506 billion, accounting for 47.76% of the sales volume of funds sold in all channels and 3.68 times of the sales volume of funds via Internet banking in the previous year. The Bank continued to pursue the “customer experience indices model” and the strategy for management of customer satisfaction and product suitability. In addition to optimizing and upgrading its Internet banking system, the Bank also added new online functionalities including personal credit information inquiry, CITIC-Prudential Insurance policy inquiry, on-line full-process pledge loan handling, “Fangyibao” loan account management, self-service revolving loan disbursement, retail customer point inquiry and conversion and on-line application for overseas education loan. In the meantime, other functions including interbank transfer, funds, wealth management products and on-line payment were further optimized. As a result, the Bank was named “Best Internet Banking of 2011” by China Financial Certification Authority.

In terms of corporate Internet banking, the Bank successfully released corporate Internet banking version 6.3 and version 6.4, enriching modular functionality of international business and third-party depositary service, further optimizing the contract signing process of corporate Internet banking; launched bank-to-enterprises linkage version 4.0, expanding other functionalities including deposit at notice, time deposit, third-party depositary business, liquidity management, collection and payment on an agency basis, and affiliated accounts management, accomplished the telephone banking version 2.0 and initially established the tiered customer service system for telephone banking, which further improved and enriched channels and functionalities of corporate Internet banking. As at the end of the reporting period, the Bank had 103,000 corporate Internet banking customers, an increase of 26,800 year-on-year, and the transaction substitution rate reached 40%, up by 9.8 percentage points year-on-year; and the transaction volume reached RMB17.42 trillion, up by 41% year-on-year.

Telephone Banking

As at the end of the reporting period, the Customer Service Center of the Bank had received 33.43 million incoming calls, including 29.78 million automated phone answering service calls, 3.65 million manual service calls, with the service level of call center of 83.27%, a customer satisfaction rate of 98.7%, and a rate of satisfaction with handling of customer complaints of 96%. The Bank's Customer Service Center had made telephone calls to 2.4675 million (person-times) customers, proactively marketed all sorts of its bank cards, wealth management products issued and fund products sold on agency basis. As at the end of the reporting period, the Bank's Customer Service Center had made telephone marketing for insurance products to 402,000 (person-times) customers, driving the increase of the number of policy accepted and the net insured amount, which contributed to the growth of fee-based income.

Thanks to its outstanding operation performance and precise operation management, the Customer Service Center of the Bank won numerous honors in 2011, such as the "Award for Excellent Operation and Knowledge Management" at the "2011 Annual Conference on Knowledge Management Practice and New Technology" hosted by the Knowledge Management Federation under the Chinese Entrepreneurs Forum; and the "Award for Elite Team of Operation Management", the "Award for Best Operation Management of Outgoing Calls", "Award for the Best Team of Outgoing Calls", "Award for the Best Outgoing Call Staff", and "Award for the Best Training Instructors" from the "2011 Top Customer Service Centers of Financial Institutions" initiative sponsored by China Financial Customer Service Development Alliance, fully demonstrating its competitiveness and reputation among peers. In addition, the center passed the ISO9000 certification for five consecutive years with "zero incompliance" backed by the enhanced internal management and its insistence on "customer first" service philosophy.

Subsidiary Business

CITIC International Financial Holdings Limited

CIFH, a controlled subsidiary of the Bank, is an investment holding company incorporated in Hong Kong. CITIC Bank and BBVA hold 70.32% and 29.68% equity interest in CIFH respectively. CIFH specializes in commercial banking business and non-banking financial services, and its commercial banking business is mainly provided by its wholly-owned subsidiary, CBI. In terms of non-banking financial services, CIFH holds 40% equity interest in CIAM, and 27.5% in CITIC Capital. The former specializes in asset management and direct investment business, while the latter focuses on investment management and consulting business in Chinese market.

In 2011, Hong Kong's economy registered a steady growth resulted from domestic vigorous consumption and tourism. However, it was obviously impacted by the deteriorated external environment and the European debt crisis in particular in the second half of 2011, showing a significant slowing down in growth rate. At the same time, encouraged by measures introduced by the Chinese government to vigorously promote the development of Hong Kong as an offshore center for Renminbi transactions, Hong Kong saw booming onshore and offshore Renminbi business, a new opportunity for the growth of Hong Kong's banking industry.

As of the end of the reporting period, CIFH had total assets of HKD173.675 billion, an increase of 15.41% over the end of the previous year. During the reporting period, CIFH realized a net profit of approximately HKD101 million, down by 90.2% over the previous year¹.

- CBI. During the reporting period, by leveraging on its leading advantages in cross-border Renminbi business, CBI seized the opportunity presented by the rapid development of offshore Renminbi business in Hong Kong, conducted close cooperation with the Bank and launched diversified Renminbi products and services to provide clients with effective investment and asset value maintenance and adding solutions and promote the sustained growth of its non-interest income and overall earnings. Moreover, CBI achieved an operating income of HKD3.419 billion, up by 13.7% over the previous year, and the profit before provision was HKD1.766 billion, up by 13.7% over the previous year.
- CIAM. CIAM specializes in asset management and direct invest business. During the reporting period, CITIC Carbon Asset Management Limited. (CITIC CAM) , a subsidiary of CIAM, successfully conducted close cooperation with Kashgar Municipal Government of Xinjiang Uygur Autonomous Region. CITIC YBN Capital Limited (YBN) , another subsidiary of CIAM, innovatively developed tailor-made trust fund products for investors and participated in the set-up of CITIC Health Management during the reporting period, which successfully established its first health checking center.
- CITIC Capital. CITIC Capital specializes in investment management and consulting business. During the reporting period, CITIC Capital successfully raised various funds, including Renminbi consolidated equity investment fund, international private equity investment fund, mezzanine investment and finance fund II and China real estate investment fund IV. As at the end of the reporting period, the total asset managed by CITIC Capital was approximately USD4.3 billion.
- Risk Management. During the reporting period, CIFH continuously strengthened its management on risk structure and risk tolerance. CBI basically finished its comprehensive risk management plan which effectively improved its risk management instruments, methodology and process and continuously perfected its risk structure. Meanwhile, CBI developed an indicator for overall risk, an objective, simple and comprehensive instrument, to measure its overall risks. At the same time, CBI worked with the Bank and BBVA to promote the cooperation in risk management and make joint effort to build a more advanced risk management model and a more excellent operational model.
- Business Coordination within CITIC Group. As a platform of the Bank's cross-border financial services, CBI was committed to constantly perfecting itself, improving its financial services and satisfying customers' needs for diversified financing and cross-border transaction settlement during the reporting period. Against the backdrop of the Bank's customers turning to overseas financing with the development of cross-border business, CBI provided customers with tailor-made offshore financing services to satisfy their diversified needs, highlighting its status as the Bank's offshore financing platform. During the reporting period, CBI significantly increased the financing limits for the Bank's corporate customers and their overseas presence in various

¹ If the one-time loss for the liquidation of credit default swap contract invested by Farmington was excluded, the CIFH would have realized a net profit of approximately HKD1.472 billion in 2011.

forms of financing, including “three-in-one” product financing, loans backed by standby L/C, overseas refinancing and L/C negotiation. The total amount of overseas refinancing and L/C negotiation increased by 31% and 330% respectively over the end of the previous year. At the same time, significant breakthroughs were achieved in the cooperation between the Bank and CBI on cross-border Renminbi business. During the reporting period, the total settlement amount of CBI’s cross-border Renminbi trade significantly rose and took up over 3% of market share in Hong Kong, a great contribution to the Bank’s cross-border trade settlement business. CBI kept enriching the products of cross-border Renminbi business and hit historical highs in the transaction volume of Renminbi non-deliverable forward (NDF) , overseas Renminbi refinancing and MoneyGram service, of which the transaction volume of MoneyGram service increased by 320% year-on-year.

China Investment and Finance Limited

CIFL is a controlled subsidiary of the Bank established and located in Hong Kong with a registered capital of HKD 25 million. The Bank holds 95% of equity interest and CBI holds the other 5% in CIFL. CIFL’s business covers loan business (CIFL holds a money lender license in Hong Kong) and investment business (including fund investment, bond investment and equity investment, etc.)

- Business Development. During the reporting period, CIFL continued to implement the policy of giving differentiated treatment to loan business and investment business and gave full play to the development strategy of leveraging on different yet complementary advantages. As at the end of the reporting period, CIFL had a total asset of approximately RMB1.171 billion, a year-on-year increase of 7.93%, and realized a profit before tax of approximately RMB41 million during the reporting period, down by 14.58% year-on-year.
- Risk management. During the reporting period, CIFL continued to follow the low-risk business operation policy set by its board of directors, strictly complied with relevant risk management policies and therefore maintained a good asset quality. During the reporting period, CIFL had no new NPLs and realized a relatively low risk level in its assets.

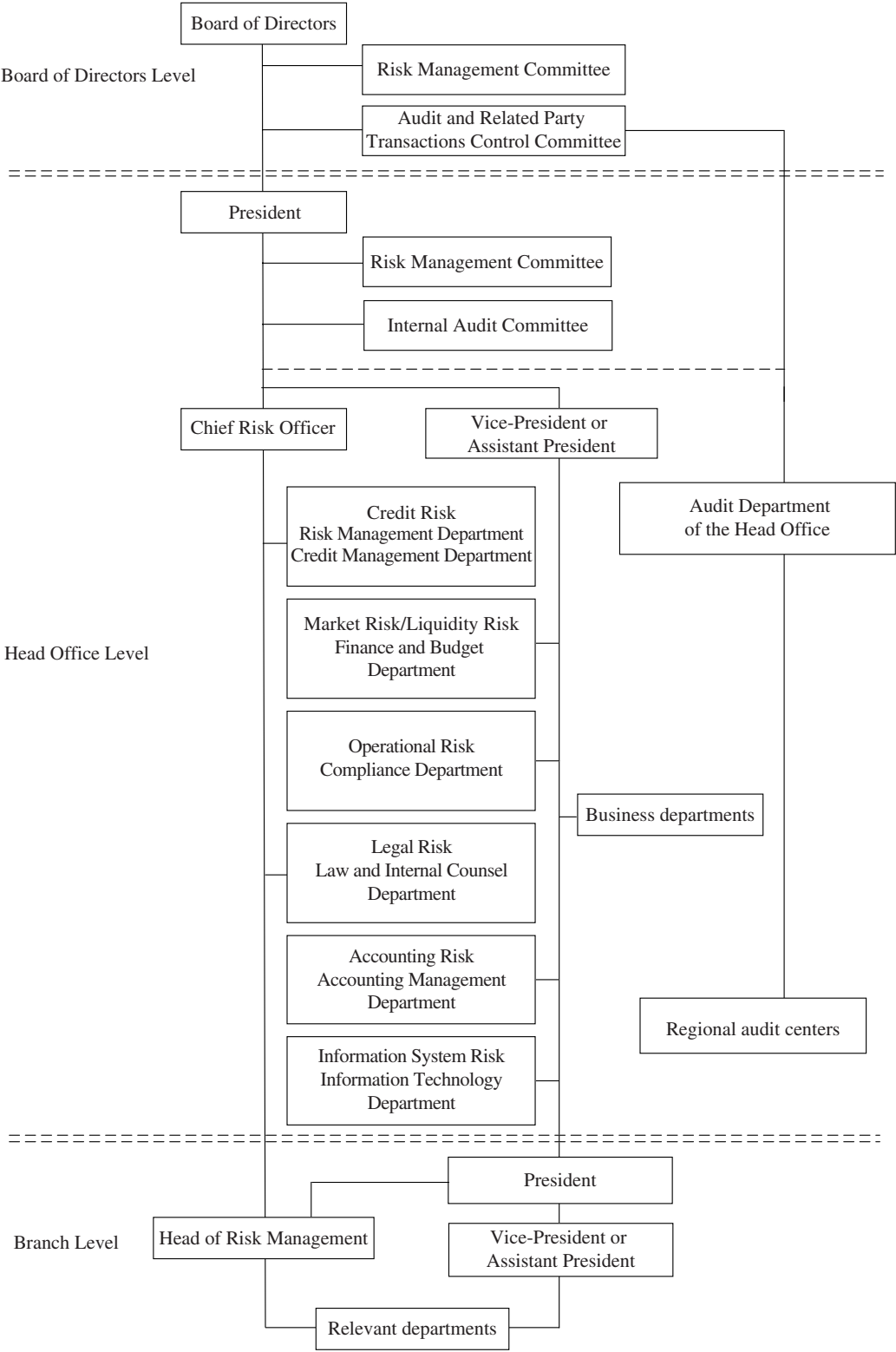
Zhejiang Lin’an CITIC Rural Bank

The Bank promoted and established its first rural bank in Lin’an city of Zhejiang Province as an active response to the requirement of the Central Party Committee and the State Council for enhancing the development of the new socialist countryside, for implementation of the CBRC plan to construct new rural financial institutions and in order to serve “agriculture, rural areas and farmers” with real actions and perform its social responsibility.

Lin’an CITIC Rural Bank has a registration capital of RMB200 million. The Bank holds 51% of its equity interest and another 13 enterprises hold the rest 49%. As at the end of the reporting period, Lin’an CITIC Rural Bank convened its incorporation general meeting and obtained the approval from the CBRC Zhejiang Bureau for commencement of business operation. This rural bank officially started its operation in 9 January 2012.

Risk Management

Risk Management Structure



Risk Management System and Techniques

The Bank remained committed in 2011 to building an independent, comprehensive, vertical and professional risk management system, cultivating a risk management culture of “pursuing risk-filtered returns”, implementing the development strategy of “quality industries, quality enterprises, mainstream markets and mainstream customers”, and proactively managing credit risk, liquidity risk, market risk, operational risk and other risks at all levels.

In 2011, the Bank fully launched the corporate liabilities rating system, which, after basically accomplishing the majority of its credit risk quantification efforts, and thereby entered a new stage where the focus of the risk management techniques is shifted from risk measurement to value creation. The Bank registered new progress in implementing the New Basel Capital Accord with all-round commencement of three projects, i.e. risk-weighted asset calculation, self-assessment of capital adequacy ratio, and regulatory compliance. A comprehensive self-assessment on the fulfillment of the regulatory compliance under the New Basel Capital Accord was accomplished for the first time.

Credit Risk Management

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

Risk Management on Corporate Loans

In the face of the complicated situations in 2011 featuring more intensive and frequent economic restructuring and macro readjustment in China and the rapid expansion of the Bank’s credit scale, the Bank made proactive responses and adopted a series of effective measures to further strengthen its risk management in key areas. During the reporting period, the Bank focused its efforts to resolve the risks associated with Local Government Financing Vehicle (LGFV) loans, prudently conducting real estate loan business and exerting stringent control over loans to over capacity industries such as the steel industry.

- Local Government Financing Vehicle loans. The Bank continued to reinforce its withdrawal from LGFV loans with potential risk. With regard to those loans that the Bank was unable to withdraw immediately, the Bank intensified its efforts to require additional land and other forms of collaterals. In the meantime, the Bank kept putting stringent control over new loans regarding LGFV and concentrated the rights to approval of all LGFV related credit granting business at the Head Office. Except for a few land reserve centers with standardized operation and reasonable liabilities, the Bank in principle suspended all new LGFV loans approval. During the reporting period, the balance and the proportion of the Bank’s LGFV loans declined dramatically, which ensured the fulfillment of its goal to “reduce existing loans and control new loans” in conducting LGFV loan business.

- Real estate loans. As an active response to the complicated real estate market, the Bank granted loans to real estate sector prudently, i.e., insisting upon the policy of total volume control of credit approval, setting more stringent access criteria for property developers and development projects, prioritizing support to residential projects with good geographic locations, reasonable prices and stronger resilience to price drop, and observing the principle of closed management of collaterals and capital. As a result, the increment and the growth rate of real estate loans declined dramatically as compared with the previous year.
- Loans to industries with overcapacity. The Bank's loans to overcapacity industries take relatively small proportion and mainly concentrate in the steel industry. To control the credit risk of the steel industry, the Bank pursued the policy of "total credit volume control, priority credit granting to qualified projects and restricting credit granting to the unqualified", focused on supporting large quality steel enterprises competitive in cost, scale and products, and exerted stringent control over project loans to steel enterprises. During the reporting period, the growth rate of general loans to steel enterprises was controlled below 1%, far behind the Bank's average loan growth rate. In addition, given the serious overcapacity and dramatic price decline of the PV industry over the previous year, the Bank adjusted its credit policy timely, strictly control the new credit approval to photovoltaic industry, thus timely reducing the credit risk exposure to this particular industry.

Risk Management on Small Business Loans

As at the end of the reporting period, with specialized organizations for small enterprise financing set up at 25 branches, the Bank formed a professional service system marked by "dedicated organizations, dedicated teams, dedicated procedures and dedicated platforms" and gradually developed its highly specialized small enterprise financial service network that enjoy wide coverage and clear facets. The Bank further clarified its risk-dispatched loan approval model, established an "embedded" risk management system, insisted upon a credit management model that separates loan approval from disbursement, thereby effectively controlling risk at earlier stage.

- Optimization of business process. To better meet the demand for business development, the Bank appropriately adjusted its criteria for small business customer identification and the business model for credit approval, and optimized the process of credit approval for small enterprises in 2011. In the meantime, the Bank developed multiple sets of standardized and individualized small business product processes based on market demands.
- Improvement of risk management techniques. In order to improve the techniques in risk management and promote a steady development of small business financing, the Bank initiated the development of a specialized credit rating model for small business customers by using external resources and making use of the Bank's historical data and business models, where relevant data analysis has been basically completed and the working on modeling is underway.
- Exploration into cluster credit approval model. In support of its positioning in targeted market and the cluster marketing model featuring "One Chain, Two Circles, and Three Clusters", and in order to achieve mass credit approval and aggregate risk control thereof for small enterprises, the Bank has been actively exploring the business model of clustered credit approval for small enterprises, developing business processes and supporting systems, with a plan to launch pilots in the key branches for small enterprise financing in Hangzhou, Nanjing, Suzhou and Dongguan branches.

- Enhancement of post-lending management. For the purpose of improving efficiency and quality of post-lending management over small enterprises loans, in 2011, the Bank developed simplified and highlighted reporting templates on post-lending inspection and asset risk classification of small enterprises, and compiled a practical manual for post-lending management of small enterprises loans, and carried out such post-lending management effectively and with effective risk control.
- Enhanced supervision and inspection. The Bank adopted business supervision and inspection as an important measure to prevent risks of small business financing in 2011. Through auditing of branches by the audit department of the Head Office, specialized business inspection over branches by business management departments of the Head Office, and self-inspection by small enterprise financing divisions of branches, the Bank was able to identify risks, prevent risks and dissolve risks on a timely basis.

Retail Management on Retail Credit

In 2011, in accordance with developments of the macro-economic situation and regulatory requirements, the Bank adjusted its credit policies, enhanced risk control and emphasized on compliant operation. Asset quality of the Bank was further improvement as a result of better personal credit system development, straightened-out business processes, and enhanced post-lending management.

- Based on changes of the macro-economic situation and regulatory requirements, the Bank made timely adjustments to its personal housing mortgage loan policies to ensure its compliant operation and controllability of risks.
- By optimizing its product structure, exploring and developing business areas of personal business loans and personal auto consumer loans, and diversifying product series, the Bank mitigated the potential risks aroused from the over-concentration of single product.
- The Bank completed the development of personal loan centers at its branches, and actively improved the retail loan management and risk control system.
- The Bank strengthened its post-lending management, ensured the compliance of person loan business and effectively enhanced the management on operational risk through measures of specialized post-lending inspection and system monitoring, etc..
- The Bank regularly monitored and briefed asset quality of personal loans, and enhanced its efforts to collect NPLs overdue for more than one year to consolidate its asset quality management.

Risk Management on Credit Card

In 2011, guided by the management concept of “pursuing risk-filtered returns”, and adhering to a coordinated development of “profit, quality and scale”, the Bank achieved a rapid and stable growth in credit card business through deepening business transformation and accelerating business innovation. Moreover, through a comprehensive and whole process risk control, the Bank established a complete and effective risk management system so as to enhance the risk management of the credit card business significantly.

- Establishment of a complete and effective credit card risk management system. The Bank adhered to the whole-process risk control system that integrates the Head Office and the branches as its cornerstone, and constantly improved its capability for whole-process credit card risk management. A sophisticated and effective credit card risk management system was established through a series of measures including institutional development and process design.
- Focus on adjustment of customer structure and asset portfolios. Oriented towards optimization of both risk control and customer value, and focused on adjustment of access policy and quota policy, the Bank actively introduced quality customers, increased the proportion of high-value customers, stringently restricted the access of high-risk customers, and further reduced the proportion of high-risk and low-yield customers. Concentrating efforts on increasing returns on risk assets, the Bank proactively enhanced its credit line management of cardholders, and constantly improved transaction activeness of quality customers through credit portfolio products and credit line management strategy, achieving rational allocation of credit resources and improving the efficiency of risk asset allocation.
- Establishment of a risk control system for consumer finance products. With emphasis on establishing differentiated innovation competitiveness, the Bank set up its risk control system for consumer finance products through a series of measures including improvement of approval policy, development of review and approval teams, and set-up of preliminary review positions for consumer finance, which laid a solid foundation for the rapid growth of consumer finance business.
- Formation of double life cycle measurement strategy risk management system. The Bank continued with its efforts to establish a dual-life cycle measurement strategy management system, which, by use of application, behavior scoring and retail rating and integrating economic cycle factors, covers the entire customer life cycle with credit card risk measurement tools, and escalates support to business management.
- Prevention of channel risks. Focused on developing brand new card issuing channels, the Bank further enhanced its capability in risk identification and risk interception upon first-time card issuance at the counter, and further sophisticated the fraud risk prevention system under new channels with emphasis placed on cracking down on defaulters, thereby effectively improving its overall capability to prevent default risks.

Risk Management of Treasury Business

The Risk Management Committee of the Head Office and the Risk Management Committee under the Board of Directors are responsible for determining the Bank's annual credit granting policies for its treasury and capital market business. The Treasury and Capital Market Department of the Head Office is responsible for daily operation and investment decision-making of the Bank's treasury and capital market business. According to the principle of independent risk management, the Risk Management Department and the Budget & Finance Department of the Head Office undertake their respective responsibilities in the course of decision-making on significant risks involved in treasury and capital market business.

The Bank continued to prudentially conduct its negotiable securities investment business and provided customers with fund value adding and risk avoiding services in 2011.

- Renminbi denominated bond investment. In 2011, China experienced a complicated and volatile domestic economic environment, featuring continuing tightened monetary policy, expanding credit spread, and increasing credit risks of low-rating bonds. The Bank followed its annual credit granting policy, actively carried out structural adjustment, and focused on quality enterprises within the relevant sectors as key investment targets.
- Foreign currency denominated bond investment. In 2011, the world witnessed depressed economic growth, fluctuating financial markets, deteriorating European sovereign debt crisis, and a sovereign ratings downgrade for the United States. In line with its risk management guidelines developed at the beginning of 2011, the Bank adopted proactive measures to reduce its risk exposures to European and American regions, accelerated sovereign bond investment in China and further optimized its asset structure.
- Fund value adding and risk avoiding services. On the principle of stringent risk control, the Bank proactively provided customers with risk management and fund value maintenance and value adding services. In parallel with providing value maintenance and value-adding services, the Bank also paid attention to customer adaptability analysis to effectively prevent credit risks.

Loan Monitoring and Post-Lending Management

In 2011, in order to counter the credit risks brought about by macro financial situation, the Bank, guided by the principle of “transformation, upgrade and development”, strengthened the credit management to secure asset quality, and reached the management objective of “ensuring on-time and full collection of due loans and ensuring no downgrading or less downgrading of undue loans”.

In terms of risk control, the Bank deepened its risk screening and on-site inspection so as to timely resolve risks and accomplished significant effects in preventing and controlling LGFV loan risks, and advanced rectification and reform to deepen the cultivation of compliance risk culture. The Bank built a post-lending inspection template to improve the quality of post-lending inspection, timely make risk disclosure and deepen risk early warning and risk dissolving. Meanwhile, the Bank sophisticated its management of collecting principals and interests of due loans and advanced the rectification on installment repayment of medium and long-term loans to ensure the on-time and full collection of the principals and interests of due loans. The Bank also implemented new regulations on loans by improving its contract and collateral management, strengthening loan-granting review and deepening operational risk management. Moreover, the Bank also encouraged branches to quit high-risk loans and enhance the adjustment to credit structure, and organized risk screening. In terms of strengthening management, the Bank enhanced the assessment based on indicators and on-site inspection, improved risk classification and provision and deepened asset quality management. Efforts were also made to upgrade system process and popularize advanced management experience to improve the overall management level. Moreover, the Bank improved the data quality and strengthened its analysis to deepen statistical analysis and standardize connected transactions, optimized functions to deepen IT-based management methods, as well as intensified its effort in branch assessment based on training to support branches in building up the management capability and the credit management team.

Credit Risk Analysis

Distribution of Loans

As at the end of the reporting period, the Group's total loan balance was RMB1,434.037 billion, an increase of RMB169.792 billion or 13.43% over the end of the previous year.

The Group continuously optimized the geographical configuration of credit assets, as a result of which, loans to different regions grew coordinately. The Group's loans were mainly to the most economically developed regions in coastal Eastern China, including the Yangtze River Delta, the Bohai Rim and the Pearl River Delta. As at the end of the reporting period, the Group's balance of loans to these three regions accounted for 66.30% in its total loans. In 2011, the increment of loans in the Yangtze River Delta was RMB48.101 billion or 14.69%, exceeding the average growth rate by 1.26 percentage points and representing the fastest growth among other regions.

In 2011, the Group proactively implemented relevant government policies regarding boosting domestic demand and appropriately enhanced its support to some quality projects in Central and Western regions, therefore the proportion of loans to these two regions increased continuously. The increment of loans to Western regions was RMB33.642 billion or 23.49%, exceeding the average growth rate by 10.06 percentage points, which registered the second among other regions, followed by that of loans to the Bohai Rim.

