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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 2013**

SUMMARY OF RESULTS

The Board of Directors of China CITIC Bank Corporation Limited is pleased to announce the audited consolidated results of the Bank and its subsidiaries for the year ended 31 December 2013, which have been prepared in accordance with the applicable disclosure requirements under the Listing Rules and the IFRS. The annual results have been reviewed by the Audit and Related Party Transactions Control Committee of the Board of Directors.

FINANCIAL HIGHLIGHTS

Operating Performance

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

Profitability Indicators

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

Scale Indicators

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

Asset Quality Indicators

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

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

Capital Adequacy Indicators

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

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

Five-Year Financial Summary

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Economic, Financial and Regulatory Environment

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

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

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

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

Implementation of Development Strategy

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

- **Step-by-step combing of the operation and management system:** The Bank adjusted and optimized its organizational structure, streamlined business committees at the management level, re-set up front, middle and back offices and redefined functions of the Head Office, branches and sub-branches. Meanwhile, an authorization-based management matrix was established to improve the management of finance, credit granting and human resources, covering vertical authorization of 42 branches and horizontal authorization of over 30 Head Office departments, achieving uniform authorization and reinforcing tier-one legal person management.
- **Proactive transformation of the operation model:** To drive the focus of its service for corporate customers upward, the Bank set up the Group Company Department at the Head Office, and organized 20 service teams at the Head Office and the branches, giving rise to the preliminary shape of a “direct operation + system promotion” system for concentrated management of large customers. To drive the focus of its service for retail customers downward, the Bank made vigorous efforts to promote steady progress of key strategic programs such as transformation of retail outlets, flagship outlets, and wealth management.
- **Reinforcing vertical and overall risk management:** The Bank took proactive efforts to reform its risk management system. With positions such as Chief Risk Officer setting up at the Head Office, Risk Director at tier-one branches and Risk Manager at tier-two branches, the Bank constructed a risk management system combining vertical management and double-line reporting, thus reinforcing the independence of risk management. Moreover, the Bank further optimized division of duties for different types of risk management and fully incorporated business lines such as wealth management, bond undertaking and retail credit into its uniform risk management system.
- **Capacity building for refined management:** The practice of a brand new comprehensive performance evaluation system against branches, namely, “rating of branches + KPI”, plus the first-ever all-round performance evaluation of all Head Office departments, fully realized the incentivizing and constraining roles of performance evaluation in operation and management. The Bank made integrated use of multiple means such as credit, capital, expense, interest rate and internal funds transfer pricing to optimize resource management, increased the proportions of business segments and line departments in direct distribution of resources, and enhanced support to strategic development business areas such as retail banking and intermediary business.

- Acceleration of structural adjustment: The bank made continuous efforts to build up its capacity for asset allocation. The reporting period witnessed marked improvement in the Bank's liability structure. Of its incremental corporate deposits, the share of core deposits (mainly including settlement deposits and deposits from institutional customers) went up substantially. Loan structure enjoyed further optimization after the Bank exited from high-risk customers in the local government financing vehicle (LGFV), PV industry and steel trade. The Bank also moved closer to an "olive-shaped" customer structure. The proportion of loans to large enterprises decreased to 35.2% at the end of the reporting period from 37.3% at the end of the previous year. In addition, the Bank's income structure kept optimizing, i.e., non-interest income of the Bank reached RMB17.85 billion, up 37.6% over the previous year, accounting for 17.7% of its total income, a growth of 2.7 percentage points.
- Gradual development of business uniqueness: The Bank enjoyed a good beginning with regard to its business layout for the modern service sector. The balance of loans to the modern service sector registered RMB467.1 billion, an increase of RMB118.0 billion or 33.8% over the end of the previous year, 21.3 percentage points higher than the average growth rate of its corporate loans. Development of online banking took on a new phase. The Bank constructed three platforms, namely, financial mall, mobile banking and internet banking, made unique products in e-commerce, mobile payment and online lending, and created the "Cyber Payment" brand. Moreover, non-mainstream business achieved breakthrough development. During the reporting period, the income from wealth management service fee and asset custody increased 136.1% and 60.7% over the previous year respectively.
- Actively promoting the development of synergy: The Bank was active in the development of "one platform and three markets", i.e., each year the Bank takes the lead to convene a meeting for synergy with subsidiaries of CITIC Group to tap into the market of the CITIC Group's subsidiaries, further develop the market of these subsidiaries' customers, and promote market construction of asset securitization and non-performing asset transfer in cooperation with CITIC Asset Management and CITIC Trust. As a result, new progress was made in synergy.
- Accelerating institutional development: During the reporting period, the Bank set up 189 new outlets, and total number of outlets reached 1,073, up 21.2% year-on-year while attaining the outlet growth target set in the new strategy. These outlets, covering 116 large and medium cities nationwide, occupy 80% of the local economic aggregates. Transformation towards urbanized operation model went on with a quicker pace. By upgrading the four tier-two branches located in Wuxi, Wenzhou, Foshan and Quanzhou to direct management by the Head Office, the Bank enhanced motivation of such tier-two branches to pioneer into new markets.

Core Competitiveness Analysis

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

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

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

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

Analysis of the Financial Statements

Overview

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

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

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

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

Income Statement Analysis

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

Operating Income

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

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

Net Interest Income

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

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

Unit: RMB million

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

Notes: (1) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.

(2) Calculated by dividing net interest income by average balance of total interest-earning assets, annualized.

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

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

Net Interest Margin and Net Interest Spread

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

Interest Income

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

Interest Income from Loans and Advances to Customers

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

Classification by Term

The Group

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

The Bank

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

Classification by Business

The Group

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

The Bank

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

Interest Income from Investment in Debt Securities

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

Interest Income from Deposits with the Central Bank

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

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

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

Interest Income from Amounts under Resale Agreements

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

Interest Income from Receivables Investments and Other Business Areas

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

Interest Expense

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

Interest Expense on Deposits from Customers

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

The Group

Unit: RMB million

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

The Bank

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

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

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

Interest Expense on Amounts Under Repurchase Agreements

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

Interest Expense on Issued Debt Certificates and Others

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

Net Non-Interest Income

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

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

Net Fee and Commission Income

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

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

Net gain from trading

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

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

Loss on Asset Impairment

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

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

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

Operating Expenses

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

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

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

Income Tax Analysis

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

Balance Sheet Analysis

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

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

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

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

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

Loan Business

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

The Group

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

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

The Bank

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

Please refer to “Risk Management” section of this Announcement for risk analysis of the loan business.

Investment in Debt Securities and Equity Instruments

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

Portfolio Analysis of Investment in Debt Securities and Equity Instruments

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

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

Classification of Debt Securities Investment

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

Note: Primarily corporate bonds.

Debt Securities Investment at Home and Abroad

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

Foreign Currency Denominated Debt Securities Held

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

Breakdown of Significant Investments in Financial Debt Securities

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

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

Changes in Provisions for Investment Impairment Losses

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

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

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

Classification of Derivatives and Fair Value Analysis

Unit: RMB million

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

On-Balance Sheet Interest Receivables

Unit: RMB million

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

Reposessed Assets

Unit: RMB million

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

Deposits from Customers

The Group

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

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

The Bank

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

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

Breakdown of Deposits from Customers by Currency

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

Breakdown of Deposits by Geographical Location

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

Note: Including the Head Office.

Breakdown of Deposits by Remaining Maturity

The Group

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

The Bank

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

Shareholders' Equity

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

Unit: RMB million

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

Major Off-Balance Sheet Items

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

Unit: RMB million

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

Supplementary Financial Indicators

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

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

(2) Discounted bills are included in loans.

Capital Adequacy Ratio

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

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

Major Accounting Estimates and Assumptions

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

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

Measurement of Fair Value

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

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

Segment Report

Business Segments

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

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

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

Unit: RMB million

Geographical Segments

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

Unit: RMB million

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

Note: Excluding deferred income tax assets.

Unit: RMB million

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

Note: Excluding deferred income tax assets.

Business Overview

Corporate Finance Business

Business Overview

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

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

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

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

Customer Mix of Corporate Banking

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

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

International Business

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

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

Investment Banking Business

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

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

Institutional Banking Business

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

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

Supply Chain Finance Business

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

Cash Management

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

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

Retail Finance Business

Business Overview

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

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

Consumer Finance

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

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

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

Wealth Management

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

As at the end of the reporting period, 292,071 customers held VIP accounts¹ at the Bank each with over RMB500,000 AUM, representing an increase of 77,820 accounts or 36.32% over the end of the previous year; AUM balance of VIP customers reached RMB496.612 billion, up by RMB143.892 billion or 40.79% over the end of the previous year. Private banking customers each with more than RMB6 million AUM at the Bank numbered 11,483 accounts, representing an increase of 3,841 accounts or 50.26% over the end of the previous year; and AUM balance of private banking customers stood at RMB161.305 billion, representing an increase of RMB54.351 billion or 50.82% over the end of the previous year.

Credit Card

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

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

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

¹ According to the revised uniform AUM definition, as at the end of 2012, the Bank's number of VIP customers and AUM balance of VIP customers recorded 214,251 accounts and RMB352.720 billion respectively; private banking customers of the Bank numbered 7,642 accounts and the balance of their AUM totalled RMB106.954 billion.

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

As at the end of the reporting period, the Bank registered 27,621 accounts of small enterprise customers¹, representing an increase of 8,211 accounts or 42.30% over the end of the previous year; and RMB117.153 billion balance of loans to small enterprises, an increase of RMB40.572 billion or 52.98% over the end of the previous year. Incremental loans to small enterprises for the reporting period recorded a total value of RMB134.901 billion.

Financial Market Business

Business Overview

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

¹ Small enterprise customers of the Bank include small/micro enterprise legal person customers and personal business loan customers (excluding commercial housing and commercial vehicle business), of which small/micro enterprise legal person customers refer to small and micro enterprises satisfying the “criteria set by the four Ministries” and receiving no more than RMB10 million (inclusive) credit grant each.

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

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

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

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

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

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

Interbank Business

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

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

Special Business Area: Asset Custody Business

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

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

Online Banking

In pursuant of the strategic vision of “creating another CITIC Bank online”, the Bank accelerated its efforts to develop online banking from two perspectives, namely, internet-based financial business and finance-based internet business, harvesting marked enhancement of both branding and market influence. During the reporting period, the Bank realized RMB774 million¹ intermediary business income from online banking, up by 141.11% over the previous year.

Internet-based Financial Business

The Bank exerted enthusiastic efforts to promote internet-based financial business, guiding customers to buy financial products, carry out financial transactions and access financial services via the internet so as to improve efficiency of customer service provision and save customer transaction cost. As at the end of the reporting period, personal internet banking customers of the Bank numbered 10.3114 million accounts, representing an increase of 2.7449 million accounts or 36.28% over the end of the previous year; mobile banking customers of the Bank numbered 3.4188 million accounts, an increase of 2.1531 million accounts or 170.11% over the end of the previous year; and corporate internet banking customers² numbered 215.1 thousand accounts, an increase of 31.5 thousand accounts or 17.19% over the end of the previous year.

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

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

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

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

Finance-based Internet Business

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

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

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

Special Business Area: Wealth Management Business

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

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

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

Service Quality Management

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

Integrated Financial Service Platform of CITIC Group

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

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

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

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

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

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

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

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

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

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

Information Technology

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

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

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

Domestic Distribution Channels

Branches

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

Self-Service Outlets and Self-Service Terminals

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

Online Banking Platform

Please refer to “Management Discussion and Analysis – Online Banking” of this Announcement.

Telephone Banking Platform

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

Subsidiary Business

CITIC International Financial Holdings Limited (CIFH)

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

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

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

- **CNCBI:** Seizing the opportunity presented by rapid development of offshore Renminbi business in Hong Kong, CNCBI conducted close cooperation with the Bank and launched diversified Renminbi products and services, benefiting customers with effective solutions for value preservation and appreciation of their investments and resulting in sustained growth of non-interest income and overall earnings. As at the end of the reporting period, CNCBI had Renminbi deposit was equivalent to HKD39.131 billion, an increase of 75.04% over the end of the previous year, including personal Renminbi deposit equivalent to HKD8.704 billion, an increase of 178.08% over the previous year, achieving a leap forward in its Renminbi deposit. For the reporting period, CNCBI achieved an operating income of HKD4.747 billion, a growth of 27.77% year-on-year, and profit before provision of HKD2.658 billion, an increase of 39.38% year-on-year.
- **CIAM:** Guided by its green investment strategy, CIAM implemented major trading projects in both new energy application and energy management and thereby markedly optimized its investment portfolio. During the reporting period, the listing platform under CIAM invested in a project for development of electrical vehicles, while another CIAM energy management project, WeldTech, became the preferred target of acquisition by a Hong Kong listing platform after significant improvement of business operation.
- **CITIC Capital:** CITIC Capital specializes in investment management and consulting business. During the reporting period, CITIC Capital and its fund products completed investment in multiple new projects including SF Express, Focus Media and AsiaInfo Linkage, and successfully completed final financing for its two fund products, namely, China Real Estate Investment Fund IV and Start-up Business Investment Fund. As at the end of the reporting period, total assets managed by CITIC Capital was approximately USD4.4 billion.
- **Risk Management:** CIFH continuously enhanced its risk management structure, enriched risk management tools and improved its risk resilience. CNCBI refined its comprehensive risk indicators to measure its overall risk profile, including credit risk, market risk, operation risk, current fund risk, interest rate risk, strategic risk and reputation risk. Meanwhile, CNCBI developed a set of comprehensive stress tests covering the whole bank and implemented liquidity management tools to comply with regulatory requirements in Hong Kong. Further, CNCBI worked with the Bank and BBVA to promote cooperation in risk management and made joint effort to build a more advanced risk management model and better codes of operation.