Concentration of Loans by Geographic Region

The Group

	31 December 2011		Unit: RMB million 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim <i>(Note)</i>	379,024	26.43	346,098	27.38
Yangtze River Delta	375,635	26.19	327,534	25.91
Pearl River Delta and West Strait	196,103	13.68	174,510	13.8
Central region	187,201	13.05	159,534	12.62
Western region	176,879	12.33	143,237	11.33
Northeastern region	46,425	3.24	41,239	3.26
Overseas	72,770	5.08	72,093	5.7
Total Loans	1,434,037	100.00	1,264,245	100.00

Note: Including the Head Office.

The Bank

	31 December 2011		<i>Unit: RMB million</i> 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim <i>(Note)</i>	378,142	27.86	345,037	29.04
Yangtze River Delta	373,731	27.54	325,678	27.41
Pearl River Delta and West Strait	194,949	14.36	173,318	14.59
Central region	187,201	13.79	159,534	13.43
Western region	176,879	13.03	143,237	12.06
Northeastern region	46,425	3.42	41,239	3.47
Total Loans	<u>1,357,327</u>	<u>100.00</u>	<u>1,188,043</u>	<u>100.00</u>

Note: 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 RMB1,116.389 billion, up by RMB124.117 billion or 12.51% over the end of the previous year; its personal loans grew at a fast pace and the balance reached RMB268.197 billion with the proportion up to 18.7%, an increase of RMB51.923 billion or up by 24.01% over the end of the previous year, 10.58 percentage points above the average growth rate; and its balance of discounted bills continued to decrease, reaching RMB49.451 billion, down by RMB6.248 billion or 11.22% over the end of the previous year.

The Group

	31 December 2011		<i>Unit: RMB million</i> 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,116,389	77.85	992,272	78.49
Personal loans	268,197	18.7	216,274	17.11
Discounted bills	49,451	3.45	55,699	4.4
Total loans	<u>1,434,037</u>	<u>100.00</u>	<u>1,264,245</u>	<u>100.00</u>

The Bank

	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,058,128	77.96	933,185	78.55
Personal loans	253,867	18.7	201,346	16.95
Discounted bills	45,332	3.34	53,512	4.5
Total loans	1,357,327	100.00	1,188,043	100.00

Structure of Personal Loans

In 2011, the Group enjoyed a robust expansion of its retail loan business, with a loan balance as at the end of 2011 of RMB268.197 billion, up by RMB51.923 billion or 24.01% over the end of the previous year, of which the balance of credit card loans reached RMB32.133 billion, up by 64.20% over the end of the previous year, 40.19 percentage points above the average growth rate; personal consumer and non-consumer loans grew remarkably, with the loan balance reaching RMB51.776 billion, up by 56.41% over the end of the previous year, 32.4 percentage points above the average growth rate; and the housing mortgage loans grew steadily, up by 11.70% over the end of the previous year.

The Group

	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Housing mortgage loans	178,888	66.7	160,149	74.05
Credit card loans	32,133	11.98	19,570	9.05
Others	57,176	21.32	36,555	16.9
Total personal loans	268,197	100.00	216,274	100.00

Unit: RMB million

The Bank

	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Housing mortgage loans	169,763	66.87	149,852	74.42
Credit card loans	31,903	12.57	19,342	9.61
Others	52,201	20.56	32,152	15.97
Total personal loans	253,867	100.00	201,346	100.00

Concentration of Loans by Sector

In 2011, in the face with complicated and volatile economic and financial situations both at home and abroad, the Group intensified its efforts in adjusting sector structure, prioritizing allocation of its credit resources to the real economy and supply chain financing while tightening risk control over over-capacity sectors and sectors suffering greatly from the macro-economic control policies. The prerequisite of total volume control was observed and caution was exercised when granting loans to the real estate sector. New loans to real estate sector were concentrated in the top 100 national property developers and premium regional property developers that enjoyed rich property development experience and strong regional advantages while project collaterals and closed fund management were insisted upon.

As at the end of the reporting period, corporate loan balance of the Group stood at RMB1,116.389 billion, up by RMB124.117 billion or 12.51% over the end of the previous year, of which, loan balances of the three sectors including manufacturing sector, the wholesale/retail and the transportation, warehousing and postal service sector accounted aggregately for 54.14%, or amounted to RMB301.815 billion, RMB177.121 billion and RMB125.457 billion, respectively. In terms of the breakdown of increment, the wholesale/retail sector scored the fastest growth, registering an increase of RMB48.179 billion, or 37.36% over the end of the previous year, followed by the manufacturing sector, which registered an increase of RMB41.551 billion or 15.96% over the end of the previous year; and the real estate sector took the third place, with an increase of RMB16.702 billion or 23.06% over the end of the previous year.

The loan balances of the three sectors, namely production and supply of power, gas and water, water conservancy, environment and public utilities management, and public and social organizations declined by RMB1.899 billion, 11.024 billion and 4.049 billion, respectively, or down by 2.32%, 13.58% and 6.96% respectively over the end of the previous year. This decline indicates that in 2011, the Group effectively controlled its credit resources from flowing into sectors that featured long loan maturities, weak bargaining power, relatively low integrated benefits and strong government background.

The Group

	31 December 2011		Unit: RMB million 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing sector	301,815	27.03	260,264	26.23
Transportation, warehousing and postal service	125,457	11.24	124,734	12.57
Production and supply of power, gas, water	79,970	7.16	81,869	8.25
Wholesale and retail	177,121	15.87	128,942	12.99
Real estate	89,135	7.98	72,433	7.30
Water conservancy, environment and public utilities management	70,181	6.29	81,205	8.19
Leasing and commercial services	50,495	4.52	48,444	4.88
Construction	58,734	5.26	44,798	4.51
Public and social organizations	54,114	4.85	58,163	5.86
Others	109,367	9.80	91,420	9.22
Total corporate loans	1,116,389	100.00	992,272	100.00

The Bank

	31 December 2011		Unit: RMB million 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing sector	295,684	27.94	251,249	26.92
Transportation, warehousing and postal service	123,333	11.66	122,142	13.09
Production and supply of power, gas and water	79,584	7.52	81,561	8.74
Whole and retail	171,650	16.22	120,616	12.93
Real estate	78,052	7.38	61,780	6.62
Water conservancy, environment and public utilities management	70,181	6.63	81,155	8.7
Leasing and commercial services	50,376	4.76	48,263	5.17
Construction	58,535	5.53	44,630	4.78
Public and social organizations	54,039	5.11	58,087	6.22
Others	76,694	7.25	63,702	6.83
Total corporate loans	1,058,128	100.00	933,185	100.00

Breakdown of Loans by Type of Guarantee

In order to respond to the complicated and volatile macro-economic situation, the Group continuously optimized the composition of guarantees and strengthened loan risk mitigation and relief in 2011. The proportions of the balance of unsecured loans and guaranteed loans both maintained the downward trend, while the proportions of the balance of collateral loans and pledged loans both kept the upward trend. As at the end of the reporting period, the balance of collateral and pledged loans stood at RMB711.718 billion, up by RMB146.488 billion or 64.52% over the end of the previous year, and their proportion reached 49.63%, 4.92 percentage points higher over the end of the previous year; the balance of unsecured and guaranteed loans amounted to RMB672.868 billion, accounted for 46.92% in total loans, down by 3.96 percentage points over the end of the previous year, of which, the balance of unsecured loans was down by RMB7.191 billion over the end of the previous year.

The Group

Type of Guarantee	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	329,615	22.98	336,806	26.64
Guaranteed loans	343,253	23.94	306,510	24.24
Collateral loans	523,632	36.51	434,657	34.38
Pledged loans	188,086	13.12	130,573	10.33
Subtotal	1,384,586	96.55	1,208,546	95.59
Discounted bills	49,451	3.45	55,699	4.41
Total loans	1,434,037	100.00	1,264,245	100.00

The Bank

Type of Guarantee	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	318,333	23.45	322,758	27.17
Guaranteed loans	325,259	23.96	286,571	24.12
Collateral loans	487,902	35.95	399,424	33.62
Pledged loans	180,501	13.3	125,778	10.59
Subtotal	1,311,995	96.66	1,134,531	95.50
Discounted bills	45,332	3.34	53,512	4.50
Total loans	1,357,327	100.00	1,188,043	100.00

Concentration of Borrowers of Corporate Loans

The Group emphasizes the centralized risk control regarding the concentration of borrowers of its corporate loans. Currently, the Group fulfills the applicable regulatory requirements related to the 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 2011	31 December 2010	31 December 2009
Percentage of loans to the largest single customer (%)	≤ 10	3.78	5.21	5.06
Percentage of loans to the top 10 customers (%)	≤ 50	22.10	30.01	34.70

- 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.
 - (3) The figures as at the end of 2009 in the above table were restated because the figure of the net capital as at the end of 2009 was restated.

The Group

Unit: RMB million				
31 December 2011				
	Sector	Amount	Percentage in total loans (%)	Percentage in regulated capital (%)
Borrower A	Public and social organizations	7,940	0.55	3.78
Borrower B	Public and social organizations	7,094	0.49	3.38
Borrower C	Production and supply of power, gas and water	4,900	0.34	2.33
Borrower D	Transportation, warehousing and postal service	4,697	0.33	2.24
Borrower E	Wholesale and retail	4,585	0.32	2.18
Borrower F	Manufacturing sector	4,260	0.30	2.03
Borrower G	Production and supply of power, gas and water	3,500	0.24	1.67
Borrower H	Transportation, warehousing and postal service	3,460	0.24	1.65
Borrower I	Production and supply of power, gas and water	3,000	0.21	1.43
Borrower J	Public and social organizations	2,950	0.21	1.41
Total loans		46,386	3.23	22.10

The Group focuses on supporting large-scale premium infrastructure projects and large premium customers. As at the end of the reporting period, the total loan balance to the top 10 corporate customers amounted to RMB46.386 billion, accounting for 3.23% of the total loan balance and 22.10% of the net capital, down by 7.91 percentage points over the previous year.

Loan Quality Analysis

Five-Class Loan Classification

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

In 2011, the Bank continued to enhance its centralized management of the different loan classes and improved its credit asset risk classification management system. While adhering to the core criteria of “safety of loan collection”, different classes of loans were treated with different risk management measures after taking into full consideration various factors that may impact the quality of credit assets.

The Bank’s procedure for identifying loan risk classification includes the following steps: business departments conduct post-lending inspection first, then credit granting departments of branches propose preliminary opinions, followed by an initial identification by credit management departments of branches, and then the person in charge of risk management in branches review the results; finally the Head Office make the final identification. To those loans with material changes in risk profiles, the Bank conducts the dynamic adjustment to their classification.

In 2011, thanks to the continuing collaboration with external auditors, the Bank completed sample review of credit quality and risk classification sampling (focusing on LGFV loans and loans to SMEs), and further enhanced the truthfulness and accuracy of loan class classification.

The Group

	31 December 2011		<i>Unit: RMB million</i> 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,410,760	98.37	1,244,478	98.44
Special mention	14,736	1.03	11,234	0.89
Sub-standard	3,740	0.26	2,339	0.19
Doubtful	3,827	0.27	4,870	0.38
Loss	974	0.07	1,324	0.10
Total Loans	1,434,037	100.00	1,264,245	100.00
Performing loans	1,425,496	99.40	1,255,712	99.33
Non-performing loans	8,541	0.60	8,533	0.67

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

	31 December 2011		<i>Unit: RMB million</i> 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,335,852	98.42	1,170,491	98.52
Special mention	13,502	0.99	10,066	0.85
Sub-standard	3,486	0.26	1,703	0.14
Doubtful	3,529	0.26	4,466	0.38
Loss	958	0.07	1,317	0.11
Total Loans	1,357,327	100.00	1,188,043	100.00
Performing loans	<u>1,349,354</u>	<u>99.41</u>	<u>1,180,557</u>	<u>99.37</u>
Non-performing loans	<u>7,973</u>	<u>0.59</u>	<u>7,486</u>	<u>0.63</u>

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

In 2011, in order to tackle the grim macro-economic situation, the Group continuously strengthened its post-lending management by monitoring and reviewing loan collection upon maturity, post-lending inspection and loan classification. As at the end of the reporting period, the balance of normal loans increased by RMB166.283 billion over the end of the previous year, accounting for 98.37% of the total loans, and representing a slight drop of 0.07 percentage point over the beginning of 2011. The balance of special mention loans rose by RMB3.502 billion, accounting for 1.03% of the total loans, up by 0.14 percentage point over the end of the previous year. The reason why the balance and proportion of special mention loans went up was primarily that the Group adopted more stringent classification criteria, and prudentially downgraded a small part of relatively unstable normal loans to special mention class, rather than the emergence of any substantial risks thereof.

As at the end of the reporting period, the Group managed to maintain the balance and ratio of NPLs in a steady manner, of which, the balance of NPLs, as recognized based on the regulatory risk classification standard, stood at RMB8.541 billion, slightly up by RMB8 million over the end of the previous year; while the NPL ratio was 0.60%, down by 0.07 percentage point over the end of the previous year. Loans of the Group remained in sound quality. In terms of the composition of NPLs, the balance of sub-standard loans went up by RMB1.401 billion over the beginning of 2011, representing an increase of 0.07 percentage point in total loans, which was mainly due to the even more stringent classification criteria adopted by the Group, whereby some unmatured and non-overdue loans with potential risks were downgraded to sub-standard class with a view to urging branches to strengthen their post-lending inspection and monitoring for safe collection upon maturity and prevention of potential risks from deterioration. The balances and proportions of doubtful and loss loans both decreased as compared with that of the beginning of 2011, which was primarily because the Group continuously enhanced the management over loan collection and write-off.

In 2011, the Group achieved a slight increase in NPL balance and a slight decrease in NPL ratio, which is a scientific and rational outcome adapting to the current macro-economic situation. The Group is of the view that, following the slowing down of the domestic economic growth and the impact of the national macro-economic control policies, the continuous “dual drop” during the past years in Chinese banking industry will change and the NPL balance may grow slightly within the tolerable extent.

Migration of Loans

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

The Bank

	31 December 2011	31 December 2010	31 December 2009
Migration ratio from normal loans (%)	1.06	0.83	0.53
Migration ratio from special mention loans (%)	6.37	5.09	6.71
Migration ratio from sub-standard loans (%)	8.22	28.65	18.16
Migration ratio from doubtful loans (%)	2.27	7.32	5.35
Migration ratio from performing loans to non-performing loans (%)	0.21	0.10	0.32

In 2011, the Bank’s migration ratios from normal loans and special mention loans slightly went up compared with 2010. This evolvement was mainly due to the Group’s adoption of more stringent loan classification standards by downgrading some loans with potential risks to special mention class or sub-standard class, rather than the emergence of systematic risks.

Loans Overdue

The Group

	31 December 2011		Unit: RMB million 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,423,305	99.25	1,253,666	99.16
Loans overdue ⁽¹⁾				
1-90 days	5,131	0.36	3,185	0.25
91-180 days	528	0.04	582	0.05
181 days or above	5,073	0.35	6,812	0.54
Subtotal	10,732	0.75	10,579	0.84
Total loans	1,434,037	100.00	1,264,245	100.00
Loans overdue for 91 days or above	<u>5,601</u>	<u>0.39</u>	<u>7,394</u>	<u>0.59</u>
Restructured loans ⁽²⁾	<u>3,184</u>	<u>0.22</u>	<u>6,926</u>	<u>0.55</u>

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

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

The Bank

	31 December 2011		Unit: RMB million 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,347,890	99.3	1,179,017	99.24
Loans overdue ⁽¹⁾				
1-90 days	4,195	0.31	2,595	0.22
91-180 days or above	509	0.04	533	0.04
181 days or above	4,733	0.35	5,898	0.5
Subtotal	9,437	0.7	9,026	0.76
Total loans	1,357,327	100.00	1,188,043	100.00
Loans overdue for 91 days or above	<u>5,242</u>	<u>0.39</u>	<u>6,431</u>	<u>0.54</u>
Restructured loans ⁽²⁾	<u>2,413</u>	<u>0.18</u>	<u>6,278</u>	<u>0.53</u>

Note: (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.

In 2011, the Bank firmly implemented the risk mitigation strategy of “early identification, early response, and early mitigation”. Through continuously enhancing the monitoring on principals and interests of loans overdue, circulating monthly principals and interests of loans overdue in branches, the Bank urged branches to accelerate the collection of loans overdue. Those practices yielded satisfactory results. As at the end of the reporting period, the balance and proportion of loans overdue for 91 days or above decreased by RMB1.189 billion or 0.15 percentage point over the end of the previous year.

Breakdown of NPLs by Customer Type

The Group

	31 December 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	7,666	89.76	0.69	7,727	90.55	0.78
Personal loans	875	10.24	0.33	806	9.45	0.37
Discounted bills	—	—	—	—	—	—
Total NPLs	8,541	100.00	0.60	8,533	100.00	0.67

The Bank

	31 December 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	7,110	89.18	0.67	6,701	89.51	0.72
Personal loans	863	10.82	0.34	785	10.49	0.39
Discounted bills	—	—	—	—	—	—
Total NPLs	7,973	100.00	0.59	7,486	100.00	0.63

As at the end of the reporting period, the Group witnessed a slight decrease of RMB61 million in its balance of corporate NPLs and a decline of 0.09 percentage point in its corporate NPL ratio over the beginning of 2011, along with a slight increase of RMB69 million in its balance of personal NPLs, a decline of 0.04 percentage point in its personal NPL ratio over the beginning of 2011.

Breakdown of Personal NPLs

The Group

	31 December 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	518	59.2	1.61	431	53.47	2.2
Housing mortgage loans	184	21.03	0.1	177	21.96	0.11
Others	173	19.77	0.3	198	24.57	0.54
Total personal NPLs	875	100.00	0.33	806	100.00	0.37

The Bank

	31 December 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	518	60.02	1.62	430	54.78	2.22
Housing mortgage loans	175	20.28	0.10	165	21.02	0.11
Others	170	19.7	0.33	190	24.2	0.59
Total personal NPLs	863	100.00	0.34	785	100.00	0.39

As at the end of the reporting period, the Group maintained a good quality in its personal loans, with the balance of personal NPLs going up slightly by RMB69 million and the personal NPL ratio decreasing by 0.04 percentage point over the end of the previous year, lower than the average NPL ratio of the Group by 0.27 percentage point. The increase in the balance of personal NPLs was mainly concentrated in the Group's credit card business, which was consistent with the feature of high risk and high yield of credit card business.

Breakdown of NPLs by Geographic Location

The Group

	31 December 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim <i>(Note)</i>	2,208	25.85	0.58	2,362	27.68	0.68
Yangtze River Delta	2,191	25.65	0.58	1,950	22.85	0.60
Pearl River Delta and West Strait	2,125	24.88	1.08	1,583	18.55	0.91
Central region	542	6.35	0.29	479	5.62	0.30
Western region	493	5.77	0.28	531	6.22	0.37
Northeastern region	481	5.63	1.04	651	7.63	1.58
Overseas	501	5.87	0.69	977	11.45	1.36
Total NPLs	8,541	100.00	0.60	8,533	100.00	0.67

Note: Including the Head Office.

The Bank

	31 December 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim <i>(Note)</i>	2,208	27.69	0.58	2,362	31.55	0.68
Yangtze River Delta	2,169	27.2	0.58	1,926	25.73	0.59
Pearl River Delta and West Strait	2,079	26.08	1.07	1,537	20.53	0.89
Central region	542	6.8	0.29	479	6.4	0.3
Western region	493	6.18	0.28	531	7.09	0.37
Northeastern region	482	6.05	1.04	651	8.7	1.58
Total NPLs	7,973	100.00	0.59	7,486	100.00	0.63

Note: Including the Head Office.

Under the backdrop of a tight economic situation and a severe financial environment, the Group adopted effective measures and maintained the stability of its loan quality, and the quality of loans to the Pearl River Delta and the West Strait where export-oriented and private enterprises are concentrated was free from material impacts. The balance and ratio of NPLs of the Group in the Bohai Rim, Western region, Northeastern region and overseas areas all remained steady with slight declines. The Group's balance and ratio of Overseas NPLs, in particular, went down by RMB476 million and 0.67 percentage point over the end of the previous year, respectively. In the Yangtze River Delta, the NPL balance went up slightly by RMB241 million while the NPL ratio thereof decreased by 0.02 percentage point over the end of the previous year, which is lower than the average NPL ratio of the Group. In the Pearl River Delta and West Strait, the NPL balance and NPL ratio both registered an increase, which was resulted from some large-amount risk loans rather than from the emergence of systemic risks.

Breakdown of Corporate NPLs by Sector

The Group

	31 December 2011			<i>Unit: RMB million</i> 31 December 2010		
	Balance	Proportion	NPL ratio	Balance	Proportion	NPL ratio
		(%)	(%)		(%)	(%)
Manufacturing sector	2,294	29.92	0.76	3,076	39.81	1.18
Transportation, warehousing and postal service	1,095	14.28	0.87	97	1.26	0.08
Production and supply of power, gas and water	219	2.85	0.27	219	2.83	0.27
Wholesale and retail	1,393	18.17	0.79	1,369	17.72	1.06
Real estate	889	11.6	1.00	1,103	14.27	1.52
Leasing and commercial services	328	4.28	0.65	323	4.18	0.67
Water conservancy, environment and public utilities management	485	6.33	0.69	15	0.19	0.02
Construction	130	1.7	0.22	76	0.98	0.17
Public and social organizations	—	—	—	—	—	—
Others	833	10.87	0.76	1,449	18.76	1.58
Total corporate NPLs	<u>7,666</u>	<u>100.00</u>	<u>0.69</u>	<u>7,727</u>	<u>100.00</u>	<u>0.78</u>

The Bank

Unit: RMB million

	31 December 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing sector	2,216	31.17	0.75	2,941	43.89	1.17
Transportation, warehousing and postal service	1,092	15.36	0.89	96	1.43	0.08
Production and supply of power, gas and water	219	3.08	0.28	219	3.27	0.27
Wholesale and retail	1,368	19.24	0.80	1,332	19.88	1.1
Real estate	843	11.86	1.08	1,057	15.77	1.71
Leasing and commercial services	328	4.61	0.65	323	4.82	0.67
Water conservancy, environment and public utilities management	485	6.82	0.69	15	0.22	0.02
Construction	130	1.83	0.22	76	1.13	0.17
Public and social organizations	—	—	—	—	—	—
Others	429	6.03	0.56	642	9.59	1.01
Total corporate NPLs	7,110	100.00	0.67	6,701	100.00	0.72

In 2011, the overall quality of the Group's loans to various sectors remained steady. The NPL balance and NPL ratio in manufacturing and real estate sectors both decreased remarkably over the end of the previous year, with the NPL balance decreased by RMB782 million and RMB214 million respectively and the NPL ratio dropped by 0.42 and 0.52 percentage point, respectively. Loans to production and supply of power, gas and water and the construction sector continued to maintain sound quality, with their NPL ratios both being lower than the average level. The NPL balance and NPL ratio in transportation, warehousing and postal service, as well as water conservancy, environment and public utilities increased slightly over the end of the previous year, which mainly because the Group prudentially downgraded some large-amount high-way loans to the non-performing loans in order to control risk, which does not represent any universal downgrading.

Analysis of Provision for Loan Impairment

Changes in Provision for Loan Impairment

The Group sets 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

	<i>Unit: RMB million</i>	
	As of 2011	As of 2010
Beginning balance	18,219	15,170
Accruals during the year ⁽¹⁾	5,734	4,238
Reversal of impairment allowances ⁽²⁾	(141)	(133)
Transfer out ⁽³⁾	(37)	(93)
Write-offs	(683)	(1,105)
Recoveries of loans and advances written off in previous years	<u>166</u>	<u>142</u>
Ending balance	<u>23,258</u>	<u>18,219</u>

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

	<i>Unit: RMB million</i>	
	As of 2011	As of 2010
Beginning balance	17,660	14,620
Accruals during the year ⁽¹⁾	5,747	4,065
Reversal of impairment allowances ⁽²⁾	(131)	(125)
Transfer out ⁽³⁾	(14)	(74)
Write-offs	(586)	(950)
Recoveries of loans and advances written off in previous years	<u>142</u>	<u>124</u>
Ending balance	<u>22,818</u>	<u>17,660</u>

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

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

(3) Including the impairment allowance released from loans converted to repossessed assets.

As at the end of the reporting period, the Group's balance of provision for loan impairment increased to RMB23.258 billion from RMB18.219 billion as at the end of the previous year, an increase of RMB5.039 billion over the beginning of 2011.

In 2011, in order to respond to the economic cycle, the Group prudentially and steadily increased the proportion of provision for performing loans, with such accruals totaled RMB5.734 billion in the year, an increase of RMB1.496 billion year-on-year.

As at the end of the reporting period, the Group's provision coverage ratio and the ratio of balance of provision for loan impairment to total loans were 272.31% and 1.62% respectively, up by 58.8 percentage points and 0.18 percentage point respectively over the end of the previous respectively year, indicating that the Group is more resilient to loan risks.

Management of Market Risk

The Bank's market risk refers to the risk of its on and off-balance sheet loss resulted from unfavorable changes in market prices including interest rate, exchange rate, stock price and commodity price. The main market risks confronted by the Bank are mainly 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 market risk within an acceptable level and increasing risk-adjusted returns.

The Market Risk Management Committee of the Bank's Head Office, as the decision-making body for market risk management, is responsible for formulating risk management policies and procedures and approving product access in treasury and capital market business and the risk limit. The Budget and Finance Department of the Bank, as the department in charge of market risk management, is responsible for routine operation of market risk management. Business departments are responsible for enforcing policies and procedures of market risk management to ensure that the market risk is controlled within the limit set by the Market Risk Management Committee of the Bank's Head Office.

In 2011, the international and domestic financial markets saw a more volatile situation. The crisis of European and American sovereign debts continued to deteriorate, and major economies remained weak after a brief rebound. The international market witnessed sharp fluctuations in exchange rates, interest rates and stock prices. Domestically, while the monetary policy remained tight, the interest rate in the bond market first rose and then dropped, and the credit spread of the credit bond increased to a historic height. Renminbi appreciated 5% against the US dollar during the year of 2011, but people hold different views on the trend of Renminbi judging from the market as at the end of 2011.