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

China Investment and Finance Limited (CIFL)

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

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

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

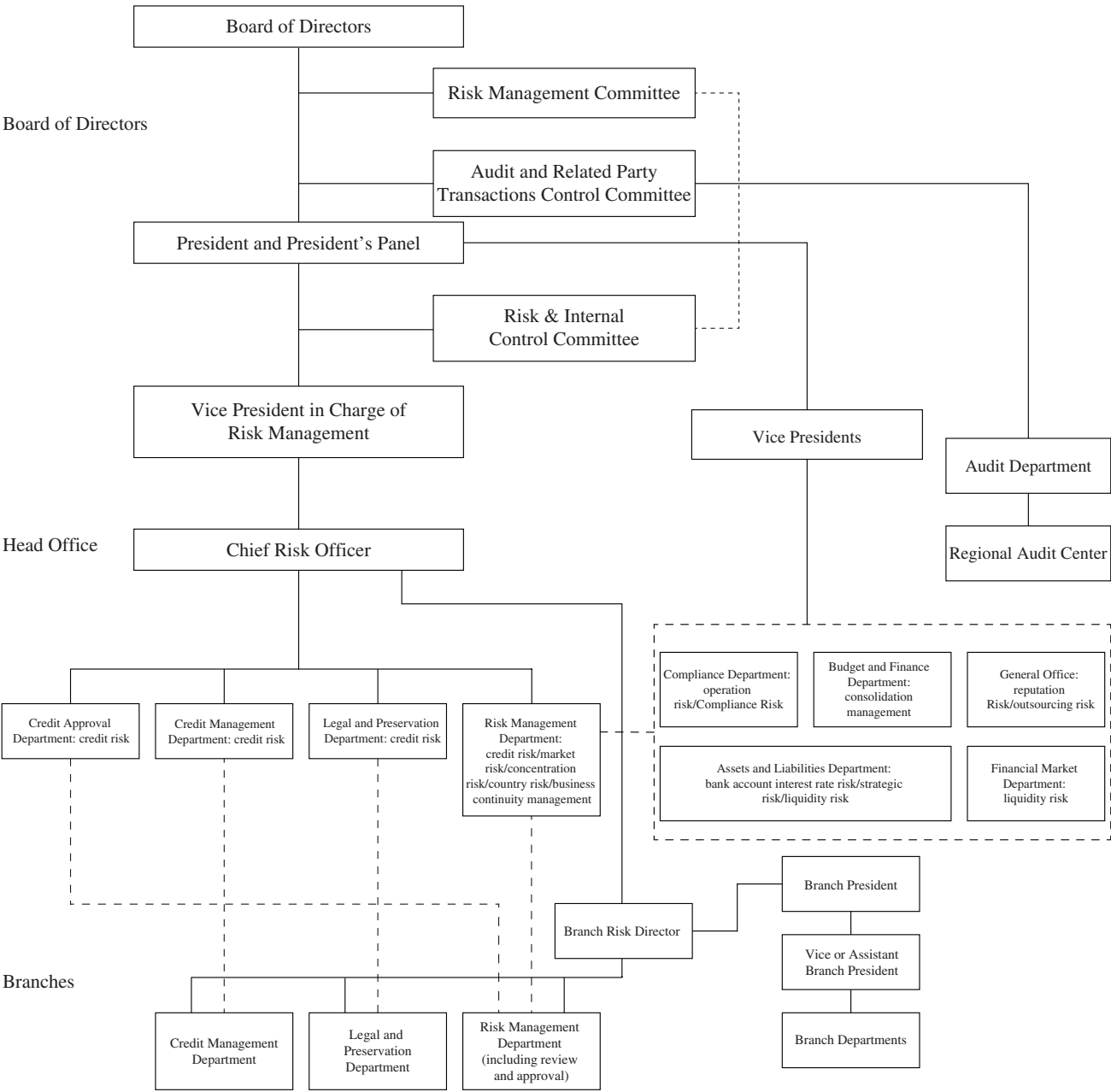
Lin'an CITIC Rural Bank

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

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

Risk Management

Risk Management Structure



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

Risk Management System and Techniques

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

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

Credit Risk Management

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

Credit Risk Management of Corporate Business

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

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

- **Property finance:** The Bank paid close attention to the implementation of the government's macroscopic readjustment policy against the property market, was highly concerned with the latest trends of risk changes in the property sector, practiced stringent total quantity control of finance for the property sector, and adopted total management of on- and off-balance sheet limits. The Bank persistently provided credit support primarily to general residential projects for satisfaction of real demands, strictly controlled loans to price-inflated projects, insisted upon security for loan projects and closed management of projects, and actively adjusted loan structure to encourage granting of credit to regional projects supporting stable rigid demands.
- **Finance for industries with overcapacity:** Against the backdrop of domestic and international economic slowdown, insufficient downstream demands, more stringent environmental regulation, and economic transformation, overcapacity industries such as iron and steel, non-ferrous metals, ship building and PV have sped up their de-capacity process, resulting in greater operation risk. While controlling total credit granted to the over-capacity industries, the Bank focused its efforts on optimizing customer mix, reinforcing conditions of guarantee, compressing credit-receiving customers that were backward in capacity, poor in market competitiveness and unsatisfactory in operation results, optimizing the mix of upper and lower stream customers that were closely related to over-capacity industries, intensifying truthfulness review of trade backgrounds, and strengthening management of credit risk. For customers suffering from severe overcapacity and very uncertain future development, the Bank reinforced, restructuring, active compression and exit policies.
- **Credit risk of bond underwriting and wealth management:** The Bank insisted upon stringent risk control of these business areas. During the reporting period, the Bank reinforced total process of risk management, investigated, reviewed and approved wealth management business according to criteria no inferior to those applied to its self-operated credit grant to toughen risk control, took total quantity of business with the same customer into overall consideration, and placed overall financing scale and total risk quantity under uniform control.

Risk Management of Small Enterprises

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

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

- Constructed a specialized system for management of small enterprise business and improved tools for risk management and control thereof: In accordance with its uniform program for institutional adjustment of risk management bank-wide, the Bank continued to smooth out the process for risk management of small enterprises and improve techniques and tools such as small enterprise risk scorecard. As per the customer positioning of “focusing on small and micro enterprises, retail enterprises and batches of enterprises”, the Bank incorporated personal business loans into its small enterprise business for uniform management, and constructed an independent small enterprise business management system, enhancing the professional level of risk control over small enterprise finance.
- Designed small-enterprise product portfolios that are “close to market, close to customers and strict in risk control”: On the basis of in-depth market surveys and analysis, the Bank launched a series of standard products for small enterprises, and strictly controlled risks in all operation details throughout the process of product design, due diligence investigation, review and approval of credit grant, and post-lending management.
- Reinforced risk monitoring and inspection of credit grants to small businesses: The Bank set up a mechanism for monitoring and analysis of credit risk of small businesses whereby regular analysis and assessment is conducted in terms of the risks of credit granting to small businesses from multiple perspectives including geographic region, industry, product and guarantee. Meanwhile, the Bank reinforced special risk monitoring and inspection of special business areas and intensified efforts to manage and dispose non-performing assets.

Risk Management of Consumer Finance

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

- In response to changes in the macro-economic situation and regulatory requirements, the Bank strictly implemented the government’s macroscopic control policy to ensure operational compliance and risk controllability.
- The Bank optimized its product mix, vigorously promoted market launch of various types of consumer finance loan products, researched and developed innovative products such as comprehensive credit grant based on property mortgaging, and built up professional quality and risk awareness of its human resources.
- The Bank strengthened pre-lending review and post-lending supervision, ensured healthy compliant growth of its consumer finance business via ear-marked inspections and systematic monitoring, and prevented operation risk by means of system improvement and process development targeting problems identified in both internal and external inspections.
- The Bank regularly monitored and announced asset quality of its loan assets, and safeguarded safety of credit assets by incorporating risk management of consumer credit into its bank-wide uniform risk management and control.

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

- Consolidated and enhanced the whole-process comprehensive risk management system: The Bank continued to improve the risk management structure and hierarchical management authorization system for credit card business, and enhanced the total risk monitoring system that covered credit risk, market risk and operation risk. In accordance with its overall credit policy, risk management targets and business development goals, the Bank timely adjusted and implemented the policy system for business review and approval, credit line adjustment, post-lending management and debt collection, and created a risk prevention and control system that covered the entire process of front-end sales, credit approval, post-lending management, collection of overdue loans and write-off of bad debts.
- Effectively implemented the active albeit prudent credit policy and deepened structural adjustment: The Bank planned and managed the structure of its credit card customer groups based on its risk preference and strategic development requirements. Highlighting regional differences in terms of economic environment, risk and profit, the Bank made adjustments to differentiate regional structures of customer groups. Credit resources were planned and allocated in a rational manner while tools such as credit products and credit line management were used comprehensively to regulate granting of credit resources in a differentiated and refined manner and to improve the efficiency of resource allocation.
- Simultaneous use of multiple channels and measures to improve recovery of non-performing assets: The Bank kept constructing and improving its debt collection system before, during and after credit grant and improved loan recovery efficiency by differentiated means, and reinforced write-off of bad debts with equal attention paid to loan recovery and NPL disposal. Keeping records for written-off bad debts, setting up case-by-case filings for special items, making continuous demand for loan repayment and trying all possible means to recover loans, the Bank carried out orderly compliant handling of non-performing assets and improved proceeds from disposal of non-performing assets.
- Further application of credit card risk measurement tools in both approach and extent to enhance professional management capability: The Bank consolidated scientific tools such as risk measurement, and continuously furthered the approach and extent of applying measurement tools in credit card loan business, based on the existing risk measurement tools that covered risk, profit and interest generation. Thanks to the Bank's devotion to increasingly combined use of internal and external scorings of credit cards and expansion & innovation of their business applications, such scoring tools have fully covered each and every component of the entire life cycle of customer credit, providing the basis for designing differentiated risk management and control strategies and products.

Risk Management of Treasury Business

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

Loan Monitoring and Post-Lending Management

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

- Implemented reform of the risk management system to promote “full-process all-staff total” credit management;
- Standardized loan disbursement operation to prevent operation risk thereof;
- Promoted development of an early warning mechanism for effective detection and disclosure of credit risk;
- Promoted active exit to timely dissolve credit risk;
- Promoted management of matured loans to ensure timely full-amount recovery of loans;
- Promoted the construction of a collaterals management system to reinforce value monitoring and management of collaterals bank-wide;
- Promoted classified risk management to improve truthfulness of credit asset quality;
- Promoted system development to advance IT management means;
- Promoted data quality management to enhance statistical analysis;
- Promoted training and evaluation to build up management capacity.

Distribution of Loans

Concentration of Loans by Geographic Region

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

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

The Group

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

Note: (1) Including the Head Office.

The Bank

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

Note: (1) Including the Head Office.

Concentration of Loans by Product

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

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

The Group

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

The Bank

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

Concentration of Loans by Sector

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

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

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

The Group

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

The Bank

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

Breakdown of Loans by Type of Guarantee

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

The Group

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

The Bank

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

Concentration of Borrowers of Corporate Loans

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

The Group

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

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

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

The Group

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

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

Loan Quality Analysis

Five-Class Loan Classification

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

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

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

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

The Group

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

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

The Bank

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

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

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

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

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

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

Migration of Loans

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

The Bank

	31 December 2013	31 December 2012	31 December 2011
Migration ratio from normal loans (%)	1.51	1.16	1.06
Migration ratio from special mention loans (%)	27.20	6.35	6.37
Migration ratio from sub-standard loans (%)	45.98	24.06	8.22
Migration ratio from doubtful loans (%)	17.94	5.7	2.27
Migration ratio from performing loans to non-performing loans (%)	0.67	0.36	0.21

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

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

Loans Overdue

The Group

	31 December 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,905,586	98.17	1,641,416	98.71
Loans overdue ⁽¹⁾				
1-90 days	15,424	0.79	11,703	0.70
91-180 days	3,872	0.20	2,992	0.18
181 days or above	16,293	0.84	6,790	0.41
Subtotal	35,589	1.83	21,485	1.29
Total loans	1,941,175	100	1,662,901	100.00
Loans overdue for 91 days or above	20,165	1.04	9,782	0.59
Restructured loans ⁽²⁾	6,176	0.32	4,775	0.29

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

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

The Bank

	31 December 2013		Unit: RMB million 31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,805,447	98.13	1,555,889	98.68
Loans overdue ⁽¹⁾				
1-90 days	14,524	0.79	11,297	0.72
91-180 days	3,837	0.21	2,987	0.19
181 days or above	16,036	0.87	6,452	0.41
Subtotal	34,397	1.87	20,736	1.32
Total loans	1,839,844	100	1,576,625	100.00
Loans overdue for 91 days or above	19,873	1.08	9,439	0.60
Restructured loans ⁽²⁾	5,603	0.30	4,056	0.26

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

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

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

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

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

Breakdown of NPLs by Product

The Group

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

The Bank

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

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

Breakdown of NPLs by Geographic Location

The Group

	31 December 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	10,567	52.93	2.22	5,275	43.04	1.24
Bohai Rim	3,995	20.01	0.78	2,581	21.06	0.59
Pearl River Delta and West Strait	2,311	11.57	0.83	2,244	18.31	0.99
Central region	1,126	5.64	0.42	625	5.10	0.28
Western region	976	4.89	0.38	492	4.01	0.23
Northeastern region	759	3.8	1.31	715	5.84	1.35
Overseas	232	1.16	0.25	323	2.64	0.39
Total	19,966	100.00	1.03	12,255	100.00	0.74

The Bank

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

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

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

Breakdown of Corporate NPLs by Sector

The Group

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

The Bank

Unit: RMB million

	31 December 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	6,319	39.27	1.55	4,189	39.56	1.19
Transportation, warehousing and postal service	175	1.09	0.13	204	1.93	0.15
Production and supply of power, gas and water	95	0.59	0.17	188	1.78	0.32
Wholesale and retail	8,055	50.06	2.81	4,740	44.76	2.15
Real estate	305	1.89	0.26	335	3.16	0.26
Leasing and commercial services	118	0.73	0.16	270	2.55	0.50
Water conservancy, environment and public utilities management	75	0.47	0.11	85	0.8	0.13
Construction	576	3.58	0.71	241	2.28	0.38
Public and social organizations	—	—	—	—	—	—
Others	373	2.32	0.32	336	3.18	0.35
Total	16,091	100.00	1.19	10,588	100.00	0.89

As at the end of the reporting period, the Group's NPL balances of wholesale/retail and manufacturing increased by RMB3.294 billion and RMB2.182 billion respectively over the end of the previous year, and the NPL ratios of the two sectors increased by 0.65 and 0.37 percentage point respectively over the end of the previous year. Major underlying reasons are the following: (1) Economic slowdown plus accelerated transformation of industrial structure in China; (2) Drastic demand shrinkage at domestic and overseas markets plus insufficient incremental demand, leading to higher inventory pressure; (3) Price drop of raw materials such as iron and steel and rising cost of labor; (4) Lower liquidity and more fund occupation of businesses, resulting in worse credit risk, more NPLs and higher NPL ratios in manufacturing industries including steel, steel trade, ship building, PV, building materials, and raw material production, and in the related wholesale and retail industries.

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

Analysis of Provision for Loan Impairment

Changes in Provision for Loan Impairment

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

The Group

	<i>Unit: RMB million</i>	
	As of 31 December 2013	As of 31 December 2012
Beginning balance	35,325	23,258
Accruals during the year ⁽¹⁾	11,327	12,804
Reversal of impairment allowances ⁽²⁾	(275)	(206)
Transfer out ⁽³⁾	(42)	(54)
Write-offs	(5,305)	(742)
Recoveries of loans and advances written off in previous years	224	265
Ending balance	<u>41,254</u>	<u>35,325</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 31 December 2013	As of 31 December 2012
Beginning balance	34,877	22,818
Accruals during the year ⁽¹⁾	11,245	12,733
Reversal of impairment allowances ⁽²⁾	(271)	(202)
Transfer out ⁽³⁾	(30)	(54)
Write-offs	(5,169)	(659)
Recoveries of loans and advances written off in previous years	209	241
Ending balance	<u>40,861</u>	<u>34,877</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.

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

Management of Market Risk

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

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

Management of Interest Rate Risk

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

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

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

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

Management of Exchange Rate Risk

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

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

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

The Group

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

The Bank

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

Liquidity Risk Management

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

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

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

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

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

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

Operation Risk Management and Anti-Money Laundering

Operation Risk Management

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

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

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

Anti-Money Laundering

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

- Improved the anti-money laundering internal control system: Following the PBC “risk-centered” mindset of anti-money laundering risk management, the Bank shifted its internal anti-money laundering function from the accounting department to the compliance department and defined a work mechanism of stratified management at both the Head Office and the branches;
- Reinforced institutional development for anti-money laundering management: The Bank formulated the Basic Regulations of CITIC Bank on Management of Anti-money Laundering and Anti-terrorist Financing and the Measures of CITIC Bank on Management of Reporting Large-Sum and Suspicious Transactions, and started to implement the Work Program of CITIC Bank on Risk Evaluation and Classified Customer Management regarding Money Laundering and Terrorist Financing.

- **Strictly monitored anti-money laundering risk:** The Bank intensified Customer Identification and classified management of different levels of customer risks, paid attention to potential anti-money laundering risks inherent in new online financial business such as online financing platforms, seriously carried out information analysis and money-laundry category reporting of suspicious large-sum transactions, and closely monitored money flow and usage of suspicious transaction funds that might involve money laundry and terrorist financing.
- **Optimized anti-money laundering system functions in a continuous manner:** The Bank incorporated the construction of an anti-money laundering risk management system into its three-year IT plan to reinforce improvement, optimization and upgrading of system functions such as building the AML analytical data model to monitor Large-Sum and Suspicious Transactions, customer identification, investigation, analysis, name-list management and follow-up monitoring, and risk evaluation of customer money laundry.
- **Organized training on anti-money laundering management:** The Bank invited experts from its Head Office to provide specialized trainings on anti-money laundering situations, relevant regulatory requirements and practical operation, to deepen the grasp of policies and regulations. In addition, the Bank participated in job-access trainings for anti-money laundering positions in the financial industry so as to improve overall quality of anti-money laundering managers at all levels.

Capital Management

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

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

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

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

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

Management of Financial Statement Consolidation

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

Profit and Dividends Distribution

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

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

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

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

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

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

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

Shareholdings in Other Listed Companies and Financial Enterprises

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

Unit: RMB

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

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

Unit: RMB

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

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

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

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

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

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

Outlook

Outlook of the Operating Environment

Domestic and International Macro–Economic Development Trends

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

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

Changes in Market Demand

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

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

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

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

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

Significant Risks and Countermeasures

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

- As a definite trend of reform, the process of interest rate liberalization will pace up. The Third Plenary Session of the 18th Congress resolved to have the market play a decisive role in resource distribution. The key to realize the decisive role of the market in the financial sector lies in market pricing of financial factors and improving operational efficiency of the financial system via market mechanisms. Acceleration of interest rate liberalization intensifies cost pressure of banks at the liabilities end. Continuous tightening of market liquidity does not favor growth in deposits. Upward shift of base fund price increases operating cost. Meanwhile, means of payment is in constant progress, weakening transaction demand of currency as a result. In general, banks are under the pressure of narrowing net interest margins (NIMs).
- Diversification of bank capital markedly increases market competition. With the government encouraging private capital to initiate the establishment of self-risk-assuming financial institutions such as private banks, finance lease companies and consumer finance companies, banks are driven towards capital diversification. Such gradual participation of private capital will increasingly diversify the capital structure of banks, giving rise to various governance structures, with the difference thereof in turn to bring along different competitive edges. In particular, with stronger vitality, private financial institutions will enable more open markets and fuller competition.
- Profound changes in the non-government financing structure lead to more evident financial disintermediation. Simultaneous promotion of financial disintermediation from the perspectives of both assets and liabilities impacts on traditional banking business, reducing demand for bank loans on the one hand and diverting funds of premium bank customers on the other. In the future, financial disintermediation of non-government funds may well intensify.
- Increasing risk of economic fluctuation exposes pro-cyclical bank business to the test of risks. The Chinese economy is caught in the hard transformation period of changing growth rate, in the labor pains of restructuring and in the digestion of previous stimulation policies. The pro-cyclical nature of banking business exposes banks to substantial pressures of managing and controlling non-performing assets when the economy goes on the downward slope. As such, banks need to stand the test of accelerating credit structure adjustment in their operation and management.
- Amid faster technological disintermediation, the internet has weakened payment and financing functions of banks. Internet finance has somewhat replaced traditional banking business through emerging financial models in financing, payment and information intermediation, and credit intermediation, via the use of internet technology and mobile communication technology, etc.

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

- Strengthen strategic implementation: The Bank will set targets and define responsibilities for its strategic tasks, link strategic implementation with performance evaluation and work assessment. In performance evaluation, in particular, strategic tasks such as those related to the modern service sector, online banking, non-mainstream business, upgrading of effective customers, improvement of outlet capacity, and speed-up of outlet construction need be transmitted to the business frontlines so that work targets could be translated into work efficiency and effectiveness.
- Promote rapid development: The Bank will speed up efforts to raise its market status, temper market-oriented human resources and smooth out the relationship between resource distribution and process management with focus placed on development. Performance evaluation will highlight incremental evaluation and emphasize increase of market share. Resource distribution will maximize the mobilization, integration and utilization of resources, favoring branches that enjoy good operating performance, high development quality and strong management capacity with multiple resources including credit, fee, capital, human resources and outlets.
- Upgrade operational capability: The Bank will proactively promote various reforms for effective construction of market competitiveness, including: (1) better response to market changes, i.e., accurately study and judge market changes and adjust periodical operation strategies in a timely and flexible manner; (2) better profitability to increase return to shareholders, improve performance at the capital market, and maintain steady growth of market capitalization; (3) greater capacity for innovative development with the focus placed on filling up market gaps, creating new growth highlights and producing unique influential business areas and products; (4) better capacity for customer operation, i.e., enhance construction of the service system, improve basic operation capability, and improve product cross-selling and business cooperation and increase effective customers through stratified management of customers; (5) better risk management and control capability, i.e., ensure stability of asset quality by emphasizing truthfulness and controllability of asset quality, reinforce accountability for non-performing assets, and dispose non-performing assets by multiple means; and (6) better cost control capability, i.e., transform from “cost adequacy” to “cost control”, strengthen total cost management and increase cost sensitivity.

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

Business Plan and Development Thoughts of the Bank for 2014

Business Plan

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

Development Thoughts

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

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

- **Comprehensively consolidate customer base and promote rapid growth of effective customers:** The Bank will continue with its efforts to deepen the construction of an operation system based on customer stratification, accelerate upward shift of the operation focus of corporate customers, vigorously promote concentrated operation of large customers, deepen the service model of “commercial bank + investment bank”, and strengthen marketing efforts targeting key customers. Meanwhile, the Bank will extend its supply chain, cash chain and platform chain, optimize the “credit-grant service + transaction bank” service model for SME customers, and acquire small and medium-sized customers in the modern service sector in batches. Further, the Bank will stick to the “two cards one fund” (i.e., Fragrant Card, Happy Elderly Card and Going-abroad Finance) positioning of retail customers to expand product cross-selling, upgrade customer loyalty and reduce customer loss rate. Efforts will continue to develop the channel of “one chain, two circles and three clusters”, innovate models of credit grant and batch acquire small and micro enterprises and consumer finance customers.
- **Deepen structural adjustment of corporate business and realize the supporting role of transformation:** The Bank will further optimize the business structure of its corporate assets, proactively mobilize existing assets, make better use of low-yield assets by means of asset securitization and wealth management, compress and dissolve loan risks of the “highly-polluting, high-energy-consuming and over-capacity” industries, ensure successful restructuring of mature-asset business and thereby squeeze room for high-yield business. Meanwhile, the Bank will optimize the arrangement of incremental assets, and increase credit grants to strategically important business areas such as the modern service sector, investment banking, SMEs and factoring.
- **Accelerate release of retail capacity to improve contribution from the retail segment:** Efforts will be made to speed up the construction of diversified retail channels, and prioritize improvement of outlet capacity. The Bank will brand itself as “Happy Wealth”, vigorously develop consumer credit, and optimize consumer experience of credit card. At the same time, the Bank will intensify efforts to share data and analyze/explore consumer behavior. Interaction and coordination between the Head Office and branches, between the public and private sectors, and between online and offline will be reinforced to improve customer cross-selling ratio of the retail segment.
- **Enhance business innovation at the financial market, and increase comprehensive contribution from inter-bank business:** Taking advantage of the market opportunities in interest rate liberalization and Renminbi internationalization, the Bank will upgrade its overall risk preference of its financial market business to increase the yield of asset portfolios. Meanwhile, the Bank will enthusiastically promote active liabilities business such as inter-bank certificates of Renminbi deposits to enrich the product mix of its liquidity portfolio and improve its ability for fund acquisition and application. The Bank’s advantage in concentrated specialized operation of bills will be fully tapped to enlarge the primary and secondary bill markets and increase profitability from bill business.