In 2011, in response to the volatile markets at home and abroad, the Bank optimized the market risk authorization and risk limit system, improved the efficiency of authorization and approval and reasonably adjusted the risk limit. The Bank strengthened its risk identification and monitoring in the day-to-day operation and urged business departments to actively manage market risks. At the same time, the Bank continued to promote the implementation of the market risk measurement project under the New Basel Capital Accord to enhance its risk management. Moreover, the Bank established and improved management systems, including account classification, management of derivatives and assessment of fair value to optimize the market risk policies and process. Through reasonable risk control and proactive management of market risk, the Bank ensured the sound development of its businesses based on a controllable risk-bearing level.

Management of Interest Rate Risk

Interest rate risk of the Bank mainly rises from the influence of the mismatch of asset and liability interest rate re-pricing maturity on yield and the influence of changes in market interest rate on fair value of financial instruments. The Bank effectively managed balance sheet interest rate risks and the risks in investment portfolios of treasury and capital market business primarily through derivative transactions, including swaps and forwards.

As for the balance sheet interest rate risks, the Bank carried out gap analysis to assess risks and accordingly adjusted the loan interest rate re-pricing cycle and optimized corresponding maturities of corporate deposits in the hope of effectively controlling re-pricing risks.

In respect of the interest rate risk of financial instruments in treasury and capital market business, the Bank resorted to duration analysis, sensitivity analysis, stress test and scenario simulation for risk measurement and control, and set risk limits including interest rate sensitivity, duration and exposure, etc.. The Bank also carried out effective monitoring, management and reporting on the implementation of risk limits based on advanced market risk management systems and independent internal control mid-office platform.

Analysis of Interest Rate Risk

In 2011, the economic and financial development was still confronted by various complexities with inflation rate remaining high. To ensure a stable and rapid development of economy, the central government timely adjusted its macro-economic control policies and pursued a prudent monetary policy instead of a loosened policy, which ensured that the economy and financial operation in china moved towards the planned direction. From January to July in 2011, the PBC increased the benchmark interest rates of deposit and lending for three times and the deposit reserve ratio for six times, and adjusted the money supply through open market operation; and then subsequently enhanced policy pertinence and made appropriate and timely pre-adjustment and fine adjustment to the monetary policy according to the effect of monetary policy adjustments and economic development. In December 2011, the deposit reserve ratio was reduced. Throughout the year of 2011, the market liquidity remained stable as a whole with periodic tensions; interest rate in the market maintained an upward trend amidst fluctuations and actual lending interest rate from financial institutions exhibited a steady increase.

Taking into account the impact of interest rate changes on the profits, the Bank continued its “price increase offsetting scale decrease” strategy with reference to the credit scale factor and changes in market liquidity. On the basis of effective control over the risk of maturity mismatch between assets and liabilities, the Bank proactively intensified interest rate management and pricing assessment, effectively improving its pricing management on credit assets together with reasonable control over liability costs, thereby maximizing the profits of the Bank. As at the end of the reporting period, details of interest rate gaps are set out as follows:

The Group

Item	Unit: RMB million				
	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	48,893	2,132,155	462,913	85,280	36,640
Total liabilities	43,935	2,007,609	383,541	117,430	34,585
Interest rate gap	4,958	124,546	79,372	(32,150)	2,055

The Bank

Item	Unit: RMB million				
	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	51,255	2,031,095	442,881	80,123	36,634
Total liabilities	37,330	1,912,754	372,534	113,823	31,254
Interest rate gap	13,925	118,341	70,347	(33,700)	5,380

Management of Exchange Rate Risk

The exchange rate risk of the Bank refers to the risk of on and off-balance sheet business loss resulted from unfavorable changes of exchange rate. The Bank measures exchange rate risk mainly through the analysis of foreign exchange exposure which consists of trading and non-trading exposures. Trading exposure mainly results from the position in foreign exchange trading, and non-trading exposure mainly results from the foreign currency capital and foreign currency profit. The Bank manages the exchange rate risk by conducting foreign exchange spot and forward trading and matching foreign currency denominated assets with corresponding foreign currency denominated liabilities. Meanwhile, the Bank appropriately uses derivatives, mainly foreign exchange swap, to manage foreign currency assets and liability portfolio.

Analysis of Exchange Rate Risk

The exchange rate risk of the Bank was mainly impacted by the fluctuations of Renminbi exchange rate against US dollar. In 2011, Renminbi exchange rate against US dollar went up steadily as a whole sense with an annual appreciation rate of 5%. With changing domestic and international economic and financial situations since the last third of November, the expectation of forward and offshore Renminbi exchange rate against US dollar also experienced obvious fluctuation. Confronted with the market fluctuation, the Bank strictly implemented limit management, enhanced its management and control on foreign exchange exposure and maintained its exchange rate risk within acceptable level.

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

The Group

<i>Unit: RMB million</i>				
Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	34,942	821	(12,047)	23,716
Net off-balance sheet position	<u>(29,280)</u>	<u>11,228</u>	<u>11,779</u>	<u>(6,273)</u>
Total	<u><u>5,662</u></u>	<u><u>12,049</u></u>	<u><u>(268)</u></u>	<u><u>17,443</u></u>

The Bank

<i>Unit: RMB million</i>				
Item	USD	HKD	Other currencies	Total
Net position on-balance sheet	21,426	(1,399)	(4,802)	15,225
Net position off-balance sheet	<u>(16,700)</u>	<u>1,141</u>	<u>4,639</u>	<u>(10,920)</u>
Total	<u><u>4,726</u></u>	<u><u>(258)</u></u>	<u><u>(163)</u></u>	<u><u>4,305</u></u>

Liquidity Risk Management

Liquidity risk refers to the risk that the Bank is unable to timely obtain or timely obtain at reasonable costs adequate capital to meet customer need for withdrawing matured liabilities and the Bank's own need for growing the asset business. Liquidity risk of the Bank is mainly caused by the maturity mismatch between assets and liabilities, early or concentrated withdrawal of cash by customers and fund supply for business activities such as lending, trading, and investment.

Liquidity Risk Management

The objective of liquidity management of the Bank is to identify, measure and monitor liquidity risk, control liquidity risk within a tolerable level, and thereby ensure the sound development of all business and operation of the Bank through the establishment of an effective liquidity risk management mechanism based on the set asset-liability management targets and requirements of the liquidity risk management guidelines.

The Bank pursues a unified liquidity risk management model. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and legal entities, and managing liquidity risks at the legal entity level in a centralized manner. Domestic branches, in accordance with the requirements of the Head Office, are responsible for fund management within their respective authorisation and terms of reference. Overseas subsidiaries are responsible for developing their own strategies and procedures for liquidity risk management in accordance with the requirements of regulatory authorities within the the Group's master policy framework of liquidity risk management.

Liquidity Risk Analysis

In 2011, affected by the prudent monetary policy adjustment by the Central Bank, coupled with the impacts of submission of tax revenues to the national treasury, holidays, changes of outstanding foreign currency fund, and competition in securing deposit, etc., the market liquidity suffered from intensified fluctuation, and the liquidity risk management of the Bank therefore faced multiple difficulties and challenges, which in turn put forward more stringent requirements regarding banks' capability for liquidity risk management. Commercial banks need to adopt more forward-looking and pertinent policies for liquidity risk management, as well as dynamically adjust and flexibly apply means and measures for liquidity risk management.

In 2011, the Bank actively practiced the three-tier liquidity reserve management system, enhanced scenario analysis and stress test of liquidity risks, and constantly improved emergency response plan for liquidity risk management. By keeping a close eye on impacts on the Bank's liquidity from external policy developments and its own asset-liability structure changes, innovative products and new business, the Bank dynamically adjusted its liquidity management strategies, rationalized the arrangement of liquidity instruments and maturity structures, maintained smooth financing channels including monetary market, and continuously built up its capability in liquidity risk prevention, control and management.

In 2011, in parallel with the full use of interbank lending products, the Bank also continued its efforts to diversify the layout of other liquidity assets including deposits with banks and non-bank financial institutions, seized market opportunities to carry out portfolio restructuring, and thereby pursuing the maximization of capital operation efficiency of the Bank. In addition, the Bank steadily promoted the development of the information system on liquidity risk management with smooth system development and relevant statistical modeling in line with the requirement of the Guidelines of Liquidity Risk Management for Commercial Banks. The launch and application of the liquidity risk management information system will further improve the information platform of liquidity risk management and upgrade the overall technology in liquidity risk management.

The liquidity gaps are set out as following:

The Group

Unit: RMB million

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
<u>(976,379)</u>	<u>(37,077)</u>	<u>344,564</u>	<u>259,928</u>	<u>265,547</u>	<u>322,198</u>	<u>178,781</u>

The Bank

Unit: RMB million

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
<u>(958,618)</u>	<u>(11,702)</u>	<u>329,906</u>	<u>236,550</u>	<u>251,408</u>	<u>326,749</u>	<u>174,293</u>

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

Based on the operational risk management project under the New Basel Capital Accord, the Bank continued its infrastructure development for operational risk management throughout 2011, and gradually established and improved its standardized, systematic and compliant internal control and operational risk management systems.

- Improvement of the institutional framework for operational risk management. In line with the Operational risk Management Policies of China CITIC Bank, the Bank's Head Office and branches established full-time and part-time teams for operational risk management, with the position of full-time operational risk manager set up at their respective compliance and audit departments, thereby providing organizational guarantee for operational risk management.
- Steady promotion of the design and application of operational risk management tools. By clarifying the methodologies of the three major tools for operational risk management (self assessment on risk and control, key risk indicators, and database of loss events) , the Bank gradually established its operational risk identification and evaluation mechanisms covering all business processes, developed operation procedures of the three major management tools and applied them in 10 branches, accumulating some experience for the bankwide application in 2012.
- Initiation of operational risk management system development. After defining the design requirements of the operational risk management system, the Bank started its IT program development and configuration of system functions. The adoption of IT measures for operational risk identification and evaluation, early warning and monitoring of key risk indicators, reporting of operational risk events and collection of loss data provided the Bank with technical guarantee for daily management of operational risks bankwide.
- Enhancement of the construction of the case prevention mechanism bankwide. In conjunction with the implementation of the 13 Requirements for Operation Risk Management promulgated by the CBRC and the initiative of making 2011 the “Year of Implementing Internal Control and Case Prevention”, the Bank organized a comprehensive implementation of case prevention, detailed the 13 Requirements of Operation Risk Management into 20 specific requirements, formulated 49 implementation measures, identified implementation departments in charge and responsible individuals at the Head Office and branches levels and stipulated deadlines for accomplishment. The Bank thereby improved its risk prevention awareness, specified the prevention responsibilities at different levels, and established a preliminary synergized mechanism for case prevention.

- Professional training on operational risk management. In 2011, the Bank organized different sessions of professional trainings on operational risk management for full-time and part-time operational risk management personnel from the Head Office and branches to improve their management capabilities. With the use of multiple training means, including physical and video sessions, the Bank cultures and concepts of its operational risk management, elaborated on the methodologies and means of management tools, and completed the qualification training for the first batch of the most promising team of professional operational risk managers.

Anti-Money Laundering

In 2011, in line with the Law of the People's Republic of China on Anti-money Laundering and relevant stipulations of the PBC, the Bank diligently fulfilled its anti-money laundering obligations with concrete actions and satisfactory results.

- Comprehensive, accurate and complete implementation of anti-money laundering monitoring, judgment, recording, analysis and reporting systems. Various effective means were adopted to report suspicious large-amount payments, with close attention to the money flow and usage of suspicious transaction funds from money laundry and terrorist financing.
- Serious implementation of regulatory requirements. The Bank strictly executed anti-money laundering systems including customer ID identification, maintenance of customer identity information and transaction records, and classified management of customer risk levels, effectively enhanced foundational works including customer due diligence investigation and risk level management, and thereby effectively preventing money laundering risk.
- Enhanced staff training on anti-money laundering. Trainings were organized in various forms on internal control policies, customer ID identification systems and relevant regulatory requirements for anti-money laundering purpose so as to further enhance the staff's skills in anti-money laundering and the capability to screen suspicious transactions.

Outlook

Outlook of the Operation Environment

Domestic and International Macro – Economic Development Trends

In 2012, the world economy will remain complicated as a whole, with in-depth impacts of the international financial crisis still in the course of fermentation, European debt crisis evolving into a higher level, growth of international trade slowing down, and world economic recovery to be caught in growing instability and uncertainties. According to the forecast of International Monetary Fund (IMF), the global economy will register a growth rate of 3.3% in 2012, with 1.2% for developed economies, and 5.4% for emerging and developing economies.

In China, the year 2012 represents an important transition from the 11th Five-Year Plan to the 12th Five-Year Plan. The Chinese government will continue with its implementation of a proactive fiscal policy and a prudent monetary policy in its macro-economic readjustment, and focus on enhancing pertinence, flexibility and forward-looking nature of its macro-economic control policies while maintaining consistency and stability of its macro-economic policies. The fiscal policy will expand input into areas critical to people's livelihood and actively promote economic restructuring. The monetary policy will be based on maintaining reasonable growth of aggregate volume of currency and credit while giving priority to optimizing of credit structure. Due to the impact of declining global economic growth, it is estimated that China's economic growth will be slowing down but still maintaining a relatively steady growth in 2012.

Changes in Competition Layout of the Banking Sector

In general, horizontal competition in domestic banking sector will intensify. Leveraging on their large scales and network advantages, the large state-owned commercial banks will enjoy growing comprehensive competitiveness, small and medium-sized joint stock banks will accelerate transformation to nurture new competitive edges. Urban commercial banks, thanks to the in-depth cultivation of their respective local markets, will be strongly competitive in regional markets and business segments. Foreign banks will gradually exhibit their competitive advantages in high-end markets. With the support of policies and information technology, non-banking financial institutions will stride into the traditional banking market.

Changes in Market Demand

Firstly, deepening government policy on expanding domestic demand will result in remarkable increase of residents' income and accelerated emergence of the high-income class, thereby creating sufficient room for the development of consumer credit, credit card, wealth management and private banking businesses.

Secondly, implementation of the national strategy for coordinated regional development and construction of principal function areas will facilitate the expansion of economic growth from the East to the West and from the South to the North, stimulate a new round of Western development enthusiasm, revitalize the Northeast old industrial base, and promote the rise of Central China, all of which will exert far-reaching impacts on the allocation of banking resources and the layout of service outlets.

Thirdly, with further development of the capital market, many large quality enterprises will prefer low-cost and direct financing means such as equity and bond issuance, which means huge development opportunities for commercial banks in business areas such as bond underwriting, financial consulting and asset management.

Fourthly, as Chinese enterprises speed up their pace of "going out", Renminbi cross-border trade settlement and cross-border investment will enjoy rapid growth, which requires commercial banks to go out accordingly so as to provide their customers with more comprehensive global financial services including financing, payment and risk management both at home and abroad.

Fifthly, further government policies in favor of small and medium-sized enterprises (SMEs) development will push forward the corresponding financial services provision to a new stage. Continuing growth of SMEs in turn will bring along multiple business opportunities to commercial banks in terms of trade settlement and cash management, etc.

Operation and Development Plan of the Bank for 2012

Business Plan

In 2012, the Bank plans to increase its various deposits by an aggregate amount equivalent of RMB230 billion, representing a growth rate of about 12%.

Development Plan

The complicated external business environment and the Bank's development situation are set to make 2012 "a year of significance" in the process of the Bank's transformation. In order to speed up its development of the four systems featuring highly professional, comprehensive, international and distinctive and thereby developing into a leading commercial bank among both domestic and foreign competitors, the Bank will stick to the guiding principle of "accelerate transformation, strengthen management and accelerate to enhance market competitiveness," trying to make steady progress while focusing its efforts on the following seven aspects:

Firstly, the Bank will deepen the adjustment of its assessment and incentive mechanisms. The Bank will further revise and improve its assessment system by including three major indicators, namely profit, risk and market in the main indicators system for internally grading branches, adjusting the weight of relevant indicators to give more weights to market indicators, adopting veto approach when it comes to failures to meet core indicators, and implementing classified and differentiated assessment on branches by adjusting assessment indicator-related settings so as to improve the role of branch grading in guiding the Bank's transformation and development. The Bank will enhance resources allocation in supporting its strategic transformation, intensify resources allocation to main business lines, liability business and fee-based business and give special and significant support to high-yield and emerging strategically important businesses such as personal loan, small business financing, auto financing and credit card. The pricing management capability in pushing the strategic transformation will be further strengthened. Moreover, the Bank will expand the "target management" scope of loan pricing for main business lines, continue to relax restrictions on the authorization to branches in interest rate pricing, delegate all powers to examine and approve direct discount interest rate to branches, implement the economic profit estimation system throughout the Bank, and give further play to the functions of management accounting.

Secondly, the Bank will deepen the transformation of its corporate banking business model. The Bank will step up the in-depth reform of its corporate finance operation system, deepen the tiered management of customers in business operation, cultivate new sources of growth in corporate liability business, and deepen the construction of a unified corporate finance platform. Moreover, the Bank will accelerate the development of its transaction banking business, further improve the market recognition of its international business, increase the contribution of its treasury business to transaction banking, and develop supply chain financing and electronic banking transaction into another mainstay of its transaction banking business. Efforts will be made to facilitate the rapid development of emerging corporate businesses including underwriting and structured financing, auto financing, small businesses financing, custody and financial institution business.

Thirdly, the Bank will deepen the construction of its retail banking operation system. The Bank will strengthen the construction of its middle and high-end client marketing system by enhancing VIP client identification and marketing, product research and development mechanism and system as well as team building, and consolidate the construction of personal loan system by improving the centralized construction of professional personal loan management team, standardized business flow, business operation and risk control. Client group will be expanded and mass client system construction will be enhanced through the Bank's featured credit card and client service system. The Bank's credit card system construction will be strengthened by promoting consumer finance business and establishing a complete "integrated marketing system." Moreover, the Bank will selectively establish private banking centers at branches, intensify its research and development efforts for new wealth management products and private banking management information system, and consolidate the construction of its private banking system. The construction of an efficient "electronic marketing platform" will be strengthened by developing mobile banking as a focus and promoting the organic integration of outlet marketing and electronic channel marketing.

Fourthly, the Bank will deepen the establishment of a comprehensive risk management. The Bank will streamline the Risk Management Committee at the Head Office, develop a unified risk monitoring indicators system, unify the risk tolerance based on risk preference, and guide and promote, in a top-down manner, the credit portfolio management. Moreover, the Bank will establish a vertical and professional risk management mechanism, highlight the responsibilities and roles of the Head Office as the center for risk management, realize a leap-forward transformation from "complete in form" to "complete in substance" in lending, post-lending and loan collection system, and intensify efforts in training the risk control staff and other fundamental constructions.

Fifthly, the Bank will deepen the reform of its compliance and audit systems. By separating the Audit Department from Compliance Department at the Head Office and clearly defining their scopes of responsibility, the Bank will intensify its effort to adjust its audit and compliance systems, continuously encourage all staff to participate in the Woodpecker Compliance Campaign so as to discover and solve shortcomings in system and work flow and speed up the development of its compliance culture, and enhance its audit examination and rectification in key sectors.

Sixthly, the Bank will deepen its coordination and international development. Focusing on key problems to be tackled in its transformation, the Bank will strengthen the coordination in client marketing and process management among its internal business lines, among front, mid and back offices, and between the Head Office and branches. The Bank will further focus on comprehensive operation to conduct the in-depth coordination in marketing, client management, product development and information technology between CITIC Group's financial and non-financial subsidiaries. Further efforts will be made to bring into play CBI as a bridgehead, strengthen in-depth integration, enhance its consolidation management on subsidiaries, and lay emphasis on in-depth cooperation with strategic investor in key business areas.

Seventhly, the Bank will deepen the improvement of its fundamental management capability. The Bank has already established a strategic plan implementation promotion group to strengthen its implementation of the strategic plan for the next five years, and transform to matrix resources allocation pattern and accelerate adjustment of its organizational structure. Priority will be given to strengthening its operation system, system development and safety management so as to speed up information system construction. The Bank will effectively intensify its effort in the construction of centralized back-office operation, finish system design by the end of 2012, and establish its first regional operation center in Beijing to improve accounting basis and capability of centralized back-office support. Efforts will be made to prepare and establish prefecture-level branches in the Eastern, Central and Western regions to expand the coverage of institutional outlets in tier-one cities and facilitate reasonable distribution of outlets. Moreover, the Bank will also improve human resource management, strengthen team building and improve professional competence and comprehensive quality of all staff to provide a strong basis for the development of the Bank's businesses.

Management of Corporate Social Responsibility

In 2011, the Bank adhered to the scientific outlook on development, implemented the national industrial and environmental-friendly policies, and fulfilled its economic, social and environmental responsibilities as a banking financial institution to contribute to the harmonious and sustainable development of economy, society and environment in accordance with specific requirements of the regulatory authorities. The Bank adhered to the dedication with integrity and created a reliable bank; adhered to the harmonious development and created a people-oriented bank; adhered to the growth of market capitalization and created a bank of value; adhered to the return to society and created a bank of love; adhered to the green finance and created a green bank; adhered to innovation and created a bank with its own features. The Bank will establish and improve relevant decision-making and implementation mechanism supported by its strategy, organization and process. Meanwhile, the Bank will enhance a long-term effective mechanism to fulfil its social responsibility and strengthen its institutional management on the social responsibility. Further more, the Bank will establish and improve the internal and external evaluation mechanisms, regularly assess its fulfilment of social responsibility and proactively build rules for disclosing corporate social responsibility.

Customers Satisfaction

Since 2007, the Bank has been employing a third-party survey agency to conduct research on the customer experience in its outlets. The research on satisfaction of customers was carried out by 8 sessions in 5 years, and the points of satisfaction in outlets increased as a whole. In 2011, 84.8 points was graded in terms of the customer satisfaction in the Bank's outlets, an increased of 2.2 points compared with the previous session. In 2011, the Credit Card Center of the Bank organized a survey on brand in the market, which was conducted by means of phone call and electronic questionnaire and covered about 2,700 customers. Through this survey, the Bank better understood customers' actual demands and consumption preference, which enabled the Bank to adjust service orientation according to customers' needs with an aim to improve satisfaction and provide exquisite and pertinent financial services.

In terms of retail banking business, the Bank prepared sales brochures according to the requirements of the CBRC and provided customers with product information in plain language. The product introduction explicitly stated the risk level, investment scope, and relevant elements of the product with plain language. Meanwhile, the Bank specifically required persons in charge of wealth management products sales in branches to disclose risks in full and not to promise any guaranteed return or fixed gains or mislead customers via advertisement. When selling financial products, the Bank would confirm that the products purchased by customers conform to their intention and would provide clear information for customers before, during and after sale of such products, reduce the risks of selling products that didn't meet customers' demands, ensure the suggestions are of high quality, treat fairly customers' complains and disputes, protect the privacy of customers' information and manage customers' reasonable expectations.

Energy Efficiency and Emission Reduction

In 2011, the Bank continued to adhere to the development strategy of "increasing the technological substitution rate" in terms of personal Internet banking. Guided by the customer demand, the Bank strived for improving customer experience by promoting development, strengthening management and adjusting the structure. The E-banking business achieved a rapid growth with fruitful results. The substitution rate of the number of electronic banking business reached 67.68% throughout the year, up by 4.38 percentage points over the previous year. As at the end of the reporting period, the number of personal Internet banking accounts of the Bank reached 5.7071 million, an increase of 1.2947 million or 29.34% over the previous year. Meanwhile, the Bank actively promoted energy saving and environmental protection and pushed forward the use of electronic banking. During the reporting period, the transaction volume substitution rate and the number of transactions substitution rate of the Bank's corporate Internet banking reached 50.66% and 40.04%.

With respect to resource consumption, as at the end of the reporting period, the electricity consumption by the Bank was approximately 96.18 million kilowatt-hours, down by 12.35 million kilowatt-hours, or 11.38%, over the previous year. Tap water consumption was about 549,400 tons, the water consumption was 36,300 tons, and the municipal water consumption was about 585,700 tons, a decrease of 748,300 tons or 56.09% over the previous year. A total of 163,926 packs of A4 copy paper were purchased, a decrease of 13,421 packs or 7.57% over the previous year. A total of 42.25 million bills were sent throughout the year, 28.60 million of which were paper bills and the rest were electronic bills and multimedia message bills. There was an increase of about 750,000 paper bills, or 2.69%, over the previous year. The electronic bill substitution rate was 32.31%, up by 10.96 percentage points over the previous year.

Happy Elderly Card

Happy Elderly Card was first issued by the Bank in Beijing on 9 October 2011 across the country. Leaders of the China National Committee on Aging extended their gratitude to the Bank for its activities of greatly supporting aging undertakings and enthusiastically serving the elderly people and called for the efforts from all walks of life to provide services and convenience for the senior citizens. The representative of the first users of platinum cards, Mr. Yan Su, spoke highly of the design idea of Happy Elderly Card for its concern for the elderly people's demands.

Based on the idea of caring and loving the senior citizens and paying attention to the actual demands, investment and financing features of the middle-aged and elderly people, the Bank specially added five exclusive functions to the Happy Elderly Card for a “Happy Life”, including value-added services in caring, wealth management, convenience, health and leisure. “Pension mortgage” and “nationwide healthcare appointment reservation service” are the most outstanding two features among the value-added services of the Happy Elderly Card. In terms of elderly mortgage, the Bank, by learning the idea of “reverse mortgage” from other countries and taking into account China’s actual conditions and tradition of treating the elderly, launched “pension mortgage” business first in China, which enabled the senior customers themselves or their statutory family supporters to get loans for elderly life with their real estates or houses collaterals. They just need to repay interest or part of the principal monthly and the rest in lump sum upon loan maturity. In terms of nationwide healthcare appointment reservation service, the Bank and the Chinese Hospital Association jointly launched the “exclusive reservation hotline” 95558, which would provide customers with the service of reserving appointment with more than 160 hospitals in more than 40 cities nationwide and aim at offering more opportunities to the senior citizens to see the doctor, which reflects the exclusive functions of the Happy Elderly Card featuring “thinking about what the elderly think, concerning about what the elderly concern”. The issuance of the first debit card exclusively for senior citizens and various elderly-respecting-and-caring charity events are undoubtedly the corporate’s meaningful trial for mitigating the aging problem in China.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

Changes in share capital

Table on Changes of Shareholdings

	Before the change		Changes (+,-) capital reserve			Unit: shares After the change			
	Number of shares held	Percentage (%)	New issue	Bonus issue	converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	2,138,179,203	5.48	0				0	2,138,179,203	4.57
1. Shares held by the state	0							0	
2. Shares held by state-owned legal persons	213,835,341	0.55						213,835,341	0.46
3. Other shares held by domestic investors	0							0	
Including: Shares held by domestic non-state-owned legal persons	0							0	
Shares held by domestic natural persons	0							0	
4. Foreign-held shares	1,924,343,862	4.93	0				0	1,924,343,862	4.11
Including: Shares held by overseas legal persons	1,924,343,862	4.93	0				0	1,924,343,862	4.11
Shares held by overseas natural persons	0							0	
Shares not subject to restrictions on sale:	36,895,164,851	94.52	7,753,982,980			7,753,982,980		44,649,147,831	95.43
1. Renminbi denominated ordinary shares	26,417,706,232	67.68	5,273,622,484			5,273,622,484		31,691,328,716	67.73
2. Domestically-listed foreign shares	0								0
3. Overseas-listed foreign shares	10,477,458,619	26.84	2,480,360,496			2,480,360,496		12,957,819,115	27.70
4. Others	0								0
Total shares	39,033,344,054	100.00	7,753,982,980			7,753,982,980		46,787,327,034	100.00

Note: During the reporting period, the reasons for changes in the Bank's shares are stated in "Issuance and Listing of Securities".

Changes in Shares Subject to Restrictions on Sale

Name of shareholder	Balance of shares subject to restrictions on sale at the year-beginning	Number of restricted shares relieved in 2011	Increase of shares subject to restrictions on sale	Balance of shares subject to restrictions on sale at the year-end	Reasons of restrictions	Date of relief
BBVA	1,924,343,862	0	0	1,924,343,862	Note (1)	2 April 2013
NSSF	213,835,341	0	0	213,835,341	Note (2)	28 April 2013
Total	2,138,179,203	0	0	2,138,179,203	—	—

- Note:*
- (1) According to the Share and Option Purchase Agreement (as amended) entered into between BBVA and CITIC Group on 22 November 2006, BBVA can exercise all the share option in one go under this agreement. The lock-up period of the shares acquired from exercising the share option will be three years following the completion date of the share option execution. BBVA exercised the share option to buy 1,924,343,862 shares of the Bank's H shares from CITIC Group on 3 December 2009 and the transfer was completed on 1 April 2010. Therefore, the lock-up period for those shares acquired is from 1 April 2010 to 1 April 2013.
- (2) According to the Implementation Rules on Transfer of Partial State-Owned Shares on the Domestic Stock Exchange to Enrich the National Council for Social Security Fund (Cai Qi [2009] No.94) jointly issued by the MOF, the SASAC, the CSRC and the NSSF on 19 June 2009, CITIC Group transferred 213,835,341 qualified shares of the Bank to the NSSF, accounting for 0.55% of the Bank's share capital. This share transfer was completed in December 2009. According to the above measures, the lock-up period for those transferred shares shall be extended for another three years in addition to the original mandatory lock-up period applicable to the former state-owned shareholders. As such, the lock-up period for the above mentioned shares will expire on 28 April 2013.

Dates when Restricted Shares Become Eligible for Trading

Eligible-for-trading date	Increase in tradable shares upon expiry of lock-up period	Balance of shares subject to restrictions on sale	Balance of shares not subject to restrictions on sale	Note
2 April 2013	1,924,343,862	213,835,341	46,573,491,693	Unlock of H shares held by BBVA
28 April 2013	213,835,341	0	46,787,327,034	Unlock of A shares held by the NSSF

Shares held by Shareholders Subject to Restrictions on Sale

Name of shareholders subject to restrictions on Sale	Class of shares	Balance of shares subject to restrictions on sale	Eligible-for-trading date	Increased tradable shares
BBVA	H-share	1,924,343,862	2 April 2013	1,924,343,862
NSSF	A-share	213,835,341	28 April 2013	213,835,341

Issuance and Listing of Securities

Issuance and Listing of Stocks

On 13 April 2006, CITIC Group and CIFIH entered into an agreement, pursuant to which both parties agreed that 31 December 2005 be regarded as the price-fixing reference date for the transfer of shares, that CITIC Group transfer 19.9% equity interest of the Bank to CIFIH, with the transfer price to be based on the audited value of the Bank's net asset as at 31 December 2005 following the international accounting standards, which, with a premium of 15.3% and being no lower than the appraised value of assets as verified by the MOF, would yield an actual total consideration of approximately HKD5.3008 billion, equivalent to HKD1.12 per share, and that, as a consideration, CIFIH shall issue new shares to CITIC Group. On 16 November 2006, CITIC Group and CIFIH concluded the Promoters' Agreement, whereby both parties agreed to jointly initiate the establishment of China CITIC Bank Corporation Limited.

On 31 December 2006, the Bank was restructured and incorporated as China CITIC Bank Corporation Limited as a whole, with CITIC Group and CIFIH as promoters, and a registered capital of RMB31,113.1114 million. CITIC Group held 26,394,202,200 shares, accounting for 84.83% of the total shares of the Bank before its initial public offering, and CIFIH held 4,718,909,200 shares of the Bank, accounting for 15.17% of the total shares of the Bank before its initial public offering.

In 2007, CITIC Group, the controlling shareholder of the Bank, entered into a Share and Option Purchase Agreement with BBVA, an overseas strategic investor, pursuant to which BBVA completed the purchase of 1,502,763,281 shares of the Bank from CITIC Group on 1 March 2007, accounting for 4.83% of the total shares of the Bank prior to the issuance of its A shares and H shares.

On 27 April 2007, the Bank successfully went public in Shanghai and Hong Kong concurrently. A total of 2,301,932,654 A shares and 5,618,300,000 H shares (including the state-owned shares transferred by CITIC Group to the NSSF, and the shares issued pursuant to the anti-dilution right and top-up right exercised by BBVA and CIFIH respectively) were issued in the initial public offering, after which the Bank had a total share capital of 39,033,344,054 shares, consisting of 26,631,541,573 A shares and 12,401,802,481 H shares.

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

Subordinated Debts

With approval from the PBC and the CBRC, the Bank issued RMB6 billion worth of subordinated debts to institutional investors including insurance companies and investment companies in 2004, and RMB6 billion worth of subordinated bonds to institutional investors such as commercial banks, insurance companies and policy banks through public bidding in 2006, and RMB16.5 billion worth of subordinated bonds to institutional investors such as insurance companies through public bidding in 2010.

The subordinated debts issued in 2004 included four batches maturing from June 2010 to September 2010 respectively, with three of them carrying an interest calculated by adding an interest spread of 2.72% to the one-year time deposit interest rate specified by the PBC, and the other one batch bearing an interest rate calculated by adding an interest spread of 2.6% to the one-year time deposit interest rate specified by the PBC.

The subordinated bonds issued in 2006 include two types. One has a total nominal value of RMB2 billion, carrying a coupon rate of 4.12% and will be due in June 2021. The Bank may opt to redeem these bonds on 22 June 2016. If the Bank does not exercise the redemption option before its maturity, the annual coupon rate will be increased to 7.12% for the five years commencing from June 2016. The other has a total nominal value of RMB4 billion, carrying a coupon rate of 3.75% and will be due in June 2016. The Bank may opt to redeem these bonds on 22 June 2011. If the Bank does not exercise the redemption option before its maturity, the annual coupon rate will be increased to 6.75% for the five years commencing from June 2016. The Bank has already redeemed these RMB4 billion bonds on 22 June 2011.

The subordinated bonds issued in 2010 include two types. One has a total nominal value of RMB11.5 billion, carrying a coupon rate of 4.30% and will be due in May 2025. The Bank has an option to redeem these bonds on 28 May 2020. Even if the Bank does not exercise the redemption option, the coupon rate will remain unchanged for the remaining five years till the maturity of these bonds. The other has a total nominal value of RMB5 billion, carries a coupon rate of 4.0% and will be due in May 2020. The Bank has an option to redeem these bonds on 28 May 2015, and even if the Bank does not exercise the redemption option, the coupon rate will remain unchanged for the remaining five years till the maturity of these bonds.

Internal Employee Shares

There are no internal employee shares issued by the Bank.

Information on Shareholders

Total Number of Shareholders

As at the end of the reporting period, the Bank had a total of 418,315 shareholders, including 375,135 A-share shareholders and 43,180 H-share shareholders (the number of H-share shareholders were calculated with reference to the Bank's shareholder register maintained at its H-share registrar. For the cornerstone investors not included in the H-share shareholder register, the Bank took the initiative to write to them for information on their shareholdings in the Bank).

Shareholdings of the Top 10 Shareholders

Unit: Share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of Shares held	Shareholding percentage (%)	Number of shares held subject to restrictions on sale	Increase or decrease of shareholding during the reporting period	Shares pledged or frozen
1	CITIC Group	State-owned	A Share	28,938,928,294	61.85	0	4,823,154,716	0
2	Hong Kong Securities Clearing Company Nominee Limited	Foreign	H Share	7,364,385,618	15.74	0	1,256,636,542	Unknown
3	BBVA	Foreign	H Share	7,018,099,055	15.00	1,924,343,862	1,163,097,447	0
4	NSSF	State-owned	A-share, H-share <i>(Note)</i>	338,513,209	0.72	213,835,341	56,418,868	Unknown
5	China Construction Bank	State-owned	H-share	168,599,268	0.36	0	0	Unknown
6	China Life Insurance (Group) Company	State-owned	H-share	91,183,695	0.19	0	62,306,695	0
7	Mizuho Corporate Bank	Foreign	H-share	81,910,800	0.18	0	13,651,800	Unknown
8	China Life Insurance Co., Ltd. — Dividends — Dividends to Individuals-005L-FH002 Shanghai	Other	A-share	49,622,493	0.11	0	8,270,416	Unknown
9	China State Shipbuilding Corporation Limited	State-owned	A-share	35,172,000	0.08	0	5,862,000	Unknown
10	China Pacific Life Insurance Corporation Limited—Traditional—Ordinary Insurance Products	Other	A-share	33,918,718	0.07	0	7,878,325	Unknown

Note: The NSSF holds both A shares and H shares in the Bank totaling 338,513,209 shares, including 213,835,341 A shares transferred from CITIC Group in 2009, 68,259,000 H shares held in the capacity of H-share cornerstone investor at the time of the Bank's initial public offering, and 42,767,068 A shares and 13,651,800 H shares subscribed during the A shares and H shares rights issue of the Bank in 2011.

Note on connected relations or concerted actions of the above shareholders: As at the end of 2011, China Life Insurance Co., Ltd. was a controlled subsidiary of China Life Insurance (Group) Company. Save for the above, the Bank was not aware of any connected relation or concerted action between shareholders.

The five H-share cornerstone investors, Mizuho Corporate Bank, NSSF, PICC Property & Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Co., Ltd., undertook to give prior notice in writing to the Bank before selling any of their H shares subscribed under the cornerstone placing agreements after expiration of the lock-up period.

Shareholdings of the Top 10 Non-Restricted Shareholders

				<i>Unit: Share</i>
No.	Name of Shareholder	Shares held not subject to restrictions on sale	Class of shares	
1	CITIC Group	28,938,928,294	A-share	
2	Hong Kong Securities Clearing Company Nominee Limited	7,364,385,618	H-share	
3	BBVA	5,093,755,193	H-share	
4	China Construction Bank	168,599,268	H-share	
5	NSSF	124,677,868	A-share	
6	China Life Insurance (Group) Company	91,183,695	H-share	
7	Mizuho Corporate Bank	81,910,800	H-share	
8	China Life Insurance Co., Ltd. — Dividends — Dividends to Individuals-005L-FH002	49,622,493	A-share	
9	China State Shipbuilding Corporation Limited	35,172,000	A-share	
10	China Pacific Life Insurance Corporation Limited — Traditional — Ordinary Insurance Products	33,918,718	A-share	

Note on connected relations or concerted actions of the above shareholders: As at the end of 2011, China Life Insurance Co., Ltd. was a controlled subsidiary of China Life Insurance (Group) Company. Save for the above, the Bank was not aware of any connected relation or concerted action between 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	10,942,096,691 ^(L)	73.52 ^(L)	H-share
	3,809,655,853 ^(S)	25.60 ^(S)	
BBVA	24,329,608,919 ^(L)	91.36 ^(L)	A-share
CITIC Group	6,916,390,854 ^(L)	46.47 ^(L)	H-share
	710 ^(S)	0.00 ^(S)	
CITIC Group	24,402,891,019 ^(L)	91.38 ^(L)	A-share
Lehman Brothers Asia Holdings Ltd.	732,821,000 ^(L)	6.32 ^(L)	H-share
	732,821,000 ^(S)	6.32 ^(S)	
Lehman Brothers Asia Ltd.	732,821,000 ^(L)	6.32 ^(L)	H-share
	732,821,000 ^(S)	6.32 ^(S)	
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000 ^(L)	6.32 ^(L)	H-share
	732,821,000 ^(S)	6.32 ^(S)	
Blackrock, Inc	750,354,847 ^(L)	5.04 ^(L)	H-share
	42,956,885 ^(S)	0.28 ^(S)	
	892,598,862 ^(L)	5.99 ^(L)	
JPMorgan Chase & Co.	21,185,456 ^(S)	0.14 ^(S)	H-share
	206,019,543 ^(P)	1.38 ^(P)	

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.

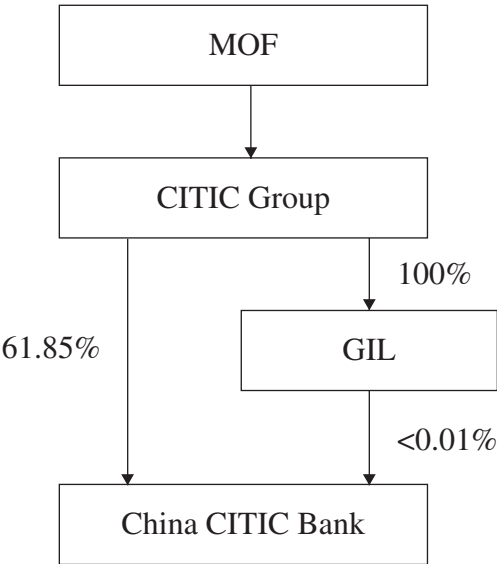
Controlling Shareholder and De Facto Controller of the Bank

CITIC Group is the controlling shareholder and de facto controller of the Bank. There was no change in the controlling shareholder and de facto controller of the Bank within the reporting period. In 2011, CITIC Group subscribed for 4,823,154,716 A shares during the Bank's A-share rights issue and the delivery was completed on 7 July 2011. As at the end of the reporting period, CITIC Group directly owned 28,938,928,294 A shares of the Bank, accounting for 61.85% of the total issued share capital of the Bank, as well as 710 H shares of the Bank through GIL, representing less than 0.01% of the Bank's total issued share capital. In total, CITIC Group holds 61.85% of the Bank's total issued and outstanding shares.

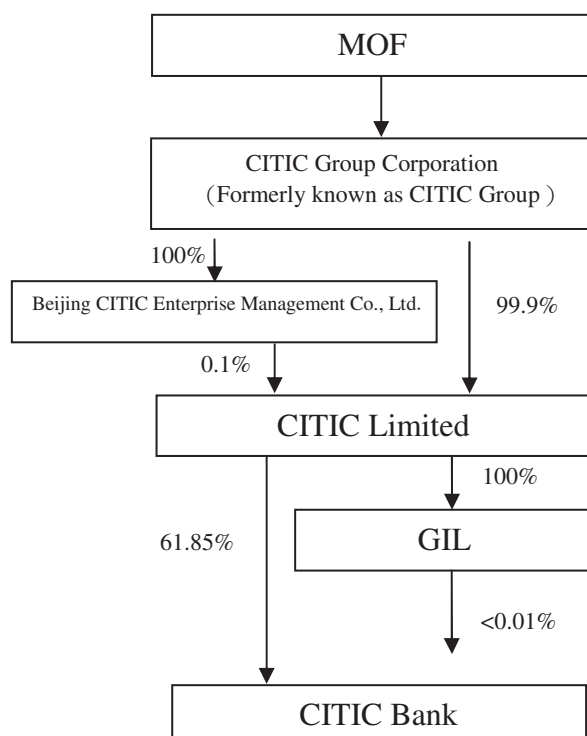
CITIC Group is China’s leading state-owned multinational conglomerate, focusing its investment in financial services, information technology, energy and heavy industries, with business operations in Hong Kong, US, Canada and Australia. With registered office and place of business located in Beijing, initiated by Mr. DengXiaoping, Chief Architect of China’s reform and opening-up, and approved by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, former Vice President of China, as the first window corporation in China for reform and opening up. After several rounds of capital changes, CITIC Group had a registered capital of RMB183.7 billion with Mr. Chang Zhenming as its legal representative as at the end of the reporting period.

On 27 December 2011, as part of its restructuring, CITIC Group contributed the majority of its existing operating net asset and aligned with Beijing CITIC Enterprise Management Co., Ltd., wholly-owned by CITIC Group, to establish CITIC Limited, with CITIC Group holding 99.9% of the equity interest and Beijing CITIC Enterprise Management Co., Ltd. holding 0.1% of the equity interest respectively. At the same time, CITIC Group was restructured into a wholly state-owned company as a whole and was renamed China CITIC Group Corporation, which inherited all the businesses and assets from the former CITIC Group. To complete the afore-mentioned capital contribution, CITIC Group transfers all the shares it held in the Bank to CITIC Limited as capital contribution, as a result of which CITIC Limited holds 28,938,928,294 A shares in the Bank, accounting for 61.85% of the Bank’s total share capital and holds 710 H shares in the Bank through GIL, its wholly owned subsidiary, thus holding a total of 28,938,929,004 shares in the Bank, accounting for 61.85% of the Bank’s total share capital. The above share transfer has been approved by the State Council and the MOF, the waiver of the takeover bid for shares held in the Bank shall be subject to the approval of the CSRC, and matters relate to the change of the Bank’s controlling shareholder is still subject to the CBRC’s approval. After all the above-mentioned procedures are completed, CITIC Group will maintain its status as *de facto* controller of the Bank.

The following chart illustrates the ownership structure and controlling relationship between the Bank and its *de facto* controller during the reporting period prior to the restructuring of CITIC Group:



After the completion of the restructuring of CITIC Group, the ownership structure and controlling relationship between the Bank and its de facto controller will be as follows:



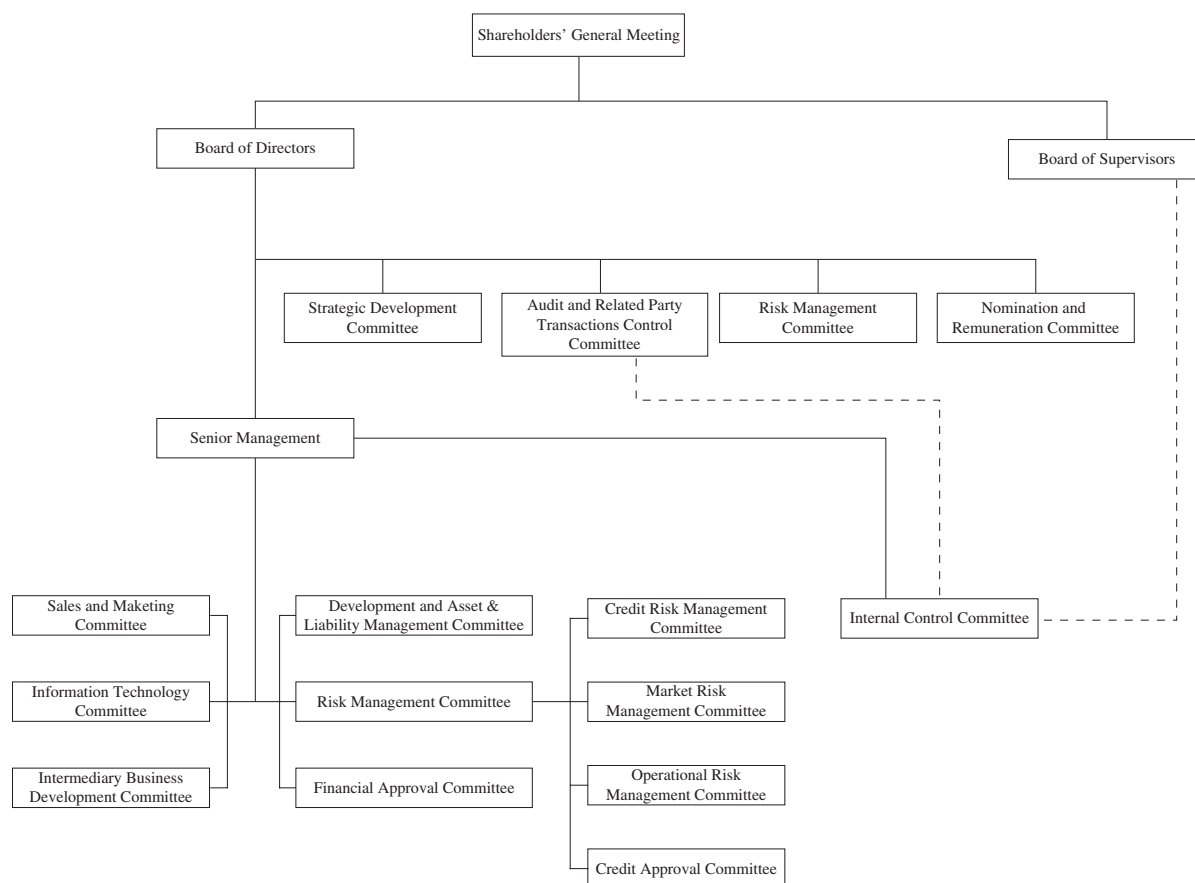
Other Legal-Person Shareholders Holding 10% Shares or More

BBVA was established on 1 October 1988 and its registered capital is EUR2,402,571,431.47, with Mr. Francisco González as chairman. As at the end of December 2011, BBVA had a market capitalization of EUR32.8 billion and total assets of EUR598 billion. With 7,436 branches and outlets around the world, of which over 50% are located outside the territory of Spain, BBVA is the largest financial group in the Latin America region. With financial services covering retail banking, corporate banking, international trade finance, global market, consumer credit, asset management, private banking, pension and insurance etc., BBVA is a leading financial institution in Spain and Latin America region.

As at the end of the reporting period, BBVA held H shares representing 15.00% of the Bank's total share capital. During the reporting period, BBVA subscribed for 1,163,097,447 H-share rights shares and the delivery was completed on 1 August 2011. As of such date, BBVA holds a total of 7,018,099,055 H shares of the Bank, representing 15.00% of the Bank's total issued share capital.

CORPORATE GOVERNANCE REPORT

Corporate Governance Structure



Overall Profile of Corporate Governance

Since its simultaneous dual listings in Shanghai and Hong Kong in April 2007 and with its continuous practices, the Bank has established and gradually improved its corporate governance structure comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the senior management, formulated and refined basic corporate governance policies and enjoyed smooth operation of its corporate governance system. In 2011, the Bank made further efforts to refine its modern corporate governance system in line with domestic and overseas regulatory requirements and based on its own reality, particulars of which are as follows:

The Bank further constructed its corporate governance system. In line with domestic and overseas regulatory requirements, the Bank formulated the Detailed Implementation Measures for the Duty Performance Assessment on Directors by Board of Directors and the Detailed Working Principles of Secretary to the Board of Directors, amended the Measures for the Board of Directors to assess the Duty Performance of Directors and Senior Management. The Bank improved the corporate governance system, so as to ensure the effective and lawful operation of corporate governance, which in turn supported the sound development of the Bank's business.

The Bank upgraded its capability in internal control, compliance and risk management. To fully implement the basic standard for implementing internal control and relevant auxiliary guidelines issued by five ministries and government authorities, the Bank formulated the Work Plan for Implementing Basic Standards for Internal Control, proactively carried out implementation projects, continuously optimized internal control environment, improved the methodologies and means for risk identification and evaluation, perfected internal control system, intensified internal control measures and continuously improved the effectiveness of internal control and the capability in risk management.

The Bank improved the level of its information disclosure. To promote the construction of its information disclosure system and the management on inside information, the Bank formulated the Measures for Accountability of Material Error regarding Annual Report Disclosure, and amended the Measures for Management of Inside Information and Insiders. To effectively protect investors' rights to know, the Bank released over 50 periodical reports and interim announcements in accordance with law and ensured truthfulness, accuracy, completeness, fairness and timeliness of information disclosure, which in turn safeguarded the legitimate rights and interests of investors.

The Bank improved the management of connected transactions. By continuously improving its connected transactions management systems, amending Measures on Related Party Transactions Management and the Implementation Rules on the Related Party Transactions Management, deepening its management concepts and strengthening management measures, the Bank further standardized the management of credit extension related party transactions, controlled the risks of connected transactions, safeguarded the interests of the Bank and its shareholders, and ensured a safe and steady business operation of the Bank.

In recognition of its outstanding performance in corporate governance, The *Moneyweek* honored the Bank "2011 Top 50 Boards of Directors of Listed Companies in China" in its initiative "Assessment and Selection of Best Boards of Directors of Chinese Listed Companies in 2011"; the SSE awarded the Bank "Honorable Nomination Award for Best Boards of Directors in 2011" in its selection of "Board of Directors of the Year 2011", and the *21st Century Business Herald* awarded the Bank "Bank of Best Corporate Governance in Asia in 2011" at the 6th Annual Asian Financial Forum it hosted.

Information on Shareholders' General Meeting and Meetings of the Board of Directors and the Board of Supervisors

In 2011, the Bank convened one annual general meeting, three extraordinary general meetings, ten meetings of the Board of Directors and nine meetings of the Board of Supervisors, all of which were held in compliance with the procedures specified in the Bank's Articles of Association.