- Pace up efforts to cultivate CNCB business uniqueness and create new profit growth points: With emphasis placed on innovation of credit-granting products and E-products related to the modern service sector, the Bank will explore new risk control models to break through the bottleneck of “limited assets and weak guarantee” that characterizes customers from the service industry. Efforts will be accelerated to innovate online banking products to create the profit model of “gaining fee-based income from payment products and earning interest-margin income through development of online lending business”. The priorities thereof will be placed on “non-mainstream” business related to supply-chain finance such as bill business, domestic L/C and factoring, and low-capital-consumption business related to asset management such as wealth management and custody.
- Reinforce risk prevention and control to stabilize asset quality: The Bank will reinforce risk management and control of key regions, key industries, key products and key customers, pay more attention to regional risks and risks of industries suffering from severe over capacity, and construct long-term risk early warning mechanisms. Further, efforts will be exerted to strengthen the development and utilization of risk management tools, steadily promote optimization of the corporate customer rating model, and enhance application of internal rating results in areas such as quota setting and economic capital estimation.
- Enhance development of the urbanized operation model to highlight features of regional development: More efforts will be made to conduct classified management of key branches, push forward branch-specific operation in line with economic features of different regions and explore business experiences related to interest rate liberalization, opening up of the capital account and off-shore financial business with full grasp of the opportunities available from reform pilots in the Shanghai Free Trade Area and Shenzhen Qianhai District.
- Quicken the construction of core systems to guarantee rapid business development: Efforts will be concentrated on speeding up the construction of core systems to prepare for overall switch of the new core in 2015. Meanwhile, the Bank will reinforce the construction, renovation, integration and upgrading of business systems, optimize the construction of management information systems including the management accounting system, risk asset measurement and pricing systems, performance evaluation program and the platform for reporting and submitting regulatory and statistical data.
- Intensify development of human resources to improve professional quality of employees: The Bank will accelerate the construction and development of a professional talent force consistent with requirements of its development strategy, pace up cultivation of reserve managers and young backbones, further enhance its competitive mechanism for selection and promotion of talents, improve pre-job training of medium to high-level managers and intensify training of frontline employees.

Management of Corporate Social Responsibility

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

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

Changes in share capital

Table on Changes of Shareholdings

	Before the change		Changes (+,-)					Unit: share After the change	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	2,138,179,203	4.57				(2,138,179,203)	(2,138,179,203)	0	0
1. Shares held by the state									
2. Shares held by state-owned legal persons	213,835,341	0.46				(213,835,341)	(213,835,341)	0	0
3. Other shares held by domestic investors									
Including: Shares held by domestic non-state-owned 									

Changes in Shares Subject to Restrictions on Sale

Unit: share

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

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

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

Shares held by Shareholders Subject to Restrictions on Sale

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

Issuance and Listing of Securities

Issuance and Listing of Stocks

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

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

Subordinated Debts

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

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

Internal Employee Shares

There are no internal employee shares issued by the Bank.

Information on Shareholders

Total Number of Shareholders

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

Shareholdings of the Top 10 Shareholders

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

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

Shareholdings of the Top 10 Non-Restricted Shareholders

Unit: Share

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

- Note:* (1) The shareholdings of H-Share holders is calculated based on the Bank's share register maintained with the H-share registrar of the Bank.
- (2) Note on connected relations or concerted actions of the above shareholders: as at the end of the reporting period, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

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

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

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

Controlling Shareholder and De Facto Controller of the Bank

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

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

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

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

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

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

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

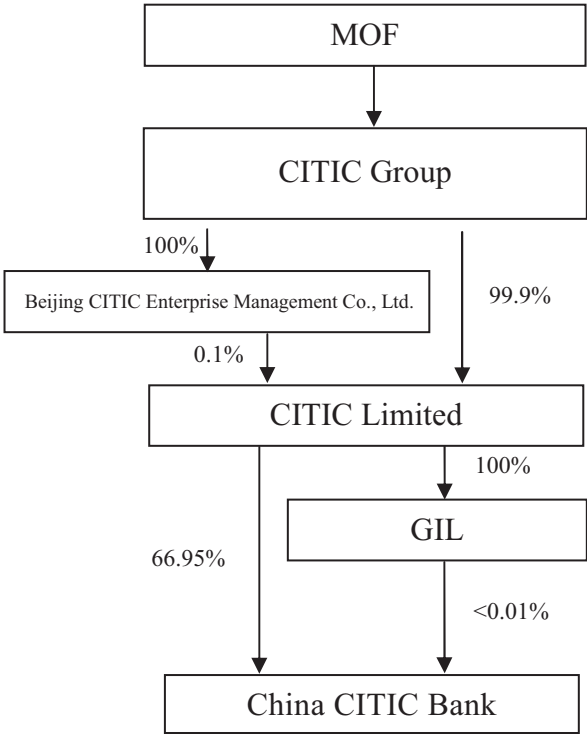
As at 31 December 2012, CITIC Limited recorded total assets of RMB3,470.8 billion, total liabilities of RMB3,109.9 billion, and net assets attributable to the parent company of RMB228.3 billion; realized operating income of RMB302.2 billion and net profit attributable to the parent company of RMB31.5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

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

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

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

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

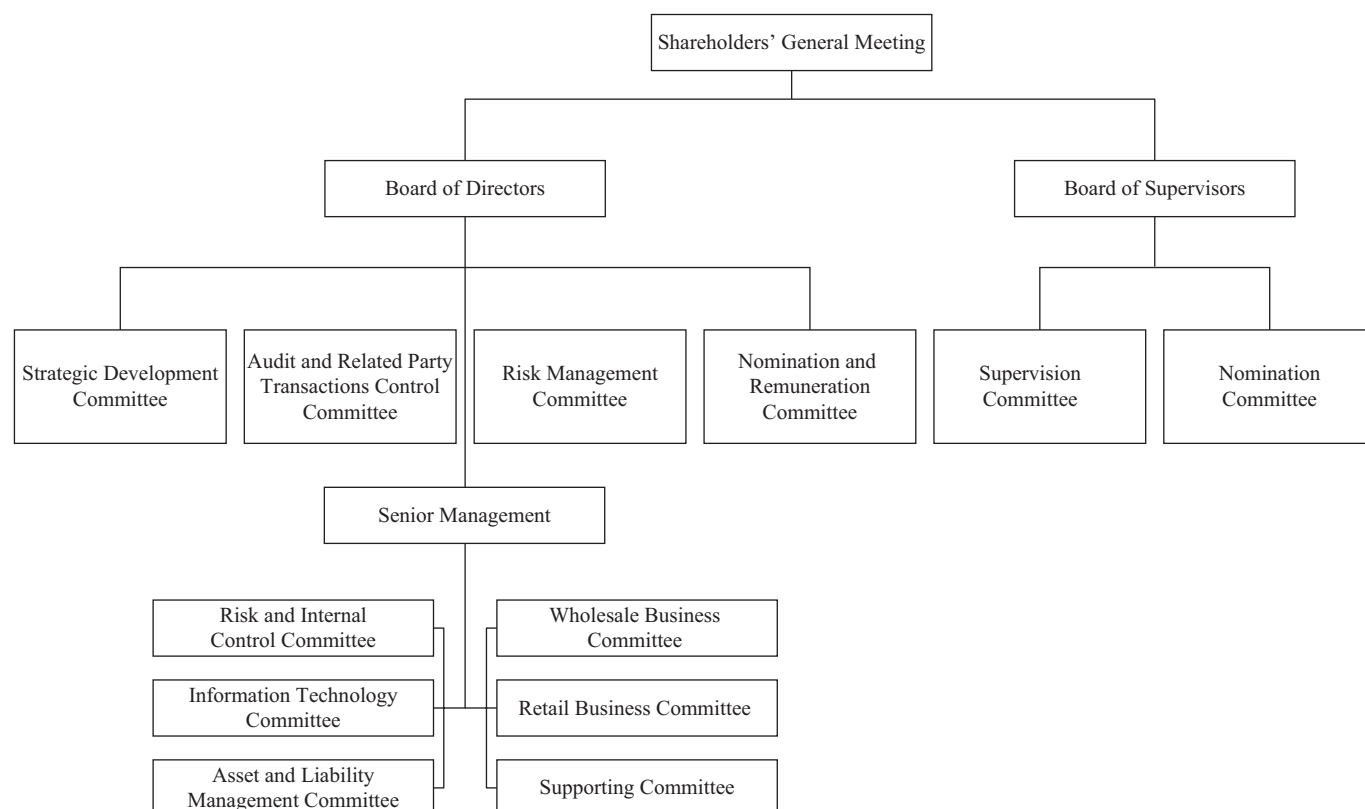


Other Legal-Person Shareholders Holding 10% or More Shares of the Bank

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

CORPORATE GOVERNANCE REPORT

Corporate Governance Structure



Overall Profile of Corporate Governance

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

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

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

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

Shareholders' General Meeting

Shareholders' General Meetings and Stockholders' Rights

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

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

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

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

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

Convening of Shareholders' General Meetings during the Reporting Period

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

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

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

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

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

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

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

Board of Directors

Composition and Responsibilities of the Board of Directors

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

Principal responsibilities of the Board of Directors include the following:

- to convene the shareholders' general meetings and to make a work report to the meeting;
- to implement the resolutions adopted by the shareholders' general meeting;
- to determine the development strategies, business plans and investment proposals of the Bank;
- to prepare the annual financial budget and final accounts of the Bank;
- to prepare the profit distribution plans and plans for making up losses of the Bank;
- in accordance with the Articles of Association and within the scope of authorization of the shareholders' general meeting, to determine major investment, major assets acquisition and disposal and other major matters of the Bank;
- to prepare proposals for the increase or reduction of registered capital of the Bank;
- to prepare proposals for merger, division, dissolution, liquidation or change in the form of the Bank;
- to prepare proposals for the issue of debt securities or other valuable papers with the purpose of replenishment of the capital of the Bank as well as the listing thereof;
- to decide all the matters in relation to the issue of debt securities other than those with the purpose of replenishment of the capital of the Bank;
- to prepare proposals for repurchase of shares of the Bank;
- to prepare proposals for the amendment of the Articles of Association;

- to appoint or dismiss the President of the Bank or the secretary of the Board of Directors and to determine matters relating to their remunerations, rewards and punishment;
- according to the nomination of the President, to appoint or dismiss vice president and assistant president of the Head Office and other members of the Senior Management that the Board of Directors intends to appoint or remove, and to determine matters relating to their remunerations, awards and punishment;
- to review and establish the basic management system and internal management structure of the Bank;
- to establish, improve and ensure the effective implementation of the internal control system of the Bank;
- to review and establish the codes and standards of the Bank, which shall specify the codes of conduct for management and business staff at all levels, require explicitly employees at all levels to promptly report the possible conflict of interests, specify the specific accountability terms and establish a corresponding mechanisms to handle the same;
- to decide the establishment of domestic tier-one (directly controlled) branches, directly controlled institutions and overseas institutions;
- to decide the information disclosure policies and procedures of the Bank;
- to decide the information reporting system of the Bank and request the senior management personnel to report on operation matters of the Bank to it on a regular basis;
- to propose the appointment or removal of the accounting firms to the shareholders' general meetings;
- to formulate procedures on management of related party transactions; to review and approve or to authorize the Audit and Related Party Transactions Control Committee under the Board of Directors to approve the related party transactions (except for the related party transactions that should be approved by the shareholders' general meeting in accordance with applicable laws); to report on related party transactions and the implementation of the relevant procedures to the shareholders' general meeting;
- to review and approve the proposals submitted by each committee under the Board of Directors;
- according to the applicable regulatory requirements, to listen to the work reports of the President of the Bank and other members of senior management, and to monitor and ensure the effective discharge of their management responsibilities;
- to review and approve the rules of procedures of each committee of the Board of Directors;
- to exercise any other authorities prescribed by laws, administrative regulations, rules or the Articles of Association or conferred by the shareholders' general meetings.