Shareholders' General Meetings

The Shareholders' General Meeting is the Bank's organ of power. As a company concurrently listed in Shanghai and Hong Kong, the Bank attaches great importance to its communication with domestic and overseas shareholders, and fully communicates with shareholders through press conferences or investors meetings for disclosure of financial results and announcements of important projects to ensure all shareholders have equal access to information and equal participation in major corporate events and to guarantee efficient work and scientific decision making at the general meetings. The Bank convened its 2010 annual general meeting in May 2011, and three extraordinary general meetings in April, October and December 2011, where a total of 16 proposals were considered and adopted and the shareholders also listened to the Board of Supervisors' report on the assessment on duty performance of directors by the Board of Supervisors in 2010.

The Shareholders' General Meeting makes decisions on the Bank's major matters according to law. During the reporting period, the Shareholders' General Meeting considered and approved proposals including the annual report, the work report of the Board of Directors, the work report of the Board of Supervisors, the profit distribution plan, the financial budget plan, the final accounting report, election of directors and supervisors, engagement of external auditors and their fees, use of proceeds from previous fund-raising, special reports on connected transactions, additional budget for purchase of business premise, and issuance of Renminbi denominated bonds in Hong Kong. Through such compliant and efficient operation, the Shareholders' General Meeting managed to safeguard the legitimate rights and interests of the shareholders as a whole and ensured lawful exercise of rights by shareholders, thereby promoting the long-term, steady and sustainable development of the Bank.

Board of Directors

Composition and Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. The current Board of Directors consists of 15 members, including two executive directors, namely Dr. Chen Xiaoxian and Dr. Cao Tong; eight non-executive directors, namely Mr. Tian Guoli, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Guo Ketong, Dr. Zhao Xiaofan, Mrs. Chan Hui Dor Lam Doreen, Mr. Ángel Cano Fernández and Mr. José Andrés Barreiro; and five independent non-executive directors, namely Dr. Bai Chong-En, Dr. Xie Rong, Mr. Wang Xiangfei, Mr. Li Zheping and Dr. Xing Tiancai. The chairman of the Board of Directors is Mr. Tian Guoli. Principal responsibilities of the Bank's Board of Directors include but are not limited to the following:

- Convene Shareholders' General Meetings and report to the general meetings on its work;
- Make decisions on development strategies, business plans and investment plans of the Bank;
- Prepare proposals for annual budgets and final accounts of the Bank;
- Prepare profit distribution plans and makeup-for-losses plans of the Bank;

- Decide upon material investments, material asset disposal plans and other major programs of the Bank in accordance with the Bank's Articles of Association or within the terms of reference authorized by the Shareholders' General Meetings;
- Formulate plans for increase or decrease of registered capital of the Bank;
- Prepare plans for merger, split, dissolution, liquidation or corporate alteration of the Bank;
- Formulate plans for issuing corporate bonds or other negotiable securities and listings thereof;
- Formulate plans for repurchase of the Bank's stocks;
- Appoint or dismiss president and secretary to the Board of Directors of the Bank, and decide upon their remunerations, rewards or punishments;
- Appoint or dismiss vice presidents and assistant to the president and other senior management members designated by the president of the Bank, and determine their remunerations, rewards and punishments;
- Propose to the Shareholders' General Meeting with regard to engagement or dismissal of accounting firms;
- Examine and approve regulations on connected transactions; examine and approve or authorize the Audit and Related Party Transactions Control Committee under the Board of Directors to approve connected transactions (excluding those that should be examined and approved by the Shareholders' General Meeting);
- other duties and powers as specified in relevant laws, administrative rules, regulations or the Bank's Articles of Association, and as delegated by the Shareholders' General Meeting.

Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank convened ten meetings (including voting by correspondence) whereby 52 proposals were deliberated and adopted, including the Bank's four regular reports, Measures for Management of Liquidity Risks, Emergency Plan for Management of Liquidity Risks, Proposal for Final Account on Remuneration of Employees, Implementation Rules of the Board of Directors for Performance Assessment of Board Directors, Measures for Accountability of Material Error regarding Annual Report Disclosure, Work Rules for the Secretary to the Board of Directors, Regulations on Investor Relations Management, Report of the Board of Directors on Performance Assessment of Board Directors during the year, Work Plan for Implementing Basic Standards for Internal Control, Measures for Management of External Equity Investment and Credit lines Extension to Related Parties. In addition, the Board of Directors listened to the work reports of the senior management regarding business operation, internal control, risk management and connected transactions management.

Board of Directors' Implementation of Resolutions Adopted at the Shareholders' General Meetings

The 2010 annual general meeting considered and adopted the proposal on electing Mr. Tian Guoli non-executive director of the Bank. Mr. Tian has assumed the office after his qualifications for the office was approved by the CBRC.

As for the proposal on the 2010 final accounting report and the 2010 profit distribution plan as considered and adopted at the 2011 annual general meeting, the Bank's Board of Directors has already executed these resolutions.

According to the proposal on engagement of accounting firms in 2011 and their fees as considered and adopted at the 2010 annual general meeting, the Bank continued to engage KPMG Huazhen as its domestic auditor and KPMG as its overseas auditor for the year 2011, respectively.

The Bank's Board of Directors has executed the proposal on related party credit line extension to CITIC Group which was considered and adopted at the 2010 annual general meeting.

According to the proposal on the plan for interim profit distribution for 2011, the proposal on increasing the 2011 annual budget for purchase of business premise and the proposal on issuance of Renminbi denominated bonds in Hong Kong, were considered and adopted at the second extraordinary general meeting in 2011, the Bank has completed its interim profit distribution for 2011, increased the 2011 annual budget for purchase of business premise and is seeking the right opportunity to launch the relevant work for issuing Renminbi denominated bonds in Hong Kong.

At the third extraordinary general meeting in 2011, the proposal on electing Dr. Cao Tong as the Bank's director and the proposal on electing Dr. Xing Tiancai as the Bank's independent director were considered and approved. In February 2012, Dr. Cao Tong and Dr. Xing Tiancai's qualifications for relevant office were approved by the CBRC and they officially took the office.

Responsibility Statement of the Board of Directors on Financial Reports

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

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

Independence of Independent Non-Executive Directors and their Duties Performance

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 a confirmation letter from each and every independent non-executive director confirming their independence and the Bank has recognised their independence.

The independent non-executive directors of the Bank attended the meetings of the Board of Directors and the specialized committees with an attendance rate of 100% and actively expressed their opinions. They also strengthened their communication with the management team and provided guidance by conducting field studies and holding meetings with the senior management. 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 consisting of the majority of the members. According to the Independent Directors' Working System on Annual Report, the independent non-executive directors of the Bank strengthened their communication with the auditors, giving full play to their role of supervision. During the reporting period, the independent directors did not raise any objections to the resolutions adopted by either the Board of Directors or its specialized committees.

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

Since 23 October 2009, CIFH has been relieved 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 that CITIC Group had complied with the non-competition undertakings. CITIC Group provided a confirmation on its compliance with the non-competition undertakings under the Non-Competition Deed entered into with the Bank on 13 March 2007.

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 to regulate the securities transactions conducted by its directors and supervisors. The Bank has made special inquiries with all directors and supervisors in this regard, and all directors and supervisors confirmed that they had strictly complied with the provisions set out in the Model Code throughout the reporting period.

Specialized Committees under the Board of Directors

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

Strategic Development Committee

The Bank's Strategic Development Committee comprises six directors, with Mr. Tian Guoli as chairman, and Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin, Dr. Cao Tong and Mr. José Andrés Barreiro as members. Its major 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 three meetings and adopted the proposals including the report on assessment of the strategic cooperation between CITIC Bank, CBI and BBVA, election of Mr. Tian Guoli as chairman of the Strategic Development Committee under the second Board of Directors, and the 2011-2015 Strategic Plan of CITIC Bank.

Audit and Related Party Transactions Control Committee

The Bank's Audit and Related Party Transactions Control Committee comprises seven directors, with Dr. Xing Tiancai, an independent non-executive director of the Bank, as the chairman. The committee members include Mr. Ju Weimin, Dr. Bai Chong-En, Dr. Xie Rong, Mr. Wang Xiangfei, Mr. Li Zheping and Mr. José Andrés Barreiro. The major responsibilities of the Audit and Related Party Transactions Control Committee include supervising the Bank's internal controls, financial information and internal audit, identifying related parties of the Bank, as well as reviewing, verification and filing of the Bank's connected transactions within its authority.

During the reporting period, the Audit and Related Party Transactions Control Committee convened six meetings which reviewed, among others, proposals including credit line extension to related parties, regular reports, engagement of accounting firms for the year 2011 and their fees, the special report on connected transactions, Internal Audit Rules of CITIC Bank, revision of the Measures for Connected Transactions Management, Implementation Rules for Connected Transactions Management, and the annual caps for continuing connected transactions for a three-year period, and confirmation on the updated list of related party legal persons and natural persons.

According to the requirements of the CSRC and divided duties for corporate governance, the Audit and Related Party Transactions Control Committee of the Bank gave full play to its role in supervising the audit and disclosure of the 2011 annual report, thereby the independence of audit. The committee reviewed the Bank's financial statements twice before the statements were submitted to the certified public accountants (CPAs) for annual audit and after the CPAs produced their preliminary audit opinions. The committee was of the view that the financial statements gives a true, accurate and complete view of the overall situation of the Bank after several rounds of in-depth communication with the CPAs who were responsible for the annual audit.

In order to make relevant preparation, the Audit and Related Party Transactions Control Committee communicated with the CPAs responsible for annual audit on 23 December 2011 and determined the detailed timetable for auditing the 2011 financial statements, priorities in audit and methodologies for risk judgment and identification. After that, the committee conducted a preliminary review of the financial statements prepared by the Bank and formed written opinions that the data on the Bank's financial statements were complete and comprehensive enough to be presented to the CPAs who were responsible for annual audit. On 29 February 2012, presided by chairman Dr. Xing Tiancai, the committee reviewed the Bank's financial statements for the second time after the CPAs formed their preliminary opinions, and held that the CPAs' audit was independent and objective and that the audit procedure was legal and effective. By closely following up the progress draft of the audit report and the Bank's financial statements, the committee kept urging the annual audit accounting firm to conduct its work according to the agreed timetable. On 22 March 2011, 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 2011 annual audit by the CPAs, and resolved, through voting, to adopt the audited annual financial statements and to submit the financial statements to the

Board of Directors for consideration. In addition, the Audit and Related Party Transactions Control Committee studied and discussed matters such as the Bank's corporate social responsibility, internal control and avoidance of horizontal competition, and deliberated relevant proposals.

Risk Management Committee

The Bank's Risk Management Committee comprises six directors with Dr. Chen Xiaoxian as chairman and Mr. Ju Weimin, Dr. Zhao Xiaofan, Dr. Cao Tong, Dr. Bai Chong-En, and Mr. Li Zheping 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 three meetings and deliberated, among others, proposals including the Bank's measures and implementation outlines for management of liquidity risk, general credit policy for 2011, emergency plan for management of liquidity risk, as well as amendments to the measures for reputational risk management and to the measures for liquidity risk management.

Nomination and Remuneration Committee

The Bank's Nomination and Remuneration Committee comprises four directors, with Mr. Wang Xiangfei, an independent non-executive director of the Bank, as chairman, and Mr. Guo Ketong, Dr. Xie Rong, and Dr. Bai Chong-En, as members. Major responsibilities of the Nomination and Remuneration Committee include formulating procedures and standards for nominating candidates for board directorship and senior management, conducting preliminary review and deliberation of the qualifications of directors and senior management candidates, formulating and supervising the implementation of the remuneration scheme 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 five meetings to consider among others, proposals including the 2010 final accounting for employees remuneration, nomination of members for the Risk Management Committee, nomination of candidates for Board directors, nomination of candidates for senior management, nomination of candidate for the secretary to the Board of Directors, nomination of members of the Strategic Development Committee, the proposal on 2010 remuneration for senior management members, and the report on duty performance of the Nomination and Remuneration Committee as disclosed in its annual report.

According to the regulatory requirements of the CSRC and divided duties regarding corporate governance, the Nomination and Remuneration Committee under the Board of Directors studied and examined the remuneration management system of the Bank and the remuneration policies and schemes for directors, independent directors, supervisors, external supervisors and senior management for 2011 and supervised the implementation of the remuneration schemes. The committee is of the view that the senior management of the Bank performed its fiduciary and due diligence obligations in 2011 within its scope of duties and responsibilities specified in relevant laws and regulations and the Bank's Articles of Association, under the leadership and authorization of the Board of Directors and with supervision and guidance from the Board of Supervisors, which in turn further

increased the corporate value and shareholders' value. Upon review, the committee further holds that the remunerations for directors, independent directors, supervisors, external supervisors and senior management members as disclosed are consistent with the remuneration policies, schemes, and are made in compliance with applicable information disclosure standards of domestic and overseas regulators for listed companies. The committee confirms that the Bank did not have any share incentive scheme as at the end of 2011.

Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the Shareholders' General Meeting. As Mr. Wu Beiying and Mr. Wang Shuanlin resigned from their respective positions as chairman and vice-chairman of the Board of Supervisors in November 2011, the Board of Supervisors unanimously adopted a resolution to authorize Mr. Zheng Xuexue to temporarily perform the duties of chairman of the Board of Supervisors prior to inauguration of the new chairman. As at the end of the reporting period, the Board of Supervisors consists of five members, namely Mr. Zheng Xuexue, Dr. Zhuang Yumin, Ms. Luo Xiaoyuan, Mr. Li Gang and Mr. DengYuewen. Among the five members, two are external supervisors, one is a shareholder representative supervisor and the rest two are employee representative supervisors. Principal responsibilities of the Board of Supervisors of the Bank include but are not limited to the following:

- Supervise directors and senior management regarding their fulfillment of duties and due diligence;
- Inquire directors and senior management;
- Propose removal of or institute legal proceedings against directors or senior management members that violate laws, administrative rules and regulations, the Bank's Articles of Association or resolutions of the Shareholders' General Meetings;
- Review and supervise financial operations of the Bank;
- Examine financial information and regular reports that the Board of Directors plans to present to the Shareholders' General Meetings such as financial reports, business reports and profit distribution plans, and, should there be any queries, engage certified public accountants or practicing auditors in the name of the Bank to assist in the re-examination;
- Audit, where necessary, business policies, risk management and internal control of the Bank and guide the internal audit department of the Bank in its work;
- Within 5 working days as of the receipt of the regular reports submitted by senior management to the banking regulatory authority of the State Council, express opinions on credit asset quality, asset-liability ratio, risk control and other matters in the said regular reports;
- Exercise other functions and powers as specified by relevant laws, administrative rules and regulations or the Articles of Association and as granted by the Shareholders' General Meetings.

In 2011, the Board of Supervisors of the Bank held nine meetings, at which the supervisors considered and adopted proposals including the annual work report of the Board of Supervisors, Implementation Rules of the Board of Supervisors for Performance Assessment of Directors, regular reports and report of the Board of Supervisors on the assessment of Directors' duty performance during the year. In addition, the Board of Supervisors supervised the Bank's operation and management by attending Board of Directors meetings as non-voting delegates, conducting field studies at some of the Bank's branches, carrying out special inspections, reviewing various documents and listening to management reports.

Senior Management

Senior management is the executive body of the Bank accountable to the Board of Directors. The Bank's senior management consists of ten members. Please refer to "Directors, Supervisors, Senior Management and Staff" for details. There is strict division of duties and separation of powers between the Bank's senior management and the Board of Directors. Authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its authority. The Board of Directors assesses the performance of the senior management, the results of which will be used as the basis for determining remuneration and other incentive arrangements for senior management.

Internal Control

During the reporting period, the Bank, among the first batch of A-share and H-share dual listed companies to implement the basic standards for internal control, established financial report internal control mechanism based on the Basic Standards for Enterprise Internal Control and the ancillary guidance, which was attached with high importance by the Board of Directors and senior management. Meanwhile, the Bank fully implemented relevant regulatory requirements such as the Basic Standards for Enterprise Internal Control jointly released by five ministries and the ancillary guidance. In particular, the Bank developed its own work plan for implementing the Basic Standards for Internal control, proactively conducted internal control projects, continuously optimized the internal control environment, improved methods and means for identification and evaluation of risks, strengthened measures for internal control, expanded information exchanges and communication channels, enhanced the mechanism for internal supervision and examination, improved the internal control system, gradually developed a professional and standardized mechanism with information technology for internal control management, cultivated a team of professional internal control managers and staff members and kept promoting the effectiveness of internal control and quality of internal control management. During the reporting period, there is no major defects in the Bank's internal control in relation to financial report.

Major Measures Adopted by the Bank in the Reporting Period

- Optimization of internal control environment. After over four years' practice of corporate governance since its dual listing in Shanghai and Hong Kong in April 2007, the Bank has established its organizational structure for internal control management primarily consisting of the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the senior management, specifying responsibilities related to internal control construction and maintenance, supervision and inspection, and thus steadily promoting implementation of internal control. At the same time, the Bank further improved its remuneration system and incentive mechanism, optimized the distribution and organizational structure of human resources, and improved the efficiency, effectiveness and professional quality of its human resources management. While inheriting the corporate culture of CITIC Group, the Bank constructed and extracted its own unique corporate culture framework covering innovation culture, performance culture, service culture, marketing culture, team culture, risk culture, institutional culture and brand culture.
- Improved risk identification and evaluation. The Bank cultivated the risk management culture of pursuing "risk-filtered return", continuously optimized its risk management system and procedures that cover all business areas of the Bank, enhanced its risk identification, assessment and measurement capability, put forward measures against identified risks, and urged the Head Office and branches to identify, control and proactively manage risks from the sources of institutional process development. With respect to credit risk, the Bank continuously enhanced its risk monitoring on key industries, enterprises and products, strived to mitigate loan risks, endeavored to promote the management of institution, process and information in risk early warning system to accelerate the construction and optimization of the risk early warning system, comprehensively extended ratings of corporate liabilities, and initiated relevant projects including weighted risk asset measurement, self assessment of capital adequacy ratio and compliance with regulatory requirements. In terms of market risk, the Bank pushed forward project development based on the Internal Models Approach for market risk under the New Basel Capital Accord, continuously strengthened the data and information system infrastructure for market risk management, and upgraded its capacity for measurement of market risk. With regard to liquidity risk, the Bank continued to optimize the three-tier Renminbi liquidity provision system and conducted stress test to enhance its capability in identifying, measuring and controlling liquidity risks. As for compliance and operational risks, the Bank sorted out its internal control and set up a framework for detailed process management that ranges from the main process to sub-processes and from components to key controls, which explicitly indicates key risk points of various operational procedures related to major products of the entire Bank and thereby laying a foundation for risk identification and assessment as well as professional and standardized management of the related systems and processes using information technology. The Bank also developed risk maps and key risk indicators (KRIs) in accordance with risk exposure and tolerance to collect and manage data so that areas with high risks or control weaknesses could be monitored and corresponding actions could be taken to mitigate risks in the future. In terms of reputational risk, the Bank revised its Measures for Reputation Risk Management, developed the corresponding Implementation Rules, and expanded their applicability to all departments of the Head Office, as well as and all overseas subsidiaries of the Bank, providing an institutional safeguard for a better management of reputation risk.

- Enhancement of internal controls. With respect to the control of authorization and approval of credit granting, the Bank strengthened the risk management of key areas of macroeconomic readjustment, with strict control over loan granting to government financing platforms, prudent loan granting to the real estate sector, strict control of loans to industries with over capacity where new credit granting to such industries shall be reviewed and approved by the Head Office, stringent control of loan increase rate, tighter verification of loan granting to prevent operational risk, tighter administration of credit-granting authorization to prevent ultra vires acts, practice of “Differentiated Authorization and Dynamic Adjustment” to regulate financial authorization and balance the relationship between management efficiency and risk controllability and improve decision-making quality and management effectiveness in a continuous manner. In terms of deposit and over-the-counter business, the Bank formulated Administrative Measures of CITIC Bank for Authorization of Accounting Business (Trial) and Administrative Measures of CITIC Bank regarding the Reservation of Seal and Stamp Specimens Provided by Corporate Customers that Open RMB Accounts at CITIC Bank and developed its electronic accounting system database that pooled the existing 328 valid accounting policies of the Bank, thus providing effective tools for standardization of the procedures for handling key over-the-counter business items together with risk prevention and control thereof and reinforcing understanding and application of the concerned systems. In terms of budget control, with the establishment of a standard unified organizational and responsibility system for budget management based on the Measures for All-round Budget Management and the supplementary rules for implementation thereof, the Bank set up a uniform platform of budget system and realized uniform management regarding the sources and representation of budget data, basis for budget preparation and process for budget management. As for financial reporting control, by formulating the Administrative Measures of CITIC Bank for Consolidation of Financial Reports, the Bank explicitly provided the scopes of financial statement consolidation and division of duties thereby, thus reinforcing the Bank’s management on financial statement consolidation over its subsidiaries and effectively preventing risks therein. With respect to IT control, the Bank fulfilled tasks contained in its IT Security Plan, promoted implementation of information protection strategies based on classification and rating of information assets, reinforced implementation of IT risk management systems as well as norms and requirements in application development, system operation and assurance of quality and safety, strengthened outsourcing risk management by establishing a sustainable and effective system for monitoring of outsourcing risks, set up an index system for operation and maintenance management assessment of the whole Bank and promoted integration of the two operation and maintenance systems respectively related to system operation and web management, ensured safe and stable operation of important information systems, avoided occurrence of significant risks related to information security, and thereby further improving the precision and the specialization of IT management. In terms of performance assessment control, the Bank set up a multi-dimensional performance assessment system that combines horizontal and vertical areas, covering both quantitative assessment of business performance of branches and qualitative assessment of risk control and business management at branches.
- Expansion of channels for information exchange and communication. The Bank convened meetings at all levels on a regular or non-regular basis to brief business dynamics, discuss policies and guiding principles on business management and communicate higher-level instructions and leaders’ decisions, integrated resources of the Bank to complete and optimize Phase II construction of its office system to better realize the system’s role as the major channel for display, exchange, dissemination and communication throughout the Bank, and organized the

“Woodpecker Compliance Action” throughout the Bank to guide all employees in their efforts of proactively identifying potential risks and put forward recommendations for effective risk prevention, which enriches the bottom-up channel for information reporting and provides a normal way of information transmission for continuous optimization of institutional management and the relevant mechanisms thereof.

- Reinforcement of the mechanism for internal supervision and inspection. The Bank strengthened the integration of inspection resources and coordinated supervision resources of the whole Bank in a comprehensive manner according to the principle of “comprehensive consolidation, higher efficiency, compliance with regulatory requirements, attention to risks and appropriate coverage”, which gave rise to the integrated effect of inspection. Proactive efforts were made to screen risks related to loans to the real estate sector and banker’s acceptance business, review risks of loans to government financing platforms, examine asset quality, implement measures for rectification and urge business management departments to improve systems and enhance management.

Information on the Company’s Institutional Development regarding Accountability of Material Errors regarding to Annual Report Information Disclosure

Based on a series of management rules and regulations including the Measures on Information Disclosure Management and Administrative Measures for Inside Information and Information Insiders, the Bank continued to improve information disclosure system development during the preparation of the 2011 annual report. Firstly, the Bank revised the Measures on Information Disclosure Management in line with the latest regulatory requirements; secondly, the Bank developed its Measures for Accountability of Material Errors regarding Annual Report Information Disclosure, which contains detailed provisions for determination and pursuit of responsibilities related to errors in the course of annual report information disclosure. Such improvement further standardized the process of annual report preparation, effectively ensured the quality of report preparation and ensured the accuracy, completeness and compliance of contents disclosed in the annual report.

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

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

The purpose of the Bank’s internal control over financial report is to ensure the truthfulness, completeness and reliability of information contained in financial report and to prevent material misreporting risk. The Bank has established an effective internal control system in accordance with relevant laws and regulations. The Board of Directors assessed the internal control over financial report in line with relevant laws and regulations and produced the 2011 Report of the Board of Directors of CITIC Bank Corporation Limited on Assessment of the Company’s Internal Control, and are of the view that the Bank’s internal control over financial report is effective on 31 December 2011 (record date). In the course of making self-assessment on the internal control over financial report by the Bank, no material defects in internal control related to non-financial report was found.

Internal Audit

The internal auditor of the Bank is responsible for supervising and evaluating the adequacy and effectiveness of the Bank's risk management and internal control and reports the findings to the Board of Directors, the Board of Supervisors, and the senior management. The Audit and Related Party Transactions Control Committee under the Board of Directors is responsible for supervising the implementation of the Bank's internal audit policies.

In 2011, the Bank continued to reinforce inspection and supervision on key areas, extended the application of off-site techniques and approaches, and greatly improved the quality and effect of auditing supervision. Major measures adopted include the following:

- The Bank reinforced the audit supervision and assessment on key business areas, key organizations and key procedures. During the reporting period, the Bank conducted special audit on credit granting to real estate sector, group clients and small enterprises, and carried out special audit on low-risk credit granting business, IT risks and connected transactions, the Bank effectively prevented risks and realized audit objectives at different levels.
- The Bank gradually enhanced the effectiveness of audit review throughout the Bank with the support of audit techniques using information technology. Fully promoting the application of the off-site audit information system, the Bank prioritized off-site audit including screening of abnormal account transactions, full-amount bank acceptance backed by guarantee money, account opening by long-position holders, and credit granting based on pledge by third-party certificate of deposit and third-party depositary transactions, thereby substantially expanding the coverage of audit supervision and upgrading the efficiency of audit review.
- The Bank strengthened the risk screening for case prevention throughout the Bank. During the reporting period, the Bank organized risk examination on large-amount non-performing loans, checks of internal control execution without prior notice, business screenings of key areas such as accounting and bank bills and regulatory screenings of employee behavior, which helped reinforce education on case prevention and application of “Six Forbids” and enhanced employee self-discipline and their awareness of case prevention and control.
- The Bank enhanced its rectification efforts. During the reporting period, the Bank carried out on-site follow-up visits regarding problems identified during its internal and external reviews for the past three years and implemented rectification measures thereof to consolidate the review outcome over the recent years and cement the foundation for better management.

Management of Connected Transactions

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

In 2011, the Bank strictly adhered to the regulatory requirements of Chinese Mainland and Hong Kong and further enhanced the system development, policy improvement, process standardization, management enhancement and compliance assurance in terms of connected transactions, so as to ensure full synergy of the integrated financial platform of CITIC Group and increase of shareholders' value under the prerequisites of legality and compliance. Specific measures are as follows:

Firstly, the Bank enhanced the awareness of compliance. Intensive trainings were organized targeting over 30 branches of the Bank to improve the awareness and professional capacity bankwide regarding management of connected transactions; secondly, the Bank improved rules and regulations. Measures for Connected Transactions management and Implementation Rules for Connected Transactions management were amended to further optimize the process for connected transactions management; thirdly, the Bank refined the system of related parties. The development of a list of related parties covering 1,671 related legal persons and 1,103 related natural persons enabled a dynamic management of related parties; fourthly, the Bank set up standard operational processes. The preparation of the Manual on Connected Transactions Products provided an effective basis for accurate identification of connected transactions, unifying computation standards and standardization of internal processes; fifthly, the Bank improved its management quality. By extending the coverage of the three-year cap of continuing connected transactions to the three major related entities and eight categories of business, the Bank remarkably improved its efficiency in reviewing and approving connected transactions; and sixthly, the Bank intensified its routine monitoring and observed procedures for review, approval and disclosure in a timely manner. Such efforts ensured that connected transactions are conducted in compliance with regulatory requirements of the stock exchanges and the banking industry.

Statement on Horizontal Competition and Connected Transactions

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

Independence from the Controlling Shareholder

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

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

In terms of personnel, the Bank has its own independent human resources and remuneration system. Except for the president of the Bank who concurrently served as executive director and deputy general manager of CITIC Group before the restructuring of CITIC Group and now concurrently serves as deputy general manager of CITIC Limited after CITIC Group's restructuring, 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 it.

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

In terms of financial matters, the Bank has established an independent financial accounting department and an independent accounting system and financial management system to make independent financial decisions, and set up its own account according to law separate from that of 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 all other third parties, and the accounts of the controlling shareholder are completely separated from the fund and account of the Bank.

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

Develop and Review Corporate Governance Policies and Practices

The Board of Directors of the Bank has always attached great importance to the establishment and improvement of internal system on corporate governance. During the reporting period, according to regulatory requirements, the Bank amended the Measures for the Board of Directors to Assess the Duty Performance by Directors and Senior Management and formulated a series of policies including the Detailed Implementation Measures for the Board of Directors to Assess the Duty Performance by Directors and the Detailed Working Principles for the Secretary to the Board of Directors to further improve the policies and systems of the Board of Directors and independent directors as required so as to improve the Bank's corporate governance while promoting the duty performance by directors.

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

The Board of Directors of the Bank has been urging the directors and senior management to participate in relevant training to promote their professional development. During the reporting period, in accordance with the relevant requirement of the CSRC and the CBRC, the Board of Directors arranged relevant directors to participate in the director training organized by the CSRC Beijing Bureau and the training on corporate governance organized by the CBRC. The Bank's directors passed all the examinations and communicated with the regulatory authorities during the training, which yields good effect.

Review and Supervise the Company's Policies Compliance with Legal and Regulatory Requirements and Practices

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

Formulate and Review the Code of Conduct for the Staff and Directors and Supervise their Compliance

To standardize the staff's conduct and improve their quality, under the guidance of the Board of Directors, the Bank formulated China CITIC Bank Employee Code of Conduct, which stipulated on the Bank employees' professional ethics, professional discipline, professional image, office environment, and work atmosphere to encourage the employees to comply with the code of conduct. The Board of Directors developed the Management Measures for Holding and Change of Shares by CITIC Bank Directors, Supervisors and Senior Management, which detailed specifications on holding and trading the Bank's shares by directors, supervisors, senior management and related individuals and their disclosure obligations, as well as penalties for violations, to ensure that their actions are consistent with the requirements of domestic and overseas securities laws and regulations.

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

The Bank was in compliance with the provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the reporting period except for the following:

According to Code A.1.3 of the CG Code, the meeting notice shall be given at least 14 days before each regular meeting of the Board of Directors, while a 10-day notice to directors and supervisors shall be given for regular meetings of the the Board of Directors according to Article 167 of the Articles of Association of the Bank. The Bank adopted the 10-day prior notice for regular Board meetings in the Articles of Association of the Bank because it holds the view that 10-day prior notice is sufficient according to PRC Law.

Given the changes in the external operation environment, regulatory requirements, and the business scope and scale of the Bank, there is no limit to the efforts for improvement of the Bank's internal control. Therefore, the Bank will follow the requirements of external regulators, the requirements for listed companies and the criteria of leading banks in the world to continuously optimize its internal control management.

Appointment and Dismissal of Accounting Firms

As approved at the 2010 annual general meeting, the Bank employed KPMG Huazhen as its domestic auditor and KPMG as its overseas auditor for the year 2011. Ever since the Bank's IPO auditing in 2006, the two accounting firms have been serving as the Bank's auditors.

As at the end of 2011, the Group paid RMB9.20 million as audit service fees to KPMG and KPMG Huazhen for their auditing of the Group's 2011 financial statements (excluding the audit performed for the financial statements of its overseas subsidiaries and the Bank's internal control) and the Bank paid RMB1.10 million to KPMG Huanzhen as audit service fees for its auditing of the Bank's internal control in 2011; and the Group's overseas subsidiaries paid HKD5.93 million as audit service fees to KPMG.

Except for the above-mentioned audit assurance service fees, during the reporting period, the Bank paid RMB1.20 million to KPMG as service fees for its service in relation to the Bank's A shares and H shares rights issue, and paid approximately RMB3.83 million to KPMG as non-audit service fees.

Management of Investor Relations

In 2011, with the visionary leadership of the Board of Directors and the senior management, the Bank stepped onto a brand new stage in its investor relations management. In parallel with its persistence on standardized and effective management, the Bank kept enhancing its communication with investors. Through a variety of ways including the shareholders' general meetings, results press conference and road shows, routine meetings with investors, investors' forums and investors' hotline, the Bank had sufficient communication with its investors and created an effective platform for its investors to better understand its operation and management.

During the reporting period, the Bank participated in 80 external large-scale investors' forums and routine meetings with investors, and organized two results press conferences, two global conference calls, two domestic and international road shows and one reverse road show. Senior management including president of the Bank and heads of major departments all participated in the important investor activities such as road shows, reverse road show and results press conferences in person for in-depth exchanges with institutional investors, which deepened the understanding of the investors and analysts on the Bank's competitiveness and development strategies, delivered positive information to the capital market continuously, enhanced capital market confidence in the Bank, thereby laying a solid foundation for the management on the Bank's market capitalization. The Bank received routine inquiries from and conducted routine exchanges with minority shareholders by ways of email and phone calls, dealing with hundreds on cases through investors' hotline and email. Furthermore, the Bank made publicities through foreign and domestic media and its own website, improved the channels of communication between the Bank and its investors, and developed a set of diversified systems for the maintenance of investor relations, which enabled investors deeper understandings on the Bank's business operation and management and better protection of investors' interests through multiple manners.

During the reporting period, the Bank completed its A shares and H shares rights issue on 3 August 2011, raising the proceeds of RMB25.786 billion. In the process of the rights issue, the Bank carried out all-round communication with the capital market with its standardized and effective communication mechanism, made careful planning and preparation and exerted huge amount of effective efforts in areas of publicity, shareholder communication and reminders for subscription, and communicated adequately and effectively with the vast number of investors via actual and online virtual road shows, winning recognition and support from the investors and achieving a full success of the A shares and H shares rights issue.

In the future, the Bank will continue with its proactive efforts to seek continuous enhancement of its investor relations management and provide more efficient, timely and in-depth services for investors.

Information Disclosure

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

In order to promote the establishment of an information disclosure system and further enhance the transparency of information disclosure, 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, which further perfected the contents, forms, procedures, and management of information disclosure in the annual report, specified accountabilities for material errors in information disclosure of the annual report, and further provided rules for the management of inside information and registration of information insiders so as to ensure investors' equal access to the Bank's information. In 2011, the Bank published more than 50 announcements according to domestic and overseas regulatory requirements, including regular reports and interim announcements such as issuance of Renminbi denominated bonds in Hong Kong, construction project of CITIC Bank building, credit line to related parties, dividend distribution and the approval of director's qualifications for office, etc.

During the reporting period, the Bank continuously improved information disclosure of its regular reports based on the key focuses of investors and analysts and in line with rules of both listing venues. The Bank's full and abundant information disclosure was well received in the market. The Bank won many awards for its 2010 annual report, including the "Most Reliable Annual Report", "Silver Award for Innovative Cover Design and Production", and "Bronze Award for Best Use of Contents and Illustrations" from international award giving institutions such as MerComm, Inc.

SIGNIFICANT EVENTS

Material Acquisitions, Disposals or Restructurings of Assets

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

Material Contracts and Their Performance

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

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

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

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

Upon our inspection, the guarantees offered by the Group to external parties are primarily letter of guarantee, and letter of guarantee business is one of the regular banking services within the approved business scope of the Bank. As at the end of the reporting period, the balance of letters of guarantee issued by the Group was an equivalent to RMB64.534 billion.

The Bank has attached great importance to the management of risks related to the such business, and formulated creditability standards of the guaranteed obligor, 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, with no illegal guarantee issued. We are of the view that the Bank has effectively controlled the risks related to its guarantee business.

**Independent Directors of China CITIC Bank Corporation Limited
Bai Chong-En, Xie Rong, Wang Xiangfei, Li Zheping, Xing Tiancai**

Material Litigations and Arbitrations

The Bank has been involved in several litigations and arbitrations cases during its daily business operations. Most of these litigations and arbitrations were initiated by the Group to enforce loan repayment, and there were also litigations and arbitrations resulting from disputes with clients. As at the end of the reporting period, the Group was involved in 94 litigations and arbitrations with disputed amount exceeding RMB30 million each (either as plaintiff/claimant or defendant/respondent) with

an aggregate disputed amount of RMB6.336 billion. There were 47 outstanding cases (regardless of the disputed amounts) where the Group acted as defendant/respondent with an aggregate disputed amount of RMB242 million. The management of the Group is of the view that these legal actions do not have any material impact on the financial position of the Bank.

Material Related Party Transactions

When entering into related party transactions with the related parties during its ordinary course of business, the Bank sticks to normal commercial terms and executed the transactions with terms available to related parties being no more favorable than those available to independent third parties for similar transactions.

Related Party Transactions involving Disposal and Acquisition of Assets

Save and except as disclosed herein, the Bank 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 daily monitoring and management of related party transactions involving credit extension and ensured the legality and compliance of such transactions by enhancing relevant measures such as process-oriented management, risk review and post-lending management. As at the end of the reporting period, the credit balance extended to related parties totaled RMB6.38 billion, of which the credit balance to CITIC Group and its subsidiaries totaled RMB3.83 billion and the credit balance to BBVA and its subsidiaries totaled RMB2.54 billion. The above-mentioned credit granting business to related shareholders together with the risk exposure thereof, with its sound underlying quality, was all 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 granting credit to related parties, the Bank only entered into such transactions on normal commercial terms with prices available to related parties being no more favorable than those available to independent third parties of similar transactions. Meanwhile, the Bank followed the requirements on approval and disclosure by the SSE and the CBRC. As at the end of the reporting period, there was no fund exchange and appropriation in violation of the provisions of the Notice of CSRC on Issues Concerning the Standardization of Fund Exchange between Listed Companies and Related Parties and External Guarantee Provided by Listed Companies (Zheng Jian Fa [2003] No. 56) and the Notice of CSRC on Standardization of the External Guarantee Activities of Listed Companies (Zheng Jian Fa [2005] No. 120). The related party loans granted by the Bank to its largest shareholder CITIC Group and its controlled companies had no adverse impact on the operation result and financial position of the Bank.

Non-Credit Extension Continuing Connected Transactions

According to the framework agreements on continuing connected transactions, the Bank conducted transactions with CITIC Group and its associates, BBVA and its associates, and CIFH and its subsidiaries within the corresponding annual caps of the year. During the reporting period, the Bank entered into three additional framework agreements, i.e. the CITIC Bank/CITIC Group Call Center Outsourcing Services Framework Agreement with CITIC Group and its associates, the CITIC Bank/BBVA Loan Asset Transfer Framework Agreement with BBVA and its associates, and the CITIC Bank/CIFH Loan Asset Transfer Framework Agreement with CIFH and its associates. The annual cap as specified in CITIC Bank/CITIC Group Asset Custody Services Framework Agreement, which was entered into with CITIC Group and its associates, was adjusted. According to the applicable provisions of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Chapter 10 of Rules of the Shanghai Stock Exchange for the Listing of Stocks, we hereby provide details on the above-mentioned continuing connected transactions as follows:

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

Third-Party Escrow Services

According to the Third-Party Escrow Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the third-party escrow services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2011, the annual cap for the transactions under the Third-Party Escrow Service Framework Agreement was RMB40 million while the actual amount incurred was RMB11 million as at the end of the reporting period.

Investment Product Agency Sales Service

According to the Investment Product Agency Sales Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the agency sales services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2011, the annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement was RMB683.1 million while the actual amount incurred was RMB99 million as at the end of the reporting period.

Asset Custody Services

According to the Asset Custody Services Framework Agreement renewed between the Bank and CITIC Group in August 2010, the asset custody services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The asset custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In October 2011, the Bank adjusted the annual cap for the transactions under the Asset Custody Service Framework Agreement. The new cap was RMB200 million while the actual amount incurred was RMB88 million as at the end of the reporting period.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement renewed between the Bank and CITIC Group in August 2010 and approved by the third extraordinary general meeting in 2010, the transactions to be conducted between the Bank and CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the loan assets minus appropriate discounting to reflect the appropriate risks of the loan assets. In 2011, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was RMB40 billion while the actual amount incurred was zero as at the end of the reporting period.

Financial Consulting and Asset Management Services

According to the Financial Consulting and Asset Management Service Framework Agreement entered into between the Bank and CITIC Group in August 2010, the financial consulting and asset management services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon negotiations between the parties on arm's length negotiate or be based on the prevailing market prices and rates applicable to independent counterparties for the same transactions. In 2011, the annual cap for the transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB111 million while the actual amount incurred was RMB10 million as at the end of the reporting period.

Technology Services

According to the Technology Service Framework Agreement entered into between the Bank and CITIC Group in August 2010, CITIC Group and its associates provided services to the Bank including the development of management information system and trading information system, and services such as integration, maintenance and support and outsourcing. The service fees payable by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon negotiations between the parties on arm's length basis and be based on the prevailing market prices and rates applicable to independent counterparties for identical transactions. In 2011, the annual cap for the transactions under the Technology Service Framework Agreement was RMB70.6 million while the actual amount incurred was RMB57 million as at the end of the reporting period.

Capital Market Transactions

According to the Capital Market Transactions Master Agreement entered into between the Bank and CITIC Group in August 2010, the Bank, CITIC Group and its associates shall conduct capital market transactions according to applicable common market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for identical transactions. In 2011, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Capital Market Transactions Master Agreement was RMB1.2 billion respectively and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB4.2 billion. As at the end of the reporting period, net realized gain of the transactions under the Capital Market Transactions Master Agreement was RMB304 million, the fair value of financial derivatives recorded as assets was RMB67 million and RMB33 million recorded as liabilities.

Call Center Outsourcing Services

According to the Call Center Outsourcing Services Framework Agreement entered into between the Bank and CITIC Group in October 2011, CITIC Group and its associates shall provide call center outsourcing services to the Bank, including staff, premises, equipment and system to the Bank, such as customer calling services, telephone banking services, telephone sales, call reminders for payment collection, review and examination via calls, operation consulting, training, digit information service, marketing consulting, interactive marketing, etc. The service fees payable by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon negotiations between the parties on arm's length basis and be based on the market prices and rates applicable to independent counterparties for identical transactions. In 2011, the annual cap for transactions under the Call Center Outsourcing Services Framework Agreement was RMB280 million. As at the end of the reporting period, actual amount incurred was RMB118 million.

Non-Credit Extension Continuing Transactions with BBVA and its Associates

Interbank Transactions

According to the Interbank Transactions Master Agreement entered into between the Bank and BBVA in 2009, the Bank and BBVA Group shall conduct interbank transactions in their ordinary and usual course of business according to applicable common interbank transaction practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for identical transactions. In 2011, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Interbank Transactions Master Agreement were RMB480 million respectively, and that for the fair value of derivative financial instruments, whether recorded as assets or liabilities, was RMB450 million. As at the end of the reporting period, net realized gain was RMB79 million; while the fair value of financial derivatives recorded as assets was RMB221 million and RMB152 million recorded as liabilities.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and BBVA in October 2011, the transactions to be conducted between the Bank and BBVA and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discounting to reflect the appropriate risks of the loan assets. In 2011, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was USD150 million while the actual amount incurred was zero as at the end of the reporting period.

Non-Credit Extension Continuing Related Party Transactions with CIFIH and its Subsidiaries

Capital Market Transactions

According to the Capital Market Transactions Master Agreement entered into between the Bank and CIFIH in August 2010, the Bank, CIFIH and its subsidiaries shall conduct capital market transactions according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for the same transactions. In 2011, the annual cap under the framework agreement for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Capital Market Transactions Master Agreement was RMB1 billion respectively and that for the fair value of the derivative financial instruments (whether recorded as assets or liabilities) was RMB3.5 billion. As at the end of the reporting period, the net realized gain and losses of the transactions under the Capital Market Transactions Master Agreement, the fair value of financial derivatives recorded as assets and the fair value of financial derivatives recorded as liabilities were zero.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and CIFIH in October 2011, the transactions to be conducted between the Bank and CIFIH and its subsidiaries shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discounting to reflect the appropriate risks of the loan assets. In 2011, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was USD250 million while actual amount incurred was USD650 million as at the end of the reporting period.

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

- (1) in the ordinary and usual course of business of the Bank;
- (2) on normal commercial terms;
- (3) in accordance with the relevant agreements governing them and the terms of which are fair and in the interests of shareholders of the Bank as a whole.

The auditor has obtained a list of the continuing connected transactions prepared by the Bank's management. Based on the auditor's work conducted in accordance with 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, nothing has come to the auditor's attention that causes the auditor to believe that:

- (1) The disclosed continuing connected transactions have not been approved by the Bank's board of directors;
- (2) For transactions involving the provision of goods or services by the Group, the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) The transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (4) With respect to the aggregate amount of each of the continuing connected transactions, the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 27 August 2009, 11 August 2010 and 27 October 2011 made by the Bank in respect of each of the disclosed continuing connected transactions.

Shareholdings in Other Listed Companies and Financial Enterprises

As at the end of the reporting period, the Group's shareholdings held 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	—	5,302,536.82	3,864,412.39	8,515,118.78	978,984.47	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,509,605.39	—	32,494,532.10	83,105.64	23,627,618.05	8,866,914.05	Available-for-sale financial assets	Gift/Bonus share
3	MA	Mastercard International	201,629.69	—	1,780,763.20	1,662.11	1,121,395.54	659,367.66	Available-for-sale financial assets	Bonus share
Total			<u>14,731,235.08</u>		<u>39,577,832.12</u>	<u>3,949,180.14</u>	<u>33,264,132.37</u>	<u>10,505,266.18</u>		

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

Unit: RMB

Name of company	Initial investment amount	Number of shares held (share)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Changes in shareholder's equity during the reporting period	Accounting item	Source of investment
China Union Pay Co. Ltd.	70,000,000.00	87,500,000	4.24%	113,750,000.00	2,450,000.00	—	Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	22	—	133,050.19	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,178,911.74	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	13,142,762.60	—	—	Available-for-sale financial assets	Bonus share
Total	88,960,234.79			131,204,724.53	2,450,000.00			

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with a net value of RMB353 million as at the end of the reporting period.

Punishment and Remedial Actions of the Company, Board of Directors, Directors and Senior Management

During the reporting period, neither the Bank or the Board of Directors, nor Directors or Senior Management of the Bank was subject to investigation, administrative punishment, ban of entry into securities markets and circular of criticism by the CSRC, or punishment by other administrative authorities for being identified as inappropriate candidate, or public reprimands from any stock exchanges. Furthermore, none of the Bank's Board of Directors, Directors or Senior Management was subject to any punishment from other regulators that may have any material impact on the operations of the Bank.

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 2011 Special Statement on Fund Appropriation by the Controlling Shareholder and Other Related Parties for China CITIC Bank Corporation Limited.

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

The shareholders who hold 5% or more shares in the Bank are CITIC Group and BBVA.

On 28 September 2010, CITIC Group undertook that if it participates in subscription for the shares from the Bank's rights issue, CITIC Group shall not transfer or entrust others to manage its rights shares, nor will CITIC Group ask the Bank to repurchase such rights shares within 5 years as of the delivery date of the said shares, and that upon maturity of the lock-up period of the said shares CITIC Group shall obtain the consent of the relevant regulator (s) on the transfer of the said rights shares and the shareholder qualification of the transferee (s) should CITIC Group decide to make such transfer (s). In 2011, CITIC Group subscribed for 4,823,154,716 A shares of the Bank from the said rights issue and the delivery was completed on 7 July 2011.

According to the restructuring plan of CITIC Group approved by the State Council and the MOF, CITIC Group and CITIC Limited entered into a restructuring agreement on 16 January 2012, according to which the shares in the Bank held by CITIC Group shall be acquired by CITIC Limited. This acquisition is subject to the CSRC approval on waiving purchaser's obligation of tender offer. This share transfer is a part of the overall restructuring of CITIC Group in accordance with the approval of the State Council and the MOF and is recognized as share transfer under the common control with no change of de facto controlling shareholder. Pursuant to the restructuring agreement, CITIC Limited inherits relevant rights and obligations attached to the assets contributed by CITIC Group.

On 23 September 2010, BBVA undertook that as a strategic investor of the Bank, BBVA shall regard its investment in the Bank as long-term investment and that BBVA shall intend to hold its allotment from this rights issue within at least 5 years as of the date of delivery completion thereof, except for special situations (including but not limited to any requirements of the law or those imposed by any regulatory authorities or government bodies or securities exchanges that enjoy jurisdiction over the Bank, applying for, being applied for or being declared bankruptcy or becoming insolvent, or occurrence of macroscopic economic events, force majeure or other objective situations that exert material adverse impacts on 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 22 June 2011, BBVA undertook that it would subscribe in cash for all the H shares that the Bank provisionally allotted to it according to the terms in the rights issue prospectus, and that its existing H shares plus the newly acquired H shares through the rights issue would not lead to BBVA holding more than 15% of the total equity of the Bank.

Save and except for the afore-mentioned undertakings and the undertakings made by CITIC Group upon listings of the Bank on 27 April 2007, no other undertakings were made during the reporting period. The Bank is not aware of any violation of the previous undertakings on the part of shareholders that hold 5% or more of the Bank's shares.

Change of the Bank's Controlling Shareholder

Please refer to "Changes in Share Capital and Shareholding of the Substantial Shareholders" – "Controlling Shareholder and *De Facto* Controller of the Bank" for information on change of the Bank's controlling shareholder.

Progress of Other Significant Events

On 19 October 2011, the Bank held the second extraordinary general meeting in 2011, where the proposal on the issue of Renminbi denominated bonds in Hong Kong was considered and adopted. The Bank will launch the relevant work in accordance with the resolution adopted at the extraordinary general meeting.

On 6 March 2012, the Bank held the first extraordinary general meeting in 2012, where the proposal on issue of subordinated bonds and special small and micro enterprises financial bonds were considered and adopted. The Bank will launch the relevant work in accordance with the resolution adopted at the extraordinary general meeting.

Profit and Dividends Distribution

The cash dividends distribution of the Bank since listing is listed as follows:

Year for which dividends are distributed	Unit: RMB million	
	Total amount of cash dividends (pre-tax)	Distribution ratio (%)
2008	3,330	25
2009	3,435	25
Interim of 2011 ^(Note)	2,573	18
2011	6,784	22

Note: The distribution ratio for the interim of 2011 is the ratio of the total amount of cash dividend distribution in the interim of 2011 to the net profit for the interim of 2011.

The audited profit after tax as shown on the 2011 financial statements prepared in accordance with the PRC GAAP and the International Financial Reporting Standards (IFRS), respectively, were both RMB30.730 billion.

After deducting the transfer of the profit after tax with a total amount of RMB1.441 billion finished during profit distribution for the interim of 2011, 10% of the profit after tax with a total amount of RMB1.632 billion will be transferred to the statutory surplus reserve. RMB4.300 billion will be transferred to the general reserve. No discretionary reserve will be charged.

The Bank's dividends distribution for the interim of 2011 was totaled RMB2.573billion and RMB0.055 (pre-tax) per share. The proposed dividends distribution for the year 2011 amounts to RMB6.784 billion. The total share capital of A-share and H-share shall be taken as base and the cash bonus of every 10 shares shall be RMB1.45 (pre-tax), which is denominated and declared in Renminbi. The dividend of A-share shall be paid in Renminbi. The dividend of H-share shall be paid in Hong Kong dollar, with the sum calculated in accordance with the average benchmark exchange rate of Renminbi released by the PBC one week (including the date of shareholder's general meeting) prior to the convening of shareholders' general meeting. The transfer of capital reserve to share capital plan was not applied in this year. The rest non-distributed profits will be retained to the following year. The aforesaid profit distribution plan shall be submitted to 2011 annual shareholders' general meeting for approval and implementation.

According to the Notice on the Issues Concerning Administration of Individual Income Tax after abolishment of Guo Shui Fa [1993] 045 Document (the "Notice") issued by the State Administration of Taxation of the People's Republic of China on 28 June 2011, the withholding agent shall withhold the individual income tax from the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders. The overseas resident individual shareholders shall be able to enjoy relevant tax preference pursuant to the

relevant tax agreements between the countries where they are residing and the PRC, and the relevant tax arrangement between mainland China and Hong Kong (Macau). The withholding agent usually withholds the individual income tax with a tax rate of 10%. However, the withholding tax rates for respective overseas resident individual shareholders may vary depending on the relevant agreements between the countries where they are residing and the PRC, and the relevant tax arrangement between mainland China and Hong Kong (Macau).

According to the abovementioned Notice, when the aforesaid profit distribution plan is approved at 2011 annual shareholders' general meeting and is implemented, the Bank will withhold 10% of the dividend as individual income tax unless otherwise specified by the relevant tax regulations, tax agreements or the Notice.