Meetings of the Board of Directors

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

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

Responsibility Statement of the Board of Directors on Financial Reports

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

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

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

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

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

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

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

Specialized Committees under the Board of Directors

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

Strategic Development Committee

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

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

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

Audit and Related Party Transactions Control Committee

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

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

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

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

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

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

Risk Management Committee

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

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

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

Nomination and Remuneration Committee

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

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

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

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

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

Board of Supervisors

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

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

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

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

Non-incumbent members

Zhuang Yumin	8/10	2/10
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Specialized Committees under the Board of Supervisors

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

Supervision Committee

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

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

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

Nomination Committee

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

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

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

Independent Opinions of the Board of Supervisors on Relevant Matters

Compliance of Business Operation

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

Truthfulness of the Financial Report

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

Use of Proceeds

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

Acquisition and Disposal of Assets

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

Related Party Transactions

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

Implementation of Resolutions Adopted at the Shareholders' General Meetings

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

Review by the Board of Supervisors of the Social Responsibility Report

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

Senior Management

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

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

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

Chairman and President

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

Company Secretary

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

Management of Related Party Transactions

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

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

Statement on Horizontal Competition and Related Party Transactions

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

Independence from the Controlling Shareholder

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

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

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

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

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

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

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

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

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

Development and Review of Corporate Governance Policies and Practices

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to Code A.5.6 of the Corporate Governance Code, the Nomination and Remunation Committee or the Board of Directors should have a policy concerning diversity of Board of Directors members, and should disclose the policy or a summary of the policy in the corporate governance report. Our current Board of Directors comprise members of different gender, age, culture, education background, and professional experience. Our Board of Directors will formulate a policy concerning diversity of board members as soon as practicable to comply with the requirement of Code A.5.6 of the Corporate Governance Code.

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

Management of Investor Relations

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

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

Information Disclosure

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

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

SIGNIFICANT EVENTS

Principal Business

The Bank is engaged in banking and related financial services.

Major Customers

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

Material Litigations and Arbitrations

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

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

Appropriation of Funds by the Controlling Shareholder and Other Related Parties

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

Material Acquisitions, Disposals or Restructurings of Assets

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

Material Related Party Transactions

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

Related Party Transactions involving Disposal and Acquisition of Assets

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

Credit Extension Related Party Transactions

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

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

Non-Credit Extension Continuing Connected Transactions

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

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

Third-Party Escrow Services

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

Investment Product Agency Sales Service

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

Asset Custody Services

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

Financial Consulting and Asset Management Services

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

Call Center Outsourcing Services

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

Capital Transactions

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

Loan Asset Transfer

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

Wealth Management Services

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

Property Lease

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

Comprehensive Services

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

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

Loan Asset Transfer

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

Capital Transactions

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

Loan Asset Transfer

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

Capital Transactions

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

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

- (1) during the ordinary and usual course of business of the Bank;
- (2) on normal commercial terms; and
- (3) in accordance with the relevant agreements governing them, on fair and rational terms and in the overall interests of the shareholders of the Bank.

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

- (1) The disclosed continuing connected transactions have not been approved by the Board of Directors;
- (2) For connected transactions involving the provision of goods or services, the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) The transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
- (4) With respect to the aggregate amount of each of the continuing connected transactions, the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 11 August 2010, 27 October 2011 and 27 December 2012 made by the Bank in respect of each of the disclosed continuing connected transactions.

Material Contracts and their Performance

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

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

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

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

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

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

Li Zheping, Xing Tiancai, Liu Shulan, Wu Xiaoqing and Wong Luen Cheung Andrew

Independent Non-executive Directors of China CITIC Bank Corporation Limited

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

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

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

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

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

Appointment and Dismissal of Accounting Firms

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

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

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

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

Amendment of the Articles of Association

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

Equity Incentive Scheme

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

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

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

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

Penalties and Remedial Actions of the Company and Relevant Parties

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

Distributable Reserves

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

Donations

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

Purchase, Sale or Redemption of Shares

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

Pre-emptive Rights

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

Tax Deduction and Exemption

Holders of A Shares

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

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

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

Holders of H Shares

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

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

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

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

Material Environmental Protection or Other Social Safety Incidents

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

Other Significant Events

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

Closure of Register of Members

The Annual General Meeting of the Bank for year 2013 will be held on Wednesday, 21 May 2014. The Bank's register of members will be closed from Monday, 21 April 2014 to Wednesday, 21 May 2014 (both dates inclusive) and from Tuesday, 27 May 2014 to Tuesday, 3 June 2014 (both dates inclusive), respectively.

In order to qualify for attending and voting at the annual general meeting of the Bank for year 2013, 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 Thursday, 17 April 2014.

In order to qualify for receiving the final dividends proposed by the Bank, which is subject to the shareholders' approval at the forthcoming 2013 Annual General Meeting of the Bank, 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 Monday, 26 May 2014.

If the Bank's proposal for final dividend distribution is approved by the shareholders at the forthcoming 2013 Annual General Meeting of the Bank, 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-share holders of the Bank as shown on the Bank's register of members on Tuesday, 3 June 2014.

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 SEHK (www.hkexnews.hk). The 2013 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 SEHK (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 the 2013 Annual Report in Chinese in accordance with the PRC GAAP, which is available on the websites of the Bank (bank.ecitic.com) and SSE (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 2013, 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 2013 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

Financial Statements

China CITIC Bank Corporation Limited

Consolidated statement of comprehensive income

For the year ended 31 December 2013

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2013	2012
Interest income		163,335	138,810
Interest expense		(77,647)	(63,324)
Net interest income	4	85,688	75,486
Fee and commission income		18,318	12,194
Fee and commission expense		(1,507)	(984)
Net fee and commission income	5	16,811	11,210
Net trading gain		1,750	2,335
Net (loss)/gain from investment securities		(203)	76
Net hedging gain		2	—
Other operating income		765	604
Operating income		104,813	89,711
Operating expenses		(40,435)	(34,979)
Operating Profit before impairment		64,378	54,732
Impairment losses on			
– Loans and advances to customers		(11,327)	(12,804)
– Others		(613)	(300)
Total impairment losses		(11,940)	(13,104)
Revaluation gain on investment properties		2	62
Share of gains/(losses) of associates		109	(59)
Losses of deemed disposal of associates		—	(22)
Profit before tax		52,549	41,609
Income tax	6	(12,832)	(10,224)
Net profit		39,717	31,385

China CITIC Bank Corporation Limited
Consolidated statement of comprehensive income (continued)
For the year ended 31 December 2013
(Expressed in millions of Renminbi unless otherwise stated)

	<i>Note</i>	2013	2012
Net profit		39,717	31,385
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss when specific conditions are met			
Available-for-sale financial assets			
– Net changes in fair value		(6,915)	(361)
– Net amount transferred to profit or loss		790	(101)
Exchange difference on translating foreign operations		(474)	12
Other comprehensive income of associates		10	5
Total other comprehensive loss		(6,589)	(445)
Income tax effects relating to each component of other comprehensive income		1,529	149
Other comprehensive loss, net of tax		(5,060)	(296)
Total comprehensive income		34,657	31,089
Net profit attributable to:			
Shareholders of the Bank		39,175	31,032
Non-controlling interests		542	353
		39,717	31,385
Total comprehensive income attribute to:			
Shareholders of the Bank		34,263	30,644
Non-controlling interests		394	445
		34,657	31,089
Basic and diluted earnings per share (RMB)	7	0.84	0.66

China CITIC Bank Corporation Limited
Consolidated statement of financial position

As at 31 December 2013

(Expressed in millions of Renminbi unless otherwise stated)

	<i>Note</i>	31 December 2013	31 December 2012
Assets			
Cash and balances with central bank		496,476	428,167
Deposits with banks and non-bank financial institutions		131,711	236,591
Placements with banks and non-bank financial institutions		122,314	151,803
Financial assets at fair value through the profit and loss		11,018	12,285
Positive fair value of derivatives	8	7,749	4,160
Financial assets held under resale agreements		286,767	69,082
Interest receivable		15,545	13,040
Loans and advances to customers	9	1,899,921	1,627,576
Available-for-sale financial assets		177,960	196,849
Held-to-maturity investments		154,849	135,014
Investment classified as receivables		300,158	56,435
Investments in associates		2,176	2,134
Fixed assets		13,734	11,520
Intangible assets		363	339
Investment properties		277	333
Goodwill		792	817
Deferred tax assets		8,434	6,091
Other assets		10,949	7,703
Total assets		<u>3,641,193</u>	<u>2,959,939</u>
Liabilities			
Deposits from banks and non-bank financial institutions		559,667	370,108
Placements from banks and non-bank financial institutions		41,952	17,894
Negative fair value of derivatives	8	6,853	3,412
Financial assets sold under repurchase agreements		7,949	11,732
Deposits from customers		2,651,678	2,255,141
Accrued staff costs		10,500	10,578
Taxes payable		4,355	4,558
Interest payable		28,143	21,499
Provisions		71	93
Debt certificates issued		76,869	56,402
Other liabilities		22,431	5,436
Total liabilities		<u>3,410,468</u>	<u>2,756,853</u>

China CITIC Bank Corporation Limited
Consolidated statement of financial position (continued)

As at 31 December 2013

(Expressed in millions of Renminbi unless otherwise stated)

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

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

Chang Zhenming
Chairman

Zhu Xiaohuang
President

Cao Guoqiang
*Vice President in charge of finance
function*

Lu Wei
*General Manager of Budget and Finance
Department*

Company stamp

China CITIC Bank Corporation Limited

Statement of financial position

As at 31 December 2013

(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2013	31 December 2012
Assets			
Cash and balances with central bank		494,316	426,886
Deposits with banks and non-bank financial institutions		124,860	235,424
Placements with banks and non-bank financial institutions		98,414	129,052
Financial assets at fair value through the profit or loss		10,966	12,209
Positive fair value of derivatives	8	5,866	2,665
Financial assets held under resale agreements		286,816	69,132
Interest receivable		14,976	12,534
Loans and advances to customers	9	1,798,983	1,541,748
Available-for-sale financial assets		160,636	181,862
Held-to-maturity investments		154,788	134,952
Investment classified as receivables		300,158	56,435
Investment in subsidiaries		9,986	9,986
Fixed assets		13,188	10,997
Intangible assets		363	339
Deferred tax assets		8,410	6,073
Other assets		10,251	7,338
Total assets		3,492,977	2,837,632
Liabilities			
Deposits from banks and non-bank financial institutions		571,234	383,493
Placements from banks and non-bank financial institutions		38,512	15,923
Negative fair value of derivatives	8	5,620	2,677
Financial assets sold under repurchase agreements		6,468	11,241
Deposits from customers		2,529,488	2,148,582
Accrued staff costs		10,043	10,241
Taxes payable		4,199	4,495
Interest payable		27,552	20,988
Provisions		71	93
Debt certificates issued		56,439	38,470
Other liabilities		19,995	4,363
Total liabilities		3,269,621	2,640,566

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

As at 31 December 2013

(Expressed in millions of Renminbi unless otherwise stated)

	31 December 2013	31 December 2012
Equity		
Share capital	46,787	46,787
Share premium and other reserve	51,637	51,637
Investment revaluation reserve	(4,750)	(195)
Surplus reserve	15,495	11,709
General reserve	44,250	35,250
Retained earnings	69,937	51,878
Total equity	223,356	197,066
Total liabilities and equity	3,492,977	2,837,632

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

Chang Zhenming
Chairman

Zhu Xiaohuang
President

Cao Guoqiang
*Vice President in charge of finance
function*

Lu Wei
*General Manager of Budget and Finance
Department*

Company stamp

China CITIC Bank Corporation Limited

Consolidated statement of changes in equity

For the year ended 31 December 2013

(Expressed in millions of Renminbi unless otherwise stated)

					Investment					Non-	
	Note	Share capital	Share premium	Other reserve	Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	controlling interests	Total equity
As at 31 December 2012		46,787	49,214	274	(185)	11,709	35,326	57,351	(2,120)	4,730	203,086
Changes in accounting policy		–	–	18	–	–	–	(18)	–	–	–
As at 1 January 2013		46,787	49,214	292	(185)	11,709	35,326	57,333	(2,120)	4,730	203,086
Movements during the year											
(I) Net profit		–	–	–	–	–	–	39,175	–	542	39,717
(II) Other comprehensive income		–	–	(3)	(4,584)	–	–	–	(325)	(148)	(5,060)
Total comprehensive income		–	–	(3)	(4,584)	–	–	39,175	(325)	394	34,657
(III) Profit appropriations											
1. Appropriations to surplus reserve	11	–	–	–	–	3,786	–	(3,786)	–	–	–
2. Appropriations to general reserve	11	–	–	–	–	–	9,014	(9,014)	–	–	–
3. Appropriations to shareholders		–	–	–	–	–	–	(7,018)	–	–	(7,018)
As at 31 December 2013		<u>46,787</u>	<u>49,214</u>	<u>289</u>	<u>(4,769)</u>	<u>15,495</u>	<u>44,340</u>	<u>76,690</u>	<u>(2,445)</u>	<u>5,124</u>	<u>230,725</u>
					Investment					Non-	
		Share capital	Share premium	Other reserve	Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	controlling interests	Total equity
As at 31 December 2011		46,787	49,214	277	214	8,691	20,825	50,622	(2,134)	4,285	178,781
Changes in accounting policy		–	–	18	–	–	–	(18)	–	–	–
As at 1 January 2012		46,787	49,214	295	214	8,691	20,825	50,604	(2,134)	4,285	178,781
Movements during the year											
(I) Net profit		–	–	–	–	–	–	31,032	–	353	31,385
(II) Other comprehensive income		–	–	(3)	(399)	–	–	–	14	92	(296)
Total comprehensive income		–	–	(3)	(399)	–	–	31,032	14	445	31,089
(III) Profit appropriations			–								
1. Appropriations to surplus reserve	11	–	–	–	–	3,018	–	(3,018)	–	–	–
2. Appropriations to general reserve	11	–	–	–	–	–	14,501	(14,501)	–	–	–
3. Appropriations to shareholders		–	–	–	–	–	–	(6,784)	–	–	(6,784)
As at 31 December 2012		<u>46,787</u>	<u>49,214</u>	<u>292</u>	<u>(185)</u>	<u>11,709</u>	<u>35,326</u>	<u>57,333</u>	<u>(2,120)</u>	<u>4,730</u>	<u>203,086</u>

China CITIC Bank Corporation Limited**Consolidated cash flow statement***For the year ended 31 December 2013**(Expressed in millions of Renminbi unless otherwise stated)*

	2013	2012
Operating activities		
Profit before tax	52,549	41,609
Adjustments for:		
– Revaluation (gain)/loss on investments, derivatives and investment properties	(92)	105
– Investment losses	121	20
– Net (gain)/loss on disposal of fixed assets, intangible assets and other assets	(12)	4
– Unrealised foreign exchange losses	427	60
– Impairment losses	11,940	13,104
– Depreciation and amortisation	1,790	1,517
– Interest expense on debt certificates issued	2,352	1,778
– Dividend income from equity investment	(27)	(15)
– Income tax paid	(13,956)	(13,788)
	55,092	44,394
Changes in operating assets and liabilities:		
Increase in balances with central bank	(65,422)	(58,577)
(Increase)/decrease in deposits with banks and non-bank financial institutions	(17,122)	25,608
Decrease/(increase) in placements with banks and non-bank financial institutions	7,204	(19,601)
Decrease/(increase) in financial assets at fair value through the profit or loss	5,465	(1,663)
(Increase)/decrease in financial assets held under resale agreements	(217,743)	93,129
Increase in loans and advances to customers	(288,623)	(228,474)
Increase in investment classified as receivables	(243,723)	(56,435)
Increase/(decrease) in deposits from banks and non-bank financial institutions	190,922	(165,427)
Increase in placements from banks and non-bank financial institutions	24,409	13,802
(Decrease)/increase in financial assets sold under repurchase agreements	(3,749)	1,437
Increase in deposits from customers	405,603	287,328
Increase in other operating assets	(5,403)	(1,499)
Increase in other operating liabilities	16,862	10,552
Net cash flows used in operating activities	(136,228)	(55,426)

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

For the year ended 31 December 2013

(Expressed in millions of Renminbi unless otherwise stated)

	2013	2012
Investing activities		
Proceeds from disposal and redemption of investments	478,354	547,608
Proceeds from disposal of fixed assets, land use rights, and other assets	130	4
Cash received from equity investment income	46	14
Payments on acquisition of investments	(483,562)	(645,390)
Payments on acquisition of fixed assets, land use rights and other assets	(5,292)	(3,588)
Net cash flows used in investing activities	(10,324)	(101,352)
Financing activities		
Cash received from debt certificates issued	30,394	35,365
Cash paid for redemption of debt certificates	(9,337)	(12,831)
Interest paid on debt certificates issued	(2,317)	(1,152)
Dividends paid	(7,018)	(6,784)
Net cash flows from financing activities	11,722	14,598
Net decrease in cash and cash equivalents	(134,830)	(142,180)
Cash and cash equivalents as at 1 January	336,828	479,083
Effect of exchange rate changes on cash and cash equivalents	(2,355)	(75)
Cash and cash equivalents as at 31 December	199,643	336,828
Cash flows from operating activities include:		
Interest received	160,865	135,635
Interest paid, excluding interest expense on debt certificates issued	(68,891)	(53,529)

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

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

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

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

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 RMB 1 each (“Rights Issue”), and completed the registration of the revised registered capital on 5 July 2012.

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

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:

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

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

2 Statement of compliance (continued)

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

The amendments to IAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this annual financial report has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 11, Joint arrangements

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

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

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards.

2 Statement of compliance (*continued*)

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and nonfinancial instruments. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Revised IAS 19, Employee benefits

Revised IAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised IAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised IAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised IAS 19, the Group has changed its accounting policy with respect to defined benefit plans. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012. Yet, it does not have any material impact on the Group's net profit and net assets for the current and previous year.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Since the Group considers that the restatement resulting from the adoption of revised IAS 19 does not have any material impact, no additional statement of financial position as at 1 January 2012 has been presented in these financial statements.

2 Statement of compliance (*continued*)

Amendments to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's annual financial statement because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

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 and Local education surcharges

Education surcharge and Local education surcharges are calculated as 3% and 2% of business tax respectively.

Income tax

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

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

4 Net interest income

	2013	2012
<i>Interest income arising from (note (i)):</i>		
Deposits with central banks	6,988	5,842
Deposits with banks and non-bank financial institutions	6,834	6,800
Placements with banks and non-bank financial institutions	5,458	7,158
Financial assets held under resale agreements	11,200	5,208
Investment classified as receivables	6,097	795
Loans and advances to customers		
– corporate loans	84,952	78,592
– personal loans	23,552	18,188
– discounted bills	4,497	5,589
Investments in debt securities (note (ii))	13,754	10,616
Others	3	22
	<u>163,335</u>	<u>138,810</u>
<i>Interest expense arising from:</i>		
Deposits from banks and non-bank financial institutions	(19,670)	(14,779)
Placements from banks and non-bank financial institutions	(943)	(242)
Financial assets sold under repurchase agreements	(467)	(537)
Deposits from customers	(54,213)	(45,947)
Trading financial liabilities	–	(41)
Debt certificates issued	(2,352)	(1,778)
Others	(2)	–
	<u>(77,647)</u>	<u>(63,324)</u>
Net interest income	<u>85,688</u>	<u>75,486</u>

Notes:

- (i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB 373 million for the year ended 31 December 2013 (2012: RMB 249 million).
- (ii) Interest income from investments in debt securities is mainly derived from unlisted investments.
- (iii) Interest income includes interest income arising from financial assets designated at fair value through profit and loss of RMB 302 million (2012: RMB 370 million); interest expense includes no interest expense arising from financial liabilities designated at fair value through profit and loss (2012: RMB 41 million).

5 Net fee and commission income

	2013	2012
Fee and commission income		
Consultancy and advisory fees	4,607	2,831
Bank card fees	5,626	3,820
Settlement fees	2,367	2,593
Commission for wealth management services	2,491	1,055
Agency fees and commission (<i>note(i)</i>)	1,242	967
Guarantee fees	1,183	435
Commission for custodian business and other fiduciary	776	483
Others	26	10
	<u>18,318</u>	<u>12,194</u>
Total	18,318	12,194
Fee and commission expense	(1,507)	(984)
	<u>(1,507)</u>	<u>(984)</u>
Net fee and commission income	16,811	11,210
	<u>16,811</u>	<u>11,210</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*

	2013	2012
Current tax		
– Mainland China	13,331	12,979
– Hong Kong	309	198
– Overseas	6	14
Deferred tax	(814)	(2,967)
	<u>12,832</u>	<u>10,224</u>
Income tax	12,832	10,224

6 Income tax (continued)

(b) Reconciliation between income tax expense and accounting profit

	2013	2012
Profit before tax	<u>52,549</u>	<u>41,609</u>
Income tax calculated at statutory tax rate	13,137	10,402
Effect of different tax rates in other regions	(184)	(112)
Tax effect of non-deductible expenses (Note (i))	490	474
Tax effect of non-taxable income		
– Interest income arising from PRC government bonds	(548)	(488)
– Others	<u>(63)</u>	<u>(52)</u>
Income tax	<u>12,832</u>	<u>10,224</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 2013 and 2012 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the year. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2013 and 2012.

	2013	2012
Net profit attributable to shareholders of the Bank	39,175	31,032
Weighted average number of shares (in million shares)	46,787	46,787
Basic and diluted earnings per share (in RMB)	<u>0.84</u>	<u>0.66</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(iii)), are held for trading. The held for trading classification includes those derivatives used for sales and trading activities and those used for risk management purposes but which do not meet the qualifying criteria for hedge accounting.

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

	The Group					
	2013			2012		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Hedging Instruments						
– Interest rate derivatives	8,021	210	59	6,450	470	3
Non-Hedging Instruments						
– Interest rate derivatives	199,677	1,294	1,257	217,323	799	899
– Currency derivatives	899,683	6,245	5,535	550,812	2,891	2,495
– Other derivatives	63,255	–	2	21,584	–	15
Total	<u>1,170,636</u>	<u>7,749</u>	<u>6,853</u>	<u>796,169</u>	<u>4,160</u>	<u>3,412</u>

	The Bank					
	2013			2012		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
– Interest rate derivatives	149,332	1,262	1,203	181,469	732	765
– Currency derivatives	631,215	4,604	4,415	357,286	1,933	1,897
– Other derivatives	63,255	–	2	21,584	–	15
Total	<u>843,802</u>	<u>5,866</u>	<u>5,620</u>	<u>560,339</u>	<u>2,665</u>	<u>2,677</u>

8 Derivatives (continued)

(i) Nominal amount analysed by remaining maturity

	The Group		The Bank	
	2013	2012	2013	2012
Within three months	488,429	307,371	366,048	220,054
Between three months and one year	419,440	321,598	335,325	269,131
Between one year and 5 years	257,786	163,907	142,325	71,004
Over five years	4,981	3,293	104	150
Total	<u>1,170,636</u>	<u>796,169</u>	<u>843,802</u>	<u>560,339</u>

(ii) Credit risk weighted amounts

	The Group	The Bank
	2013	2013
Default risk of counter party		
– Interest rate derivatives	766	500
– Currency derivatives	10,296	5,801
– Other derivatives	8,412	8,412
Credit Valuation Adjustment	<u>11,224</u>	<u>10,114</u>
Total	<u>30,698</u>	<u>24,827</u>

- (a) The credit risk weighted amount has been computed in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” promulgated by the CBRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.
- (b) As at 31 December 2012, the Group and Bank calculated the credit risk weighted amount of derivatives of RMB 10,516 million and 6,800 million respectively in accordance with “Regulations Governing Capital Adequacy of Commercial Banks” and other relevant regulations promulgated by the CBRC in the year of 2004. This regulation has been superseded since 1 January 2013.

8 Derivatives (*continued*)

(iii) *Fair value hedge*

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

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

9 Loans and advances to customers

(a) *Analysed by nature*

	<i>Note</i>	The Group		The Bank	
		2013	2012	2013	2012
Corporate loans					
– Loans		1,435,157	1,252,217	1,356,527	1,188,415
– Discounted bills		64,769	74,994	57,188	68,166
– Lease payments receivable		696	1,043	–	–
Subtotal		1,500,622	1,328,254	1,413,715	1,256,581
Personal loans					
– Residential mortgages		220,369	194,614	211,649	185,935
– Business loans		97,767	63,539	97,767	63,539
– Credit cards		86,494	54,165	86,243	53,930
– Others		35,923	22,329	30,470	16,640
Subtotal		440,553	334,647	426,129	320,044
Gross balance		1,941,175	1,662,901	1,839,844	1,576,625
Less:	<i>10</i>				
– Individual impairment allowances		(8,966)	(6,699)	(8,835)	(6,484)
– Collective impairment allowances		(32,288)	(28,626)	(32,026)	(28,393)
Net balance		1,899,921	1,627,576	1,798,983	1,541,748

9 Loans and advances to customers (*continued*)

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

The Group

	2013				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances <i>(note (i))</i>		Total	Gross impaired loans and advances as a % of gross total loans and advances
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross loans and advances	1,921,209	3,552	16,414	1,941,175	1.03%
Less: Impairment allowances against loans and advances	(29,632)	(2,656)	(8,966)	(41,254)	
Net loans and advances	1,891,577	896	7,448	1,899,921	
	2012				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances <i>(note (i))</i>		Total	Gross impaired loans and advances as a % of gross total loans and advances
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross loans and advances	1,650,646	1,296	10,959	1,662,901	0.74%
Less: Impairment allowances against loans and advances	(27,643)	(983)	(6,699)	(35,325)	
Net loans and advances	1,623,003	313	4,260	1,627,576	

9 Loans and advances to customers (*continued*)

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

The Bank

	2013				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>)		Total	
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross loans and advances	1,820,205	3,548	16,091	1,839,844	1.07%
Less: Impairment allowances against loans and advances	(29,373)	(2,653)	(8,835)	(40,861)	
Net loans and advances	<u>1,790,832</u>	<u>895</u>	<u>7,256</u>	<u>1,798,983</u>	
	2012				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>)		Total	
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross loans and advances	1,564,756	1,273	10,596	1,576,625	0.75%
Less: Impairment allowances against loans and advances	(27,411)	(982)	(6,484)	(34,877)	
Net loans and advances	<u>1,537,345</u>	<u>291</u>	<u>4,112</u>	<u>1,541,748</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 2013, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB 16,414 million (2012: RMB 10,959 million). The covered portion and uncovered portion of these loans and advances were RMB 4,005 million (2012: RMB 3,052 million) and RMB 12,409 million (2012: RMB 7,907 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 7,819 million (2012: RMB 3,295 million). The individual impairment allowances made against these loans and advances were RMB 8,966 million (2012: RMB 6,699 million).