For non-resident enterprise H shareholders, the Bank will continue to withhold 10% of the dividend as enterprise income tax according to the relevant tax regulations in line with its previous practice.

If H shareholders of the Bank have any doubt regarding the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact on the possession and disposal of H shares of the Bank.

The Bank aims at maximizing the wealth of shareholders in implementing its dividend distribution policy and, considering its own development plan and profits of the current year, scientifically decides a distribution ratio in the interests of shareholders. On proposing annual dividend distribution ratio, the Bank fully considers the balance between two factors: firstly, the dividend distribution ratio shall be in line with the Bank's medium and long-term capital plan and a support of the Bank's long-term sound development; and secondly, with the rapid growth of profit, the Bank's shareholders have the opportunity to share the Bank's development results and receive stable and abundant cash dividend each year while enjoying the increase in assets value with the increase of company's value.

Purchase, Sale or Redemption of Shares

During the reporting period, neither did the Bank nor any of its subsidiaries purchase, sell or redeem any shares of the Bank.

Closure of Register of Members

The annual general meeting of the Bank for year 2011 will be held on Wednesday, 30 May 2012. The Bank's register of members will be closed from Monday, 30 April 2012 to Wednesday, 30 May 2012 (both dates inclusive) and from Wednesday, 6 June 2012 to Monday, 11 June 2012 (both dates inclusive), respectively, during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the annual general meeting of the Bank for year 2011, unregistered holders of H shares of the Bank should ensure that all share transfer documents together with the relevant share certificates must be lodged with the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 27 April 2012.

In order to qualify for receiving the final dividends proposed by the Bank, which is subject to the shareholders' approval at the forthcoming annual general meeting of the Bank for year 2011, holders of H shares of the Bank should ensure that all share transfer documents together with the relevant share certificates must be lodged with the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the address specified above no later than 4:30 p.m. on Tuesday, 5 June 2012.

If the Bank's proposal for final dividend distribution is approved by the shareholders at the forthcoming annual general meeting of the Bank for year 2011, the Bank will engage Bank of China (Hong Kong) Trustee Limited as the receiving agent in Hong Kong (the "Receiving Agent") for payment of the H share dividends. The final dividends will be distributed by the Receiving Agent to the H shareholders of the Bank as shown on the Bank's register of members on 11 June 2012.

Publication of Results Announcement and Annual Report

Both the Chinese and English versions of this results announcement are available on the websites of the Bank (bank.ecitic.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2011 Annual Report of the Bank containing all the information required by the Listing Rules will be published on the websites of the Bank (bank.ecitic.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) in due course. In the event of any discrepancies in interpretations between the English version and the Chinese version, the Chinese version shall prevail. The Bank also prepared an annual report for year 2011 in Chinese in accordance with the PRC GAAP, which is available on the websites of the Bank (bank.ecitic.com) and Shanghai Stock Exchange (www.sse.com.cn).

FINANCIAL REPORT

Auditor's Opinion

KPMG, the Group's external auditors, have audited the consolidated financial statements of the Group for the year ended 31 December 2011, and expressed the following audit opinion: "In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

Financial Statements

China CITIC Bank Corporation Limited

Consolidated statement of comprehensive income

For the year ended 31 December 2011

(Expressed in millions of Renminbi unless otherwise stated)

	2011	2010
Interest income	106,623	72,460
Interest expense	(41,517)	(24,325)
Net interest income	65,106	48,135
Fee and commission income	9,481	6,308
Fee and commission expense	(644)	(612)
Net fee and commission income	8,837	5,696
Net trading gain	2,260	1,289
Net gain from investment securities	83	142
Net hedging loss	(1)	(1)
Other operating income	807	1,095
Operating income	77,092	56,356
Operating expense	(28,381)	(22,638)
Operating Profit before impairment	48,711	33,718
Impairment losses on		
– Loans and advances to customers	(5,734)	(4,238)
– Others	(1,473)	(1,011)
Total impairment losses	(7,207)	(5,249)
Revaluation gain on investment properties	29	54
Share of profits of associates	57	172
Profit before tax	41,590	28,695
Income tax	(10,746)	(6,916)
Net profit	30,844	21,779

China CITIC Bank Corporation Limited
Consolidated statement of comprehensive income (continued)
For the year ended 31 December 2011
(Expressed in millions of Renminbi unless otherwise stated)

	2011	2010
Net profit	30,844	21,779
Other comprehensive income for the year		
Available-for-sale financial assets		
– Net changes in fair value	765	(450)
– Net amount transferred to profit or loss	340	(66)
Exchange difference on translating foreign operations	(652)	(476)
Other comprehensive income of associates	34	42
Total other comprehensive income/(loss)	487	(950)
Income tax effects relating to each component of other comprehensive income/(loss)	(280)	136
Other comprehensive income/(loss), net of tax	207	(814)
Total comprehensive income	31,051	20,965
Net profit attributable to:		
Shareholders of the Bank	30,819	21,509
Non-controlling interests	25	270
	30,844	21,779
Total comprehensive income attribute to:		
Shareholders of the Bank	31,227	20,812
Non-controlling interests	(176)	153
	31,051	20,965
Basic and diluted earnings per share (RMB)	0.71	0.53

China CITIC Bank Corporation Limited
Consolidated statement of financial position

As at 31 December 2011

(Expressed in millions of Renminbi unless otherwise stated)

	31 December 2011	31 December 2010
Assets		
Cash and balances with central bank	366,391	256,323
Deposits with banks and non-bank financial institutions	386,535	81,955
Placements with banks and non-bank financial institutions	151,004	48,633
Trading financial assets	8,190	2,855
Positive fair value of derivatives	4,683	4,478
Financial assets held under resale agreements	162,211	147,632
Interest receivable	10,051	6,095
Loans and advances to customers	1,410,779	1,246,026
Available-for-sale financial assets	134,518	137,109
Held-to-maturity investments	108,468	129,041
Investments in associates	2,212	2,253
Fixed assets	10,116	9,974
Investment properties	272	248
Goodwill	818	857
Intangible assets	254	217
Deferred tax assets	2,971	2,565
Other assets	6,408	5,053
Total assets	<u>2,765,881</u>	<u>2,081,314</u>
Liabilities		
Deposits from banks and non-bank financial institutions	535,546	141,663
Placements from banks and non-bank financial institutions	4,676	7,072
Trading financial liabilities	—	10,729
Negative fair value of derivatives	3,764	4,126
Financial assets sold under repurchase agreements	9,806	4,381
Deposits from customers	1,968,051	1,730,816
Accrued staff costs	8,861	7,853
Taxes payable	4,015	2,598
Interest payable	13,599	8,569
Provisions	36	36
Debts securities issued	33,730	34,915
Other liabilities	5,016	4,018
Total liabilities	<u>2,587,100</u>	<u>1,956,776</u>

China CITIC Bank Corporation Limited
Consolidated statement of financial position (continued)
As at 31 December 2011
(Expressed in millions of Renminbi unless otherwise stated)

	31 December 2011	31 December 2010
Equity		
Share capital	46,787	39,033
Share premium and other reserve	49,491	31,574
Investment revaluation reserve	214	(632)
Surplus reserve	8,691	5,618
General reserve	20,825	15,698
Retained earnings	50,622	30,576
Exchange difference	(2,134)	(1,692)
Total equity attributable to shareholders of the Bank	174,496	120,175
Non-controlling interests	4,285	4,363
Total equity	178,781	124,538
Total liabilities and equity	2,765,881	2,081,314

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

Tian Guoli
Chairman

Chen Xiaoxian
President

Cao Guoqiang
*Vice President in charge of finance
function*

Wang Kang
*General Manager of Budget and Finance
department*

China CITIC Bank Corporation Limited**Statement of financial position***As at 31 December 2011**(Expressed in millions of Renminbi unless otherwise stated)*

	31 December 2011	31 December 2010
Assets		
Cash and balances with central bank	365,318	255,394
Deposits with banks and non-bank financial institutions	379,964	67,157
Placements with banks and non-bank financial institutions	125,535	39,221
Trading financial assets	7,899	2,298
Positive fair value of derivatives	3,002	3,094
Financial assets held under resale agreements	162,261	147,692
Interest receivable	9,449	5,615
Loans and advances to customers	1,334,509	1,170,383
Available-for-sale financial assets	116,839	119,032
Held-to-maturity investments	108,720	129,301
Investment in subsidiaries	9,986	9,884
Fixed assets	9,619	9,508
Intangible assets	254	217
Deferred tax assets	2,890	2,473
Other assets	5,743	4,548
Total assets	<u>2,641,988</u>	<u>1,965,817</u>
Liabilities		
Deposits from banks and non-bank financial institutions	540,810	143,775
Placements from banks and non-bank financial institutions	819	5,813
Trading financial liabilities	—	10,729
Negative fair value of derivatives	2,684	2,869
Financial assets sold under repurchase agreements	9,806	4,381
Deposits from customers	1,865,221	1,634,330
Accrued staff costs	8,595	7,618
Taxes payable	3,900	2,573
Interest payable	13,111	8,243
Provisions	36	36
Debt securities issued	18,500	22,500
Other liabilities	4,213	3,360
Total liabilities	<u>2,467,695</u>	<u>1,846,227</u>

China CITIC Bank Corporation Limited
Statement of financial position (continued)

As at 31 December 2011

(Expressed in millions of Renminbi unless otherwise stated)

	31 December 2011	31 December 2010
Equity		
Share capital	46,787	39,033
Share premium and other reserve	51,619	33,706
Investment revaluation reserve	428	(451)
Surplus reserve	8, 691	5,618
General reserve	20,750	15,650
Retained earnings	46, 018	26,034
	<u>174, 293</u>	<u>119,590</u>
Total equity	<u>174, 293</u>	<u>119,590</u>
Total liabilities and equity	<u>2,641,988</u>	<u>1,965,817</u>

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

Tian Guoli
Chairman

Chen Xiaoxian
President

Cao Guoqiang
*Vice President in charge of finance
function*

Wang Kang
*General Manager of Budget and Finance
department*

China CITIC Bank Corporation Limited
Consolidated statement of changes in equity

For the year ended 31 December 2011

(Expressed in millions of Renminbi unless otherwise stated)

	Share capital	Share premium	Other reserve	Investment Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2011	39,033	31,301	273	(632)	5,618	15,698	30,576	(1,692)	4,363	124,538
Movements during the year										
(I) Net profit	—	—	—	—	—	—	30,819	—	25	30,844
(II) Other comprehensive income	—	—	4	846	—	—	—	(442)	(201)	207
Total comprehensive income	—	—	4	846	—	—	30,819	(442)	(176)	31,051
(III) Contributions by equity shareholders										
1. Rights issue	7,754	17,913	—	—	—	—	—	—	—	25,667
2. Non-controlling interests of a new subsidiary	—	—	—	—	—	—	—	—	98	98
(IV) Profit appropriations										
1. Appropriations to surplus reserve	—	—	—	—	3,073	—	(3,073)	—	—	—
2. Appropriations to general reserve	—	—	—	—	—	5,127	(5,127)	—	—	—
3. Appropriations to shareholders	—	—	—	—	—	—	(2,573)	—	—	(2,573)
As at 31 December 2011	<u>46,787</u>	<u>49,214</u>	<u>277</u>	<u>214</u>	<u>8,691</u>	<u>20,825</u>	<u>50,622</u>	<u>(2,134)</u>	<u>4,285</u>	<u>178,781</u>

	Share capital	Share premium	Other reserve	Properties Revaluation reserve	Investment Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2010 (before restatement)	39,033	30,910	221	1,451	(236)	3,535	12,562	17,939	(1,372)	4,210	108,253
Change in accounting policy	—	391	33	(1,451)	—	—	—	(218)	—	—	(1,245)
As at 1 January 2010 (restated)	39,033	31,301	254	—	(236)	3,535	12,562	17,721	(1,372)	4,210	107,008
Movements during the year											
(I) Net profit	—	—	—	—	—	—	—	21,509	—	270	21,779
(II) Other comprehensive income	—	—	19	—	(396)	—	—	—	(320)	(117)	(814)
Total comprehensive income	—	—	19	—	(396)	—	—	21,509	(320)	153	20,965
(III) Profit appropriations											
1. Appropriations to surplus reserve	—	—	—	—	—	2,083	—	(2,083)	—	—	—
2. Appropriations to general reserve	—	—	—	—	—	—	3,136	(3,136)	—	—	—
3. Appropriations to shareholders	—	—	—	—	—	—	—	(3,435)	—	—	(3,435)
As at 31 December 2010	<u>39,033</u>	<u>31,301</u>	<u>273</u>	<u>—</u>	<u>(632)</u>	<u>5,618</u>	<u>15,698</u>	<u>30,576</u>	<u>(1,692)</u>	<u>4,363</u>	<u>124,538</u>

China CITIC Bank Corporation Limited**Consolidated cash flow statement***For the year ended 31 December 2011**(Expressed in millions of Renminbi unless otherwise stated)*

	2011	2010
Operating activities		
Profit before tax	41,590	28,695
Adjustments for:		
– Revaluation gain on investments, derivatives and investment properties	(878)	(30)
– Investment gains	(122)	(310)
– Net gain on disposal of fixed assets	(7)	(456)
– Unrealised foreign exchange losses	190	255
– Impairment losses	7,207	5,249
– Depreciation and amortisation	1,340	1,195
– Interest expense on subordinated debts issued	1,251	1,098
– Dividend income from equity investment	(18)	(4)
– Income tax paid	(10,939)	(5,459)
	39,614	30,233
<i>Changes in operating assets and liabilities:</i>		
Increase in balances with central bank	(102,624)	(69,978)
Increase in deposits with banks and non-bank financial institutions	(14,762)	(32,403)
Increase in placements with banks and non-bank financial institutions	(67,903)	(1,679)
(Increase)/decrease in trading financial assets	(4,864)	2,145
(Increase)/decrease in financial assets held under resale agreements	(14,582)	37,551
Increase in loans and advances to customers	(174,787)	(201,193)
Increase/(decrease) in deposits from banks and non-bank financial institutions	394,215	(133,077)
(Decrease)/Increase in placements from banks and non-bank financial institutions	(2,235)	2,570
(Decrease)/Increase in trading financial liabilities	(10,729)	8,305
Increase in financial assets sold under repurchase agreements	5,431	323
Increase in deposits from customers	244,435	393,211
Increase in other operating assets	(6,194)	(32,434)
Increase in other operating liabilities	15,089	33,751
Net cash flows from operating activities	300,104	37,325

China CITIC Bank Corporation Limited
Consolidated cash flow statement (continued)

For the year ended 31 December 2011

(Expressed in millions of Renminbi unless otherwise stated)

	2011	2010
Investing activities		
Proceeds from disposal and redemption of investments	493,354	399,602
Proceeds from disposal of fixed assets, land use rights, and other assets	79	736
Cash received from equity investment income	37	58
Payments on acquisition of investments	(502,095)	(438,147)
Payments on acquisition of fixed assets, land use rights and other assets	(1,973)	(1,647)
Net cash flows used in investing activities	(10,598)	(39,398)
Financing activities		
Proceeds from share issuance, including interest income received and net of issuing costs	25,667	—
Cash received from debt securities issued	—	19,798
Capital contribution by non-controlling interests	98	—
Cash paid for redemption of debt securities	(4,000)	(5,990)
Interest paid on debt securities issued	(1,312)	(823)
Dividends paid	(2,573)	(3,435)
Net cash flows from financing activities	17,880	9,550
Net increase in cash and cash equivalents	307,386	7,477
Cash and cash equivalents as at 1 January	173,910	167,248
Effect of exchange rate changes on cash and cash equivalents	(2,213)	(815)
Cash and cash equivalents as at 31 December	479,083	173,910
Cash flows from operating activities include:		
Interest received	102,730	70,533
Interest paid, excluding interest expense on subordinated debts/bonds issued	(35,174)	(21,762)

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.

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

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

As at 31 December 2011, the Group mainly operates in Mainland China with branches covering 27 provinces, autonomous regions and municipalities. In addition, the Bank’s subsidiaries have operations in Mainland China, Hong Kong and other overseas countries and regions.

CNCB (previously known as “CITIC Industrial Bank”) was a state-owned financial institution established on 20 April 1987 with the approval of the State Council of the PRC (“State Council”). CITIC Industrial Bank was wholly owned by CITIC Group Company (“CITIC Group”), which was previously known as China International Trust and Investment Corporation and renamed as CITIC Group Corporation on 27 December 2011. CITIC Industrial Bank was renamed to China CITIC Bank on 2 August 2005.

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

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

1 Corporate information (*continued*)

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

In 2011, the Bank issued 7,754 million rights shares to both A shareholders and H shareholders with a par value of RMB1 each (“Rights Issue”).

The financial statements were approved by the Board of Directors of the Bank on 30 March 2012.

2 Statement of compliance

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

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

- Revised IAS 24(2009), Related party disclosures
- Amendments to IAS32, Financial Instruments: Presentation
- Amendments to IFRIC 14, IAS 19, The limit on a defined benefit asset, minimum funding requirements and their interaction– Prepayments of a minimum funding requirement
- IFRIC 19, Extinguishing financial liabilities with equity instruments;
- Improvements to IFRSs (2010);

The amendments to IAS 32 and IFRIC14 have had no material impact on the Group’s financial statements as they are consistent with policies already adopted by the Group. IFRIC 19 has not yet had a material impact on the Group’s financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The revised IAS 24 revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group’s related party disclosures in the current and previous period.

2 Statement of compliance (*continued*)

The revised IAS 24 also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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

3 Taxation

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

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

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

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent it is allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Taxation arising from the above taxes are presented as "tax payable" in the statement of financial position.

4 Net interest income

	2011	2010
<i>Interest income arising from:</i>		
Deposits with central banks	4,425	3,164
Deposits with banks and non-bank financial institutions	3,442	802
Placements with banks and non-bank financial institutions	4,086	807
Financial assets held under resale agreements	4,796	2,840
Loans and advances to customers (<i>note (i)</i>)		
– corporate loans	65,557	47,823
– personal loans	13,272	8,999
– discounted bills	3,405	1,998
Investments in debt securities (<i>note (ii)</i>)	7,636	6,016
Others	4	11
	<u>106,623</u>	<u>72,460</u>
<i>Interest expense arising from:</i>		
Deposits from banks and non-bank financial institutions	(6,823)	(2,746)
Placements from banks and non-bank financial institutions	(424)	(223)
Trading financial liabilities	(95)	(82)
Financial assets sold under repurchase agreements	(474)	(46)
Deposits from customers	(32,450)	(20,143)
Debts securities issued	(1,251)	(1,084)
Others	—	(1)
	<u>(41,517)</u>	<u>(24,325)</u>
Net interest income	<u>65,106</u>	<u>48,135</u>

Notes:

- (i) Interest income arising from loans and advances to customers includes interest income accrued on individually assessed impaired financial assets of RMB159 million for the year ended 31 December 2011 (2010: RMB142 million).
- (ii) Interest income from investments in debt securities is mainly derived from unlisted investments.
- (iii) Interest income includes interest income arising from financial assets designated at fair value through profit and loss of RMB188 million (2010: RMB195 million); interest expense includes interest expense arising from financial liabilities designated at fair value through profit and loss of RMB95 million (2010: RMB82 million).

5 Net fee and commission income

	2011	2010
Fee and commission income		
Consultancy and advisory fees	2,659	1,696
Bank card fees	2,283	1,455
Settlement fees	1,755	1,063
Commission for wealth management services	847	771
Agency fees and commission (<i>note (i)</i>)	725	692
Guarantee fees	887	408
Commission for custodian business	320	208
Others	5	15
Total	9,481	6,308
Fee and commission expense	(644)	(612)
Net fee and commission income	<u>8,837</u>	<u>5,696</u>

Note:

- (i) Agency fees and commission include fees and commission for underwriting bonds and investment funds, agency fees for insurance service and others, and fees from entrusted lending business.

6 Income tax

(a) Recognised in the statement of comprehensive income

	2011	2010
Current tax		
– Mainland China	11,230	7,177
– Hong Kong	201	85
– Overseas	5	(6)
Deferred tax	(690)	(340)
Income tax	<u>10,746</u>	<u>6,916</u>

6 Income tax (continued)

(b) Reconciliation between income tax expense and accounting profit

	2011	2010
Profit before tax	<u>41,590</u>	<u>28,695</u>
Income tax calculated at statutory tax rate	10,398	7,174
Effect of different tax rates in other regions	(13)	(87)
Tax effect of non-deductible expenses (Note (i))	567	338
Tax effect of non-taxable income		
– Interest income arising from PRC government bonds	(156)	(345)
– Others	<u>(50)</u>	<u>(164)</u>
Income tax	<u>10,746</u>	<u>6,916</u>

Note:

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

7 Earnings per share

Earnings per share information for the year ended 31 December 2011 and 2010 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. As described in Note 1, the Bank completed the Rights Issue in 2011. In the calculation of earnings per share, the weighted average number of shares outstanding during 2011 and 2010 were calculated as if the bonus elements without consideration included in the Rights Issue had existed from the beginning of the comparative 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 2011 and 2010.

	Note	2011	2010
Net profit attributable to shareholders of the Bank		30,819	21,509
Weighted average number of shares in issue or deemed to be in issue as originally reported (in million shares)			39,033
Basic and diluted earnings per share as originally reported (in RMB)			0.55
Weighted average number of shares after Rights Issue (in million shares)	(a)	43,357	40,908
Basic and diluted earnings per share after Rights Issue (in RMB)		<u>0.71</u>	<u>0.53</u>

7 Earnings per share (continued)

(a) Weighted average number of shares after Rights Issue

	2011	2010
Issued ordinary shares before Rights issue	39,033	39,033
Weighted average number of shares issued in Right Issue	<u>4,324</u>	<u>1,875</u>
Weighted average number of shares after Rights Issue	<u><u>43,357</u></u>	<u><u>40,908</u></u>

8 Derivatives

Derivatives include forward and swap transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to produce risk management solutions to suit individual customer needs. These positions are actively managed through entering back to back deals with external parties to ensure the Group's net exposures remained are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage and hedge its own asset and liability portfolios and structural positions. Derivatives, except for derivatives which are designated as effective hedging instruments (Note 8(i)), are held for trading. The held for trading classification includes those derivatives used for sales and trading activities and those used for risk management purposes but which do not meet the qualifying criteria for hedge accounting.

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

	The Group					
	Nominal amount	2011 Assets	2011 Liabilities	Nominal amount	2010 Assets	2010 Liabilities
Hedging Instruments						
– Interest rate derivatives	4,970	396	—	5,870	48	40
Non-Hedging Instruments						
– Interest rate derivatives	195,134	1,231	1,314	204,489	1,433	1,481
– Currency derivatives	404,074	3,036	2,438	429,730	2,985	2,591
– Credit derivatives	1,050	19	11	968	7	9
– Equity derivatives	<u>15</u>	<u>1</u>	<u>1</u>	<u>395</u>	<u>5</u>	<u>5</u>
Total	<u><u>605,243</u></u>	<u><u>4,683</u></u>	<u><u>3,764</u></u>	<u><u>641,452</u></u>	<u><u>4,478</u></u>	<u><u>4,126</u></u>

8 Derivatives (continued)

	Nominal amount	The Group		Nominal amount	2010	
		2011			Assets	Liabilities
		Assets	Liabilities			
Non-Hedging Instruments						
– Interest rate derivatives	157,630	960	999	163,018	885	961
– Currency derivatives	246,430	2,023	1,674	286,138	2,202	1,899
– Credit derivatives	1,050	19	11	968	7	9
Total	405,110	3,002	2,684	450,124	3,094	2,869

Credit risk weighted amounts

	The Group		The Bank	
	2011	2010	2011	2010
Interest rate derivatives	803	959	440	425
Currency derivatives	4,886	3,581	1,744	1,621
Credit derivatives	29	28	29	28
Equity derivatives	—	19	—	—
Total	5,718	4,587	2,213	2,074

The credit risk weighted amount of Mainland China business has been computed in accordance with the rules set by the CBRC, and depends on the status of the counterparties and the maturity characteristics of the instruments.

The credit risk weighted amount of Hong Kong business has been computed in accordance with Banking (Capital) Rules set by Hong Kong Monetary Authority (“HKMA”), and depends on the status of the counterparties and the maturity characteristics of the instruments.

(i) Fair value hedge

The subsidiaries of the Group utilize fair value hedge to avoid fair value changes of financial assets and financial liabilities caused by market interest rate fluctuation. Interest rate swap contracts are used for hedging interest risks arising from available-for-sale debt securities, certificates of deposit issued and subordinated debts.

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

9 Loans and advances to customers

(a) Analysed by nature

	The Group		The Bank	
	2011	2010	2011	2010
Corporate loans				
– Loans	1,114,685	990,435	1,058,128	933,185
– Discounted bills	49,451	55,699	45,332	53,512
– Lease payments receivable	1,704	1,837	—	—
Subtotal	1,165,840	1,047,971	1,103,460	986,697
Personal loans				
– Residential mortgages	178,888	160,149	169,763	149,852
– Credit cards	32,133	19,570	31,903	19,342
– Others	57,176	36,555	52,201	32,152
Subtotal	268,197	216,274	253,867	201,346
Gross balance	1,434,037	1,264,245	1,357,327	1,188,043
Less:				
– Individual impairment allowances	(3,959)	(4,727)	(3,800)	(4,474)
– Collective impairment allowances	(19,299)	(13,492)	(19,018)	(13,186)
Net balance	1,410,779	1,246,026	1,334,509	1,170,383

9 Loans and advances to customers (*continued*)

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

The Group

	2011				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 (<i>note (i)</i>) for which allowances are collectively assessed	for which allowances are individually assessed	Total	
Gross loans and advances	1,425,496	877	7,664	1,434,037	0.60%
Less: Impairment allowances against loans and advances	(18,547)	(752)	(3,959)	(23,258)	
Net loans and advances	<u>1,406,949</u>	<u>125</u>	<u>3,705</u>	<u>1,410,779</u>	
	2010				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 (<i>note (i)</i>) for which allowances are collectively assessed	for which allowances are individually assessed	Total	
Gross loans and advances	1,255,712	801	7,732	1,264,245	0.67%
Less: Impairment allowances against loans and advances	(12,822)	(670)	(4,727)	(18,219)	
Net loans and advances	<u>1,242,890</u>	<u>131</u>	<u>3,005</u>	<u>1,246,026</u>	

9 Loans and advances to customers (*continued*)

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

The Bank

	2011				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (<i>note (i)</i>) for which allowances are collectively assessed	for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	1,349,354	863	7,110	1,357,327	0.59%
Less: Impairment allowances against loans and advances	<u>(18,266)</u>	<u>(752)</u>	<u>(3,800)</u>	<u>(22,818)</u>	
Net loans and advances	<u>1,331,088</u>	<u>111</u>	<u>3,310</u>	<u>1,334,509</u>	
	2010				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (<i>note (i)</i>) for which allowances are collectively assessed	for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	1,180,557	785	6,701	1,188,043	0.63%
Less: Impairment allowances against loans and advances	<u>(12,518)</u>	<u>(668)</u>	<u>(4,474)</u>	<u>(17,660)</u>	
Net loans and advances	<u>1,168,039</u>	<u>117</u>	<u>2,227</u>	<u>1,170,383</u>	

9 Loans and advances to customers (*continued*)

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

- (i) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:
 - individually, or
 - collectively; that is the portfolios of homogeneous loans and advances
- (ii) As at 31 December 2011, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB7,664 million (2010: RMB7,732 million). The covered portion and uncovered portion of these loans and advances were RMB2,972 million (2010 RMB1,235 million) and RMB4,692 million (2010: RMB6,497 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB3,353 million (2010: RMB1,418 million). The individual impairment allowances made against these loans and advances were RMB3,959 million (2010: RMB4,727 million).

As at 31 December 2011, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB7,110 million (2010: RMB6,701 million). The covered portion and uncovered portion of these loans and advances were RMB2,538 million (2010: RMB994 million) and RMB4,572 million (2010: RMB5,707 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB2,675 million (2010: RMB1,017 million). The individual impairment allowances made against these loans and advances were RMB3,800 million (2010: RMB4,474 million).

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

9 Loans and advances to customers (*continued*)

(c) *Movements of allowances for impairment losses*

The Group

	2011			
	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	Total
As at 1 January	12,822	670	4,727	18,219
Charge for the year				
– new impairment allowances charged to profit or loss	5,739	211	1,048	6,998
– impairment allowances released to profit or loss	—	(46)	(1,218)	(1,264)
Unwinding of discount	—	—	(141)	(141)
Transfers out	(14)	—	(23)	(37)
Write-offs	—	(129)	(554)	(683)
Recoveries of loans and advances previously written off	—	46	120	166
As at 31 December	<u>18,547</u>	<u>752</u>	<u>3,959</u>	<u>23,258</u>
	2010			
	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	Total
As at 1 January	8,855	926	5,389	15,170
Charge for the year				
– new impairment allowances charged to profit or loss	3,977	201	1,448	5,626
– impairment allowances released to profit or loss	—	(6)	(1,382)	(1,388)
Unwinding of discount	—	—	(133)	(133)
Transfers out	(10)	—	(83)	(93)
Write-offs	—	(457)	(648)	(1,105)
Recoveries of loans and advances previously written off	—	6	136	142
As at 31 December	<u>12,822</u>	<u>670</u>	<u>4,727</u>	<u>18,219</u>

9 Loans and advances to customers (*continued*)

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

The Bank

	2011			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	12,518	668	4,474	17,660
Charge for the year				
– new impairment allowances charged to profit or loss	5,748	206	943	6,897
– impairment allowances released to profit or loss	—	(40)	(1,110)	(1,150)
Unwinding of discount	—	—	(131)	(131)
Transfer out	—	—	(14)	(14)
Write-offs	—	(122)	(464)	(586)
Recoveries of loans and advances previously written off	—	40	102	142
As at 31 December	<u>18,266</u>	<u>752</u>	<u>3,800</u>	<u>22,818</u>
	2010			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	8,582	923	5,115	14,620
Charge for the year				
– new impairment allowances charged to profit or loss	3,936	189	1,292	5,417
– impairment allowances released to profit or loss	—	—	(1,352)	(1,352)
Unwinding of discount	—	—	(125)	(125)
Transfers out	—	—	(74)	(74)
Write-offs	—	(444)	(506)	(950)
Recoveries of loans and advances previously written off	—	—	124	124
As at 31 December	<u>12,518</u>	<u>668</u>	<u>4,474</u>	<u>17,660</u>

9 Loans and advances to customers (*continued*)

(d) Overdue loans analysed by overdue period

The Group

	2011				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	1,118	343	510	490	2,461
Guaranteed loans	447	76	548	1,097	2,168
Loans with pledged assets					
– Loans secured by tangible assets	3,370	602	807	957	5,736
– Loans secured by monetary assets	196	59	82	30	367
Total	<u>5,131</u>	<u>1,080</u>	<u>1,947</u>	<u>2,574</u>	<u>10,732</u>
	2010				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	634	841	739	397	2,611
Guaranteed loans	268	184	663	1,305	2,420
Loans with pledged assets					
– Loans secured by tangible assets	2,147	769	1,149	1,071	5,136
– Loans secured by monetary assets	136	44	28	204	412
Total	<u>3,185</u>	<u>1,838</u>	<u>2,579</u>	<u>2,977</u>	<u>10,579</u>

9 Loans and advances to customers (*continued*)

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

The Bank

	2011				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	1,105	341	503	444	2,393
Guaranteed loans	379	52	514	1,068	2,013
Loans with pledged assets					
– Loans secured by tangible assets	2,686	468	766	915	4,835
– Loans secured by monetary assets	25	59	82	30	196
Total	<u>4,195</u>	<u>920</u>	<u>1,865</u>	<u>2,457</u>	<u>9,437</u>
	2010				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	599	246	693	397	1,935
Guaranteed loans	87	130	580	1,263	2,060
Loans with pledged assets					
– Loans secured by tangible assets	1,852	681	1,138	1,027	4,698
– Loans secured by monetary assets	57	44	28	204	333
Total	<u>2,595</u>	<u>1,101</u>	<u>2,439</u>	<u>2,891</u>	<u>9,026</u>

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

9 Loans and advances to customers (*continued*)

(e) *Lease payments receivables*

Lease payments receivables transactions are made by the Group's subsidiary, CIFIH, 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			
	2011		2010	
	Present value of minimum leases receivables	Minimum leases receivables	Present value of minimum leases receivables	Minimum leases receivables
Within 1 year (including 1 year)	209	252	180	222
1 year to 2 years (including 2 years)	166	197	134	167
2 years to 3 years (including 3 years)	96	120	92	120
Over 3 years	<u>1,233</u>	<u>1,464</u>	<u>1,431</u>	<u>1,704</u>
Less:	<u>1,704</u>	<u>2,033</u>	<u>1,837</u>	<u>2,213</u>
– Individual impairment allowances	(1)		(1)	
– Collective impairment allowances	<u>—</u>		<u>—</u>	
Net balance	<u>1,703</u>		<u>1,836</u>	

10 Movements of allowances for impairment losses

The Group

	2011					
	As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	8	—	—	—	—	8
Financial assets held under resale agreements	—	—	—	—	—	—
Interest receivable	30	38	(7)	—	(5)	56
Loans and advances to customers	18,219	6,998	(1,264)	(12)	(683)	23,258
Available-for-sale financial assets	241	148	—	(75)	(11)	303
Held-to-maturity investments	109	33	—	(5)	—	137
Reposessed assets	280	1	(63)	(25)	(32)	161
Other assets	620	114	(13)	(16)	(5)	700
Gross balance	<u>19,507</u>	<u>7,332</u>	<u>(1,347)</u>	<u>(133)</u>	<u>(736)</u>	<u>24,623</u>
	2010					
	As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	9	—	—	(1)	—	8
Financial assets held under resale agreements	—	—	—	—	—	—
Interest receivable	—	31	—	—	(1)	30
Loans and advances to customers	15,170	5,626	(1,388)	(84)	(1,105)	18,219
Available-for-sale financial assets	371	579	—	(130)	(579)	241
Held-to-maturity investments	215	—	—	(106)	—	109
Reposessed assets	378	79	(3)	(138)	(36)	280
Other assets	590	14	(27)	90	(47)	620
Gross balance	<u>16,733</u>	<u>6,329</u>	<u>(1,418)</u>	<u>(369)</u>	<u>(1,768)</u>	<u>19,507</u>

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

The Bank

	As at 1 January	Charge for the year	2011 Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	8	—	—	—	—	8
Financial assets held under resale agreements	—	—	—	—	—	—
Interest receivable	30	38	(7)	—	(5)	56
Loans and advances to customers	17,660	6,897	(1,150)	(3)	(586)	22,818
Available-for-sale financial assets	213	—	—	(54)	—	159
Held-to-maturity investments	109	33	—	(5)	—	137
Reposessed assets	229	1	(13)	(24)	(32)	161
Other assets	615	114	(13)	(17)	(2)	697
Gross balance	<u>18,864</u>	<u>7,083</u>	<u>(1,183)</u>	<u>(103)</u>	<u>(625)</u>	<u>24,036</u>
			2010			
	As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	9	—	—	(1)	—	8
Financial assets held under resale agreements	—	—	—	—	—	—
Interest receivable	—	31	—	—	(1)	30
Loans and advances to customers	14,620	5,417	(1,352)	(75)	(950)	17,660
Available-for-sale financial assets	300	—	—	(87)	—	213
Held-to-maturity investments	215	—	—	(106)	—	109
Reposessed assets	366	24	—	(136)	(25)	229
Other assets	587	13	(27)	89	(47)	615
Gross balance	<u>16,097</u>	<u>5,485</u>	<u>(1,379)</u>	<u>(316)</u>	<u>(1,023)</u>	<u>18,864</u>

Note:

Transfer in/(out) includes the effect of exchange rate and disposals during the year. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet assets.

11 Profit appropriations

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

	The Group		The Bank	
	2011	2010	2011	2010
Appropriations to				
– Statutory surplus reserve fund	3,073	2,083	3,073	2,083
– General reserve	5,127	3,136	5,100	3,124
As at 31 December	<u>8,200</u>	<u>5,219</u>	<u>8,173</u>	<u>5,207</u>

In accordance with the approval from the Board of Directors dated 29 August 2011, the Bank appropriated RMB1,441 million to statutory surplus reserve fund and RMB800 million to general reserve in the first half year of 2011.

In accordance with the approval from the Board of Directors dated 30 March 2012, the Bank appropriated RMB1,632 million to statutory surplus reserve fund and RMB4,300 million to general reserve in the second half year of 2011.

The Group's subsidiary CBI (China) made an appropriation to general reserve in accordance with relevant regulatory requirements.

- (b) In accordance with the resolution approved at the Second Extraordinary General Meeting of the Bank held on 19 October 2011, the Bank declared cash dividend of RMB0.55 per ten shares in respect of the period ended 30 June 2011 to its A shareholders and H shareholders whose names appeared on the register of shareholders of the Bank as at 10 November 2011 and 31 October 2011 respectively. The dividend amounting to RMB2,573 million was distributed on 17 November 2011.
- (c) On 30 March 2012, the Board of Directors proposed a cash dividend of RMB1.45 per ten shares in respect of the year ended 31 December 2011. Subject to the approval of the shareholders at the Annual General Meeting, the total amount of approximately RMB6,784 million is payable to those on the register of shareholders as at the relevant record date. This proposal was deemed as a non-adjusting event after the reporting period and has not been recognised as liability at the reporting date.

12 Commitments and contingent liabilities

(a) Credit commitments

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

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

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

	The Group		The Bank	
	2011	2010	2011	2010
Contractual amount				
Loan commitments				
– with an original maturity of within one year	79,634	39,177	54,376	18,676
– with an original maturity of one year or beyond	15,584	21,319	12,616	16,193
Subtotal	95,218	60,496	66,992	34,869
Guarantees	64,534	68,932	63,852	65,474
Letters of credit	244,312	116,529	239,779	113,394
Acceptances	503,666	427,573	501,746	426,538
Credit card commitments	60,937	49,844	55,543	44,169
Total	968,667	723,374	927,912	684,444

(b) Credit commitments analysed by credit risk weighted amount

	The Group		The Bank	
	2011	2010	2011	2010
Credit risk weighted amount of credit commitments	375,757	252,529	371,066	244,547

12 Commitments and contingent liabilities (*continued*)

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

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 100%. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

There are no relevant standards prescribed in IFRS with regard to the calculation of the above credit risk weighted amounts.

(c) *Capital commitments*

The Group had the following authorised capital commitments at 31 December:

	The Group		The Bank	
	2011	2010	2011	2010
– Contracted for	750	326	728	277
– Authorized but not contracted for	688	98	687	81

(d) *Operating lease commitments*

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

	The Group		The Bank	
	2011	2010	2011	2010
Within one year	1,409	1,170	1,264	1,039
After one year but within two years	1,294	1,075	1,154	971
After two years but within three years	1,204	988	1,095	900
After three years but within five years	1,772	1,657	1,598	1,474
After five years	2,581	1,751	2,438	1,536
Total	8,260	6,641	7,549	5,920

12 Commitments and contingent liabilities (*continued*)

(e) *Outstanding litigations and disputes*

As at 31 December 2011, the Group was the defendant in certain pending litigations with gross claims of RMB242 million (2010: RMB255 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB36 million (2010: RMB36 million). The Group believes that these accruals are reasonable and adequate.

(f) *Securities underwriting obligations*

The Group has no underwriting commitments of securities as at 31 December 2011 and 2010.

(g) *Bonds redemption obligations*

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	The Group and the Bank	
	2011	2010
Bonds redemption obligations	<u>5,465</u>	<u>6,619</u>

The Group estimates that the possibility of redemption before maturity is remote.

(h) *Provision against commitments and contingent liabilities*

The Group has assessed and has made provision for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the reporting date in accordance with its accounting policies.

13 Segment reporting

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. Segment assets and liabilities do not include deferred tax assets and liabilities. 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 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 fixed assets, construction in progress, intangible assets and other long-term assets.

(a) Business segments

The Group comprises the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit services and securities agency services.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions and repurchase transactions, and invests in debt instruments. It also trades in debt instruments, derivatives and foreign currencies for its own account. The treasury carries out customer driven transactions on derivatives and foreign currency trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of subordinated debts/bonds issued.

13 Segment reporting (continued)

(a) Business segments (continued)

Overseas subsidiaries

This segment covers commercial banking, assets management and other non-banking financial services of CIFH, CIFL and their subsidiaries in Hong Kong and other regions. The Group manages CIFH, CIFL and their subsidiaries as a separate segment.

Others

These represent head office assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

	2011					
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
External net interest income	38,587	7,734	17,275	1,510	—	65,106
Internal net interest income/(expense)	10,804	(392)	(9,565)	35	(882)	—
Net interest income/(expense)	49,391	7,342	7,710	1,545	(882)	65,106
Net fee and commission income	5,198	3,063	82	494	—	8,837
Net trading gain/(loss)	564	4	1,036	705	(49)	2,260
Net gain/(loss) from investment securities	—	2	166	(85)	—	83
Net hedging loss	—	—	—	(1)	—	(1)
Other operating income	251	16	—	344	196	807
Operating income/(expense)	55,404	10,427	8,994	3,002	(735)	77,092
Operating expenses						
– depreciation and amortization	(625)	(565)	(74)	(73)	(3)	(1,340)
– others	(16,879)	(8,397)	(236)	(1,466)	(63)	(27,041)
Impairment losses	(5,230)	(714)	(38)	(1,225)	—	(7,207)
Revaluation gain on investment properties	—	—	—	29	—	29
Share of profits of associates	—	—	—	57	—	57
Profit/(loss) before tax	32,670	751	8,646	324	(801)	41,590
Capital expenditure	561	499	66	128	2	1,256

13 Segment reporting (continued)

(a) Business segments (continued)

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

13 Segment reporting (continued)

(a) Business segments (continued)

			2010			
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
External net interest income	34,633	5,541	6,370	1,574	17	48,135
Internal net interest income/(expense)	<u>4,578</u>	<u>853</u>	<u>(5,038)</u>	<u>12</u>	<u>(405)</u>	<u>—</u>
Net interest income/(expense)	39,211	6,394	1,332	1,586	(388)	48,135
Net fee and commission income	2,992	2,002	96	598	8	5,696
Net trading gain/(loss)	481	2	484	375	(53)	1,289
Net gain from investment securities	—	—	80	20	42	142
Net hedging loss	—	—	—	(1)	—	(1)
Other operating income	<u>347</u>	<u>11</u>	<u>—</u>	<u>495</u>	<u>242</u>	<u>1,095</u>
Operating income/(expense)	43,031	8,409	1,992	3,073	(149)	56,356
Operating expenses						
– depreciation and amortization	(582)	(482)	(62)	(65)	(4)	(1,195)
– others	(12,974)	(6,815)	(300)	(1,220)	(134)	(21,443)
Impairment losses	<u>(3,678)</u>	<u>(546)</u>	<u>—</u>	<u>(1,025)</u>	<u>—</u>	<u>(5,249)</u>
Revaluation gain on investment properties	—	—	—	54	—	54
Share of profits of associates	<u>—</u>	<u>—</u>	<u>—</u>	<u>172</u>	<u>—</u>	<u>172</u>
Profit/(loss) before tax	<u>25,797</u>	<u>566</u>	<u>1,630</u>	<u>989</u>	<u>(287)</u>	<u>28,695</u>
Capital expenditure	<u>786</u>	<u>690</u>	<u>75</u>	<u>94</u>	<u>2</u>	<u>1,647</u>

13 Segment reporting (continued)

(a) Business segments (continued)

	31 December 2010					
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
Segment assets	1,309,027	239,356	399,306	123,464	5,343	2,076,496
Investment in associates	—	—	—	2,253	—	2,253
Deferred tax assets						<u>2,565</u>
Total asset						<u>2,081,314</u>
Segment liabilities	1,525,051	277,972	40,594	112,757	402	1,956,776
Deferred tax liabilities						<u>—</u>
Total liabilities						<u>1,956,776</u>
Off-balance sheet credit commitments	<u>640,308</u>	<u>44,169</u>	<u>—</u>	<u>38,897</u>	<u>—</u>	<u>723,374</u>

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 27 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are registered and operating in Hong Kong. Another subsidiary, Lin'an Rural Bank is registered in Mainland China.

In presenting information by geographical segment, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

- “Yangtze River Delta” refers to the following areas where tier-1 branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank;
- “Pearl River Delta and West Strait” refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou and Xiamen;

13 Segment reporting (*continued*)

(b) *Geographical segments (continued)*

- “Bohai Rim” refers to the following areas where tier-1 branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan;
- “Central” region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;
- “Western” region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi’an, Kunming, Nanning, Hohhot, Urumqi, Guiyang and Lanzhou;
- “Northeastern” region refers to the following areas where tier-1 branch of the Group is located: Shenyang, Changchun and Harbin;
- “Head Office” refers to the headquarter of the Bank, the Auto Financial Services, the Private Banking and the Credit Card Center; and
- “Hong Kong” includes all the operations of CIFL, CIFH and its subsidiaries.

13 Segment reporting (continued)

(b) Geographical segments (continued)

	2011									Total
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	
External net interest income	14,761	7,077	11,342	7,231	7,265	1,961	13,959	1,510	—	65,106
Internal net interest income/(expense)	1,224	1,832	2,928	1,169	26	(83)	(7,131)	35	—	—
Net interest income	15,985	8,909	14,270	8,400	7,291	1,878	6,828	1,545	—	65,106
Net fee and commission income	1,815	976	1,711	1,019	755	209	1,858	494	—	8,837
Net trading gain	320	156	367	81	48	16	567	705	—	2,260
Net gain/(loss) from investment securities	—	—	1	—	—	—	167	(85)	—	83
Net hedging loss	—	—	—	—	—	—	—	(1)	—	(1)
Other operating income	138	66	129	40	23	12	55	344	—	807
Operating income	18,258	10,107	16,478	9,540	8,117	2,115	9,475	3,002	—	77,092
Operating expense										
– depreciation and amortisation	(272)	(144)	(257)	(131)	(136)	(38)	(289)	(73)	—	(1,340)
– others	(6,451)	(3,809)	(5,504)	(3,379)	(2,918)	(794)	(2,720)	(1,466)	—	(27,041)
Impairment losses	(1,932)	(872)	(935)	(1,000)	(699)	(244)	(300)	(1,225)	—	(7,207)
Revaluation gain on investment properties	—	—	—	—	—	—	—	29	—	29
Share of profits of associates	—	—	—	—	—	—	—	57	—	57
Profit before tax	9,603	5,282	9,782	5,030	4,364	1,039	6,166	324	—	41,590
Capital expenditure	167	70	204	134	267	23	263	128	—	1,256
31 December 2011										
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	641,067	407,317	740,810	337,367	314,148	69,579	855,864	139,763	(745,217)	2,760,698
Interests in associates	—	—	—	—	—	—	—	2,212	—	2,212
Deferred tax assets	—	—	—	—	—	—	—	—	—	2,971
Total assets										2,765,881
Segment liabilities	629,878	401,011	730,097	331,652	308,503	68,109	735,288	127,779	(745,217)	2,587,100
Deferred tax liabilities	—	—	—	—	—	—	—	—	—	—
Total liabilities										2,587,100
Off-balance sheet credit commitment	265,912	111,062	226,460	160,111	83,237	25,587	55,543	40,755	—	968,667

13 Segment reporting (continued)

(b) Geographical segments (continued)

	2010									Total
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	
External net interest income	11,058	5,477	8,884	5,328	5,098	1,388	9,312	1,590	—	48,135
Internal net interest income/(expense)	1,433	1,322	2,461	810	62	98	(6,198)	12	—	—
Net interest income	12,491	6,799	11,345	6,138	5,160	1,486	3,114	1,602	—	48,135
Net fee and commission income	1,080	648	1,113	562	430	106	1,151	606	—	5,696
Net trading gain	257	118	275	65	33	14	154	373	—	1,289
Net gain from investment securities	—	—	1	—	—	—	79	62	—	142
Net hedging loss	—	—	—	—	—	—	—	(1)	—	(1)
Other operating income	132	125	175	30	23	9	63	538	—	1,095
Operating income	13,960	7,690	12,909	6,795	5,646	1,615	4,561	3,180	—	56,356
Operating expense										
– depreciation and amortisation	(259)	(122)	(227)	(107)	(108)	(34)	(273)	(65)	—	(1,195)
– others	(5,092)	(2,858)	(4,333)	(2,537)	(2,218)	(594)	(2,540)	(1,271)	—	(21,443)
Impairment losses	(1,098)	(847)	(1,371)	(407)	(235)	(24)	(242)	(1,025)	—	(5,249)
Revaluation gain on investment properties	—	—	—	—	—	—	—	54	—	54
Share of profits of associates	—	—	—	—	—	—	—	172	—	172
Profit before tax	7,511	3,863	6,978	3,744	3,085	963	1,506	1,045	—	28,695
Capital expenditure	236	115	377	160	441	49	175	94	—	1,647
31 December 2010										
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	491,160	286,131	549,592	260,996	224,362	57,878	637,529	116,295	(547,447)	2,076,496
Interests in associates	—	—	—	—	—	—	—	2,253	—	2,253
Deferred tax assets	—	—	—	—	—	—	—	—	—	2,565
Total assets										2,081,314
Segment liabilities	482,494	281,102	540,602	256,611	220,190	56,517	555,563	111,144	(547,447)	1,956,776
Deferred tax liabilities	—	—	—	—	—	—	—	—	—	—
Total liabilities										1,956,776
Off-balance sheet credit commitment	172,279	103,236	179,721	105,890	54,386	24,763	44,169	38,930	—	723,374

14 Ultimate parent

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

15 Events after the reporting date

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

DEFINITION

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/CITIC Bank	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
Central Bank/PBC	The People's Bank of China
CBI	CITIC Bank International Limited (formerly CITIC Ka Wah Bank Limited)
CBRC	China Banking Regulatory Commission
China AMC	China Asset Management Co., Ltd.
China Securities	China Securities Co., Ltd.
CIAM	CITI International Assets Management Limited
CIFL	China Investment and Finance Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Capital	CITIC Capital Holdings Limited
CITIC Group	CITIC Group, renamed CITIC Group Corporation on 27 December 2011 after restructuring
CITIC Group Corporation	CITIC Group Corporation
CITIC Holdings	CITIC Holdings Company Limited
CITIC Limited	CITIC Limited
CITIC Pacific	CITIC Pacific Limited
CITIC-Prudential Life Insurance	CITIC-Prudential Life Insurance Company Ltd.
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Ltd.

CITIC Real Estate	CITIC Real Estate Corporation Limited
CITIC Resources	CITIC Resources Holdings Limited
CITIC Securities	CITIC Securities Co., Ltd.
CITIC Securities (Zhejiang)	CITIC Securities (Zhejiang) Co., Ltd.
CITIC Splended Capital	CITIC Splended Capital Management Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
Commercial Banks Law	Law of the People's Republic of China on Commercial Banks
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
GIL	Gloryshare Investments Limited
Group	China CITIC Bank Corporation Limited and its subsidiaries
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank
MOF	Ministry of Finance of the People's Republic of China
MOFCOM	Ministry of Commerce of the People's Republic of China
MOST	The Ministry of Science and Technology of the People's Republic of China
NSSF	National Council for Social Security Fund
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange

State Council

State Council of the People's Republic of China

Tianan Insurance

Tianan Insurance Company Limited of China

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

Beijing, the PRC

30 March 2012

As at the date of this announcement, the executive directors of the Bank are Dr. Chen Xiaoxian and Dr. Cao Tong; the non-executive directors are Mr. Tian Guoli, Mr. Dou Jianzhong, Mr. Ju Weimin, Dr. Zhao Xiaofan, Mrs. Chan Hui Dor Lam Doreen, Mr. Guo Ketong, Mr. Ángel Cano Fernández and Mr. José Andrés Barreiro Hernandez; and the independent non-executive directors are Dr. Bai Chong-En, Dr. Xie Rong, Mr. Wang Xiangfei, Mr. Li Zheping and Dr. Xing Tiancai.