As at 31 December 2013, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB 16,091 million (2012: RMB 10,596 million). The covered portion and uncovered portion of these loans and advances were RMB 3,841 million (2012: RMB 2,850 million) and RMB 12,250 million (2012: RMB 7,746 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 7,579 million (2012: RMB 3,014 million). The individual impairment allowances made against these loans and advances were RMB 8,835 million (2012: RMB 6,484 million).

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

9 Loans and advances to customers (*continued*)

(c) *Movements of allowances for impairment losses*

The Group

	2013			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances		Total
		for which allowances are collectively assessed	for which allowances are individually assessed	
As at 1 January	27,643	983	6,699	35,325
Charge for the year				
– new impairment allowances charged to profit or loss	1,989	2,570	11,175	15,734
– impairment allowances released to profit or loss	–	(42)	(4,365)	(4,407)
Unwinding of discount	–	–	(275)	(275)
Transfers in/(out)	–	–	(42)	(42)
Write-offs	–	(897)	(4,408)	(5,305)
Recoveries of loans and advances previously written off	–	42	182	224
As at 31 December	29,632	2,656	8,966	41,254
	2012			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances		Total
		for which allowances are collectively assessed	for which allowances are individually assessed	
As at 1 January	18,547	752	3,959	23,258
Charge for the year				
– new impairment allowances charged to profit or loss	9,096	415	4,244	13,755
– impairment allowances released to profit or loss	–	(56)	(895)	(951)
Unwinding of discount	–	–	(206)	(206)
Transfers in/(out)	–	–	(54)	(54)
Write-offs	–	(184)	(558)	(742)
Recoveries of loans and advances previously written off	–	56	209	265
As at 31 December	27,643	983	6,699	35,325

9 Loans and advances to customers (*continued*)

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

The Bank

	2013			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances		
		for which allowances are collectively assessed	for which allowances are individually assessed	Total
As at 1 January	27,411	982	6,484	34,877
Charge for the year				
– new impairment allowances charged to profit or loss	1,962	2,553	11,097	15,612
– impairment allowances released to profit or loss	–	(38)	(4,329)	(4,367)
Unwinding of discount	–	–	(271)	(271)
Transfer in/(out)	–	–	(30)	(30)
Write-offs	–	(882)	(4,287)	(5,169)
Recoveries of loans and advances previously written off	–	38	171	209
As at 31 December	29,373	2,653	8,835	40,861
	2012			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances		
		for which allowances are collectively assessed	for which allowances are individually assessed	Total
As at 1 January	18,266	752	3,800	22,818
Charge for the year				
– new impairment allowances charged to profit or loss	9,145	407	4,091	13,643
– impairment allowances released to profit or loss	–	(51)	(859)	(910)
Unwinding of discount	–	–	(202)	(202)
Transfer in/(out)	–	–	(54)	(54)
Write-offs	–	(177)	(482)	(659)
Recoveries of loans and advances previously written off	–	51	190	241
As at 31 December	27,411	982	6,484	34,877

9 Loans and advances to customers (*continued*)

(d) *Overdue loans analysed by overdue period*

The Group

	2013				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	2,492	1,739	1,169	674	6,074
Guaranteed loans	3,774	4,572	1,978	499	10,823
Loans with pledged assets					
– Loans secured by tangible assets	7,803	4,873	2,506	587	15,769
– Loans secured by monetary assets	1,355	975	508	85	2,923
Total	<u>15,424</u>	<u>12,159</u>	<u>6,161</u>	<u>1,845</u>	<u>35,589</u>
	2012				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	2,210	1,083	483	668	4,444
Guaranteed loans	2,525	1,103	341	1,070	5,039
Loans with pledged assets					
– Loans secured by tangible assets	5,467	2,774	693	862	9,796
– Loans secured by monetary assets	1,501	432	253	20	2,206
Total	<u>11,703</u>	<u>5,392</u>	<u>1,770</u>	<u>2,620</u>	<u>21,485</u>

9 Loans and advances to customers (*continued*)

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

The Bank

	2013				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	2,303	1,736	1,169	674	5,882
Guaranteed loans	3,698	4,480	1,973	486	10,637
Loans with pledged assets					
– Loans secured by tangible assets	7,182	4,831	2,454	507	14,974
– Loans secured by monetary assets	1,341	970	508	85	2,904
Total	<u>14,524</u>	<u>12,017</u>	<u>6,104</u>	<u>1,752</u>	<u>34,397</u>
	2012				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	2,151	1,082	483	650	4,366
Guaranteed loans	2,514	1,097	327	1,060	4,998
Loans with pledged assets					
– Loans secured by tangible assets	5,135	2,716	602	861	9,314
– Loans secured by monetary assets	1,497	432	109	20	2,058
Total	<u>11,297</u>	<u>5,327</u>	<u>1,521</u>	<u>2,591</u>	<u>20,736</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, CIFH, which include net investment in machines and equipment leased to customers under finance leases and hire purchase contracts having the characteristics of finance leases. These contracts usually run for an initial period of 5 to 20 years, with an option for acquiring the leased asset at nominal value. The total minimum lease payments receivable under finance leases and hire purchase contracts and their present values are as follows:

	The Group			
	2013		2012	
	Present value of minimum leases receivables	Minimum leases receivables	Present value of minimum leases receivables	Minimum leases receivable
Within 1 year (including 1 year)	138	158	187	216
1 year to 2 years (including 2 years)	90	102	119	137
2 years to 3 years (including 3 years)	47	55	67	81
Over 3 years	421	484	670	782
	<u>696</u>	<u>799</u>	<u>1,043</u>	<u>1,216</u>
Less:				
– Individual impairment allowances	(3)		–	
– Collective impairment allowances	<u>–</u>		<u>–</u>	
Net balance	<u>693</u>		<u>1,043</u>	

10 Movements of allowances for impairment losses

The Group

		2013				
		As at	Charge for	Reversal	Transfer	As at 31
	Note	1 January	the year	for the	in/(out)	December
				year		
Deposit with banks and non-bank financial institutions		-	-	-	-	-
Placements with banks and non-bank financial institutions		8	7	-	-	15
Financial assets held under resale agreements		-	-	-	-	-
Interest receivable		242	702	(83)	(59)	688
Loans and advances to customers	9	35,325	15,734	(4,407)	(93)	41,254
Available-for-sale financial assets		149	29	(18)	(3)	157
Held-to-maturity investments		130	-	(85)	3	48
Investment classified as receivables		-	-	-	-	-
Reposessed assets		167	7	(23)	(7)	105
Other assets		647	68	(34)	(11)	645
Gross balance		<u>36,668</u>	<u>16,547</u>	<u>(4,650)</u>	<u>(170)</u>	<u>42,912</u>
2012						
		As at	Charge for	Reversal	Transfer	As at 31
	Note	1 January	the year	for the	in/(out)	December
				year		
Deposit with banks and non-bank financial institutions		-	-	-	-	-
Placements with banks and non-bank financial institutions		8	-	(5)	5	8
Financial assets held under resale agreements		-	-	-	-	-
Interest receivable		56	231	(31)	-	242
Loans and advances to customers	9	23,258	13,755	(951)	5	35,325
Available-for-sale financial assets		303	6	(16)	(144)	149
Held-to-maturity investments		137	-	(6)	(1)	130
Investment classified as receivables		-	-	-	-	-
Reposessed assets		161	39	(38)	14	167
Other assets		700	22	(33)	2	647
Gross balance		<u>24,623</u>	<u>14,053</u>	<u>(1,080)</u>	<u>(119)</u>	<u>36,668</u>

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

The Bank

		2013				
		As at	Charge for	Reversal	Transfer	As at 31
	Note	1 January	the year	for the	in/(out)	December
				year		
Deposit with banks and non-bank financial institutions		-	-	-	-	-
Placements with banks and non-bank financial institutions		8	7	-	-	15
Financial assets held under resale agreements		-	-	-	-	-
Interest receivable		242	702	(83)	(59)	688
Loans and advances to customers	9	34,877	15,612	(4,367)	(92)	40,861
Available-for-sale financial assets		144	-	(18)	(2)	124
Held-to-maturity investments		130	-	(85)	3	48
Investment classified as receivables		-	-	-	-	-
Repossessed assets		167	7	(23)	(7)	105
Other assets		646	68	(34)	(11)	644
Gross balance		<u>36,214</u>	<u>16,396</u>	<u>(4,610)</u>	<u>(168)</u>	<u>42,485</u>
2012						
		As at	Charge for	Reversal	Transfer	As at 31
	Note	1 January	the year	for the	in/(out)	December
				year		
Deposit with banks and non-bank financial institutions		-	-	-	-	-
Placements with banks and non-bank financial institutions		8	-	(5)	5	8
Financial assets held under resale agreements		-	-	-	-	-
Interest receivable		56	231	(31)	-	242
Loans and advances to customers	9	22,818	13,643	(910)	(15)	34,877
Available-for-sale financial assets		159	-	(16)	1	144
Held-to-maturity investments		137	-	(6)	(1)	130
Investment classified as receivables		-	-	-	-	-
Repossessed assets		161	39	(38)	14	167
Other assets		697	15	(33)	2	646
Gross balance		<u>24,036</u>	<u>13,928</u>	<u>(1,039)</u>	<u>6</u>	<u>36,214</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 and retained earnings

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

	The Group		The Bank	
	2013	2012	2013	2012
Appropriations to				
– Statutory surplus reserve fund	3,786	3,018	3,786	3,018
– General reserve	9,014	14,501	9,000	14,500
As at 31 December	<u>12,800</u>	<u>17,519</u>	<u>12,786</u>	<u>17,518</u>

In accordance with the approval from the Board of Directors dated 27 March 2014, the Bank appropriated RMB 3,786 million to statutory surplus reserve fund and RMB 9,000 million to general reserve for the year of 2013. The Group's subsidiary CBI (China) and Lin'an rural bank made an appropriation to general reserve in accordance with relevant regulatory requirements.

- (b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 28 May 2013, a total amount of approximately RMB 7,018 million (RMB 150 cents per 10 shares) were distributed in the form of cash dividend to the Bank's shareholders on 24 July 2013.
- (c) On 27 March 2014, the Board of Directors proposed a cash dividend of RMB 252 cents per 10 shares in respect of the year ended 31 December 2013. Subject to the approval of the shareholders at the Annual General Meeting, the total amount of approximately RMB 11,790 million is payable to those on the register of shareholders as at the relevant record date. This proposal was deemed as a non-adjusting event after the reporting period and has not been recognised as liability at the reporting date.
- (d) As at 31 December 2013, the retained earnings included the statutory surplus reserve of RMB 34 million contributed by the subsidiaries and attributable to the Bank (31 December 2012: RMB 28 million), of which RMB 6 million (2012: RMB 10 million) was the appropriation made by the subsidiaries for the year ended 31 December 2013. The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.

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	
	2013	2012	2013	2012
Contractual amount				
Loan commitments				
– with an original maturity of within one year	86,470	100,858	37,076	67,499
– with an original maturity of one year or beyond	50,861	14,388	50,063	12,679
Subtotal	137,331	115,246	87,139	80,178
Guarantees	114,950	89,554	109,999	86,140
Letters of credit	199,762	166,268	191,454	162,004
Acceptances	695,944	666,007	692,522	664,502
Credit card commitments	95,217	80,452	89,589	74,906
Total	1,243,204	1,117,527	1,170,703	1,067,730

12 Commitments and contingent liabilities (continued)

(b) Credit commitments analysed by credit risk weighted amount

	The Group 2013	The Bank 2013
Credit risk weighted amount of contingent liabilities and commitments	<u>428,172</u>	<u>423,022</u>

- (i) The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.
- (ii) The Group and Bank's credit risk weighted amount as at 31 December 2012 which was calculated based on the rules of "Regulations Governing Capital Adequacy of Commercial Banks" was RMB 414,221 million and 410,520 million respectively. This rule has been superceded since 1 January 2013.

(c) Capital commitments

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

	The Group 2013	2012	The Bank 2013	2012
– Contracted for	2,715	612	2,695	582
– Authorized but not contracted for	<u>12</u>	<u>69</u>	<u>12</u>	<u>69</u>

(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 2013	2012	The Bank 2013	2012
Within one year	2,733	1,935	2,536	1,760
After one year but within two years	2,534	1,786	2,353	1,625
After two years but within three years	2,235	1,656	2,086	1,509
After three years but within five years	3,682	2,236	3,447	2,002
After five years	<u>3,591</u>	<u>2,384</u>	<u>3,328</u>	<u>2,051</u>
Total	<u>14,775</u>	<u>9,997</u>	<u>13,750</u>	<u>8,947</u>

12 Commitments and contingent liabilities (continued)

(e) *Outstanding litigations and disputes*

As at 31 December 2013, the Group was the defendant in certain pending litigations with gross claims of RMB 358 million (2012: RMB 227 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB 71 million (2013: RMB 93 million). The Group believes that these accruals are reasonable and adequate.

(f) *Bonds redemption obligations*

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

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

	The Group and the Bank	
	2013	2012
Bonds redemption obligations	<u>3,792</u>	<u>4,525</u>

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

(g) *Provision against commitments and contingent liabilities*

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

13 Segment reporting

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

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

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

(a) *Business segments*

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

Corporate banking

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

Personal banking

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise personal loans, deposit services and securities agency services, as well as loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services provided to small enterprises.

Treasury business

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

13 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated

These represent the non-banking business provided by the Group's subsidiaries, CIFH and CIFL, head office assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

Changes in disclosure of segment results and assets and liabilities in 2013

The Group has further optimized the resource allocation at Group level during the reporting period, reclassifying the Group's small enterprises business as part of "Personal banking", rather than "Corporate banking"; the disclosure of business segment has been changed accordingly. The 2012 comparative figures have not been restated as it is impractical.

The segment information as at 31 December 2013 has been presented using the new method as below:

			2013		
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	48,860	16,544	20,516	(232)	85,688
Internal net interest income/(expense)	8,899	(2,930)	(9,150)	3,181	–
Net interest income	57,759	13,614	11,366	2,949	85,688
Net fee and commission income/(expense)	9,242	6,758	912	(101)	16,811
Other net income (note 1)	1,115	98	906	195	2,314
Operating income	68,116	20,470	13,184	3,043	104,813
Operating expenses					
– depreciation and amortization	(563)	(840)	(81)	(306)	(1,790)
– others	(22,418)	(14,988)	(826)	(413)	(38,645)
Impairment (losses)/reversal	(8,461)	(2,910)	48	(617)	(11,940)
Revaluation gain on investment					
Properties	–	–	–	2	2
Share of gains of associates	–	–	–	109	109
Profit before tax	36,674	1,732	12,325	1,818	52,549
Capital expenditure	1,214	1,817	112	734	3,877

13 Segment reporting (continued)

(a) Business segments (continued)

	31 December 2013				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
Segment assets	1,807,500	595,217	1,205,461	22,405	3,630,583
Investment in associates	–	–	–	2,176	2,176
Deferred tax assets					8,434
Total asset					3,641,193
Segment liabilities	2,166,599	537,464	632,934	73,471	3,410,468
Deferred tax liabilities					–
Total liabilities					3,410,468
Off-balance sheet credit commitments	1,147,987	95,217	–	–	1,243,204
	2012				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
External net interest income	48,409	11,778	15,299	–	75,486
Internal net interest income/(expense)	7,208	(1,157)	(6,070)	19	–
Net interest income	55,617	10,621	9,229	19	75,486
Net fee and commission income/(expense)	6,595	4,502	117	(4)	11,210
Other net income (note 1)	978	105	1,651	281	3,015
Operating income	63,190	15,228	10,997	296	89,711
Operating expenses					
– depreciation and amortization	(752)	(661)	(74)	(30)	(1,517)
– others	(19,897)	(11,091)	(1,141)	(1,333)	(33,462)
Impairment losses	(10,440)	(2,086)	(403)	(175)	(13,104)
Revaluation gain on investment properties	–	–	–	62	62
Share of losses of associates	–	–	–	(59)	(59)
Losses of deemed disposal of associates	–	–	–	(22)	(22)
Profit/(loss) before tax	32,101	1,390	9,379	(1,261)	41,609
Capital expenditure	1,426	1,073	112	22	2,633

13 Segment reporting (continued)

(a) Business segments (continued)

	31 December 2012				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	1,626,232	418,449	904,886	2,147	2,951,714
Investment in associates	–	–	–	2,134	2,134
Deferred tax assets					<u>6,091</u>
Total asset					<u><u>2,959,939</u></u>
Segment liabilities	1,856,062	419,089	484,134	(2,432)	2,756,853
Deferred tax liabilities					<u>–</u>
Total liabilities					<u><u>2,756,853</u></u>
Off-balance sheet credit commitments	<u>1,037,076</u>	<u>80,451</u>	<u>–</u>	<u>–</u>	<u><u>1,117,527</u></u>

Note 1: Other net income consists of net trading gain, net (loss)/gain from investment securities, net hedging gain and other operating income.

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 30 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are registered and operating in Hong Kong. Another subsidiary, Lin'an Rural Bank is registered in Mainland China.

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

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

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

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, Lanzhou, Xining and Yinchuan;
- “Northeastern” region refers to the following areas where tier-1 branch of the Group is located: Shenyang, Changchun and Harbin;
- “Head Office” refers to the headquarter of the Bank and the Credit Card Center; and
- “Hong Kong” includes all the operations of CIFL, CIFH and its subsidiaries.

13 Segment reporting (continued)

(b) Geographical segments (continued)

	2013									Total
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	
External net interest income	14,062	10,401	11,592	9,089	10,841	2,310	25,297	2,096	-	85,688
Internal net interest income/(expense)	3,947	1,132	5,662	2,879	28	160	(14,399)	591	-	-
Net interest income	18,009	11,533	17,254	11,968	10,869	2,470	10,898	2,687	-	85,688
Net fee and commission income	2,918	1,490	2,852	1,793	1,665	435	5,093	565	-	16,811
Other net income/(losses) (note 1)	553	273	585	182	113	34	(128)	702	-	2,314
Operating income	21,480	13,296	20,691	13,943	12,647	2,939	15,863	3,954	-	104,813
Operating expense										
– depreciation and amortisation	(314)	(183)	(357)	(206)	(202)	(54)	(336)	(138)	-	(1,790)
– others	(8,400)	(5,128)	(7,420)	(5,131)	(4,601)	(1,151)	(5,084)	(1,730)	-	(38,645)
Impairment (losses)/reversal	(7,855)	(1,069)	(1,440)	(617)	(761)	(166)	64	(96)	-	(11,940)
Revaluation gain on investment properties	-	-	-	-	-	-	-	2	-	2
Share of profit of associates	-	-	-	-	-	-	-	109	-	109
Profit before tax	4,911	6,916	11,474	7,989	7,083	1,568	10,507	2,101	-	52,549
Capital expenditure	256	924	277	390	760	55	1,074	141	-	3,877
31 December 2013										
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	771,024	549,279	851,490	455,064	446,164	99,848	1,114,858	168,881	(826,025)	3,630,583
Interests in associates								2,176		2,176
Deferred tax assets										8,434
Total assets										3,641,193
Segment liabilities	767,235	542,146	839,582	447,303	438,613	97,957	949,745	153,933	(826,046)	3,410,468
Deferred tax liabilities										-
Total liabilities										3,410,468
Off-balance sheet credit commitment	296,680	162,977	280,094	184,939	131,909	24,515	89,589	72,501	-	1,243,204

13 Segment reporting (continued)

(b) Geographical segments (continued)

2012										
	Pearl River Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	14,505	8,533	12,079	8,344	8,840	2,427	18,873	1,885	-	75,486
Internal net interest income/(expense)	3,786	1,737	4,489	2,087	396	(101)	(12,394)	-	-	-
Net interest income	18,291	10,270	16,568	10,431	9,236	2,326	6,479	1,885	-	75,486
Net fee and commission income	2,222	905	2,015	1,172	920	248	3,200	528	-	11,210
Other net income (note 1)	493	230	546	130	91	42	764	719	-	3,015
Operating income	21,006	11,405	19,129	11,733	10,247	2,616	10,443	3,132	-	89,711
Operating expense										
- depreciation and amortisation	(290)	(155)	(293)	(167)	(163)	(45)	(322)	(82)	-	(1,517)
- others	(7,689)	(4,319)	(6,764)	(4,354)	(3,801)	(965)	(3,991)	(1,579)	-	(33,462)
Impairment (losses)/reversal	(4,737)	(2,772)	(2,267)	(1,605)	(1,341)	(319)	16	(79)	-	(13,104)
Revaluation gain on investment properties	-	-	-	-	-	-	-	62	-	62
Share of losses of associates	-	-	-	-	-	-	-	(59)	-	(59)
Losses of deemed disposal of associates	-	-	-	-	-	-	-	(22)	-	(22)
Profit before tax	8,290	4,159	9,805	5,607	4,942	1,287	6,146	1,373	-	41,609
Capital expenditure	230	100	845	169	798	29	358	104	-	2,633

31 December 2012										
	Pearl River Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	720,231	438,698	727,706	351,283	356,213	77,278	962,733	144,134	(826,562)	2,951,714
Interests in associates	-	-	-	-	-	-	-	2,134	-	2,134
Deferred tax assets										6,091
Total assets										2,959,939
Segment liabilities	709,635	431,981	715,812	344,631	349,718	75,502	825,654	130,482	(826,562)	2,756,853
Deferred tax liabilities										-
Total liabilities										2,756,853
Off-balance sheet credit commitment	283,996	139,730	247,185	170,851	121,042	30,020	74,906	49,797	-	1,117,527

Note 1: Other net income consists of net trading gain, net (loss)/gain from investment securities, net hedging gain and other operating income.

14 Ultimate parent

CITIC Group restructured in 2011 and thereafter the Bank' immediate parent is CITIC Limited and its ultimate parent is CITIC Group.

15 Events after the reporting date

Pursuant to the Approval Regarding the PBOC and National Development and Reform Commission, the Group has issued bonds with an interest rate of 4.125% per annum and a face value of RMB 1,500 million outside the mainland China on 20 February 2014. All of the bonds are listed on HKEX and will be mature on 27 February 2017.

DEFINITIONS

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
Board of Directors	Board of directors of the Bank
Board of Supervisors	Board of supervisors of the Bank
Central Bank/PBC	The People's Bank of China
CBRC	China Banking Regulatory Commission
China AMC	China Asset Management Co., Ltd.
China Securities	China Securities Co., Ltd.
CIAM	CITIC International Assets Management Limited
CIAM Group	CIAM Group Limited
CIFL	China Investment and Finance Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Asset Management	CITIC Asset Management Corporation Ltd.
CITIC Capital	CITIC Capital Holdings Limited
CITIC Group	CITIC Group Corporation, formerly known as CITIC Group which was renamed as CITIC Group Corporation on 27 December 2011 after restructuring
CITIC Holdings	CITIC Holdings Company Limited

CITIC Kingview	CITIC Kingview Capital Management Co., Ltd.
CITIC Limited	CITIC Limited
CITIC Pacific	CITIC Pacific Limited
CITIC-Prudential Insurance	CITIC-Prudential Life Insurance Company Ltd.
CITIC Real 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 Trust	CITIC Trust Co., Ltd.
China UnionPay	China UnionPay Company Limited
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
CNCBI	China CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
Commercial Banks Law	Law of the People’s Republic of China on Commercial Banks
Company Law	Company Law of the People’s Republic of China
CSRC	China Securities Regulatory Commission
GIL	Gloryshare Investments Limited
Group	China CITIC Bank Corporation Limited and its subsidiaries
IFRS	International Financial Reporting Standards
Joint-stock Banks	Including China CITIC Bank, China Merchants Bank, Minsheng Bank, Industrial Bank, Pudong Development Bank, China Everbright Bank, Huaxia Bank, Ping’an Bank and Guangdong Development Bank
Lin’an CITIC Rural Bank	Zhejiang Lin’an CITIC Rural Bank
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

KPMG Huazhen	KPMG Huazhen Certified Public Accountants (Special General Partnership)
MOF	Ministry of Finance of the People's Republic of China
MOST	The Ministry of Science and Technology of the People's Republic of China
NSSF	National Council for Social Security Fund
reporting period	The year ended 31 December 2013
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China
Tencent	Tencent Holding Limited
Tianan Insurance	Tianan Insurance Co., Ltd.

By order of the Board of
China CITIC Bank Corporation Limited
Chang Zhenming
Chairman

Beijing, the PRC

27 March 2014

As at the date of this Announcement, the executive director of the Bank are Dr. Zhu Xiaohuang and Mr. Sun Deshun; the non-executive directors are Mr. Chang Zhenming, Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Ms. Li Qingping, Mr. Guo Ketong, Mr. Zhang Xiaowei and Mr. Gonzalo José Toraño Vallina; and the independent non-executive directors are Mr. Li Zheping, Dr. Xing Tiancai, Ms. Liu Shulan, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew.