



# BUILDS MODERN LIVING

ANNUAL REPORT 2013

# BUILDS MODERN LIVING

China Construction Bank Corporation, established in October 1954 and headquartered in Beijing, is a leading large-scale joint stock commercial bank in Mainland China with world-renowned reputation. The Bank was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and listed on the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2013, the Bank's market capitalisation reached US\$187.8 billion, ranking 5th among listed banks in the world.

With 14,650 branches and sub-branches in Mainland China, the Bank provides services to 3,065,400 corporate customers and 291 million personal customers, and maintains close cooperative relationships with a significant number of high-end customers and leading enterprises of strategic industries in the Chinese economy. The Bank maintains overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Osaka, Seoul, New York, Ho Chi Minh City, Sydney, Melbourne, Taipei and Luxembourg, and owns various subsidiaries, such as CCB Asia, CCB International, CCB London, CCB Russia, CCB Dubai, CCB Europe, CCB Principal Asset Management, CCB Financial Leasing, CCB Trust and CCB Life.

The Bank upholds its "customer-centric, market-oriented" business concept, adheres to its development strategy of "integration, multifunction and intensiveness", and strives to provide customers with premium and all-round modern financial services by accelerating innovation of products, channels and service modes. With a number of core business indicators leading the market, the Bank vigorously promotes the development of emerging businesses including electronic banking, private banking, credit cards, cash management, and pension, while maintaining its traditional businesses advantages in infrastructure and housing finance. The Bank constantly optimises business and management processes, and increases investments in the construction of fundamentals like information systems, aiming to enhance its capability of risk prevention and market competitiveness.

The Bank advocates fulfilment of citizen responsibilities as its corporate mission and pro-actively combines business development with undertaking of social responsibilities, dedicated to building a bank with sustainable development that serves the general public, improves people's livelihood, promotes low carbon and environmental protection.



For further information please visit  
[www.ccb.com](http://www.ccb.com)

On cover (from left to right):

- Shi Guoqiang** Client Relationship Manager of Shandong Branch and Winner of China's Top 10 Youth Models in Financial Posts
- Xu Qiang** Staff of Credit Card Center
- Li Mingxiang** Client Relationship Manager of Beijing Branch and Winner of China's Top 10 Youth Models in Financial Services
- Zou Xinju** Investor Relations Manager, Head Office

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# GROUP OVERVIEW

## GLOBAL REACH



- Corporate banking ..... 52.16%
- Personal banking ..... 23.10%
- Treasury business ..... 24.70%
- Others ..... 0.04%

- Yangtze River Delta ..... 13.14%
- Pearl River Delta..... 13.75%
- Bohai Rim..... 16.10%
- Central..... 15.08%
- Western ..... 16.57%
- Northeastern ..... 5.57%
- Head office..... 18.40%
- Overseas ..... 1.39%



## CORPORATE BANKING

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

profit before tax for the segment

RMB 145,939M



## PERSONAL BANKING

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

profit before tax for the segment

RMB 64,635M





## || TREASURY BUSINESS

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

profit before tax for the segment

RMB 69,107M



## ★ OVERSEAS BUSINESS AND SUBSIDIARIES

This segment represents the revenues, results, assets and liabilities of overseas branches and subsidiaries.

profit before tax for the segment

RMB 125M



## FINANCIAL HIGHLIGHTS

The financial information set forth in this annual report is prepared on a consolidated basis in accordance with the IFRS, and expressed in RMB unless otherwise stated.

| (Expressed in millions of RMB unless otherwise stated)       | 2013       | 2012       | Change (%) | 2011       | 2010       | 2009      |
|--|------------|------------|------------|------------|------------|-----------|
| <b>For the year</b>  |            |            |            |            |            |           |
| Net interest income  | 389,544    | 353,202    | 10.29      | 304,572    | 251,500    | 211,885   |
| Net fee and commission income                                | 104,283    | 93,507     | 11.52      | 86,994     | 66,132     | 48,059    |
| Other operating income                                       | 17,313     | 15,824     | 9.41       | 7,837      | 8,148      | 9,370     |
| Operating income   | 511,140    | 462,533    | 10.51      | 399,403    | 325,780    | 269,314   |
| Operating expenses   | (188,185)  | (171,081)  | 10.00      | (144,537)  | (121,366)  | (105,146) |
| Impairment losses  | (43,209)   | (40,041)   | 7.91       | (35,783)   | (29,292)   | (25,460)  |
| Profit before tax  | 279,806    | 251,439    | 11.28      | 219,107    | 175,156    | 138,725   |
| Net profit   | 215,122    | 193,602    | 11.12      | 169,439    | 135,031    | 106,836   |
| Net profit attributable to equity shareholders of the Bank   | 214,657    | 193,179    | 11.12      | 169,258    | 134,844    | 106,756   |
| <b>As at 31 December</b>                                     |            |            |            |            |            |           |
| Gross loans and advances to customers                        | 8,590,057  | 7,512,312  | 14.35      | 6,496,411  | 5,669,128  | 4,819,773 |
| Allowances for impairment losses on loans                    | (228,696)  | (202,433)  | 12.97      | (171,217)  | (143,102)  | (126,826) |
| Total assets   | 15,363,210 | 13,972,828 | 9.95       | 12,281,834 | 10,810,317 | 9,623,355 |
| Deposits from customers                                      | 12,223,037 | 11,343,079 | 7.76       | 9,987,450  | 9,075,369  | 8,001,323 |
| Total liabilities  | 14,288,881 | 13,023,283 | 9.72       | 11,465,174 | 10,109,157 | 9,064,315 |
| Total equity attributable to equity shareholders of the Bank | 1,065,951  | 941,668    | 13.20      | 811,140    | 697,047    | 555,495   |
| Qualifying common share capital                              | 250,011    | 250,011    | –          | 250,011    | 250,011    | 233,689   |
| Total capital after deductions <sup>1</sup>                  | 1,316,724  | 1,093,365  | N/A        | 924,505    | 762,704    | 608,253   |
| Risk-weighted assets <sup>1</sup>                            | 9,872,790  | 7,637,705  | N/A        | 6,760,117  | 6,015,329  | 5,197,545 |
| <b>Per share (In RMB)</b>                                    |            |            |            |            |            |           |
| Basic and diluted earnings per share                         | 0.86       | 0.77       | 11.69      | 0.68       | 0.56       | 0.45      |
| Final cash dividend proposed after the reporting period      | 0.30       | 0.268      | 11.94      | 0.2365     | 0.2122     | 0.202     |
| Net assets per share   | 4.30       | 3.80       | 13.16      | 3.27       | 2.80       | 2.39      |

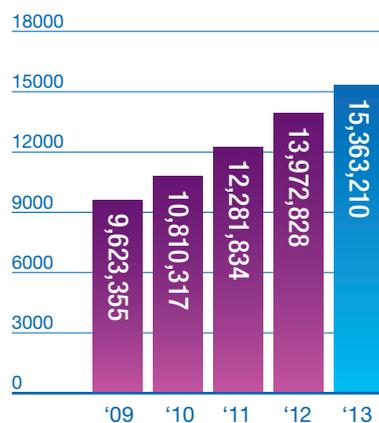
- At the end of 2013, capital adequacy ratio was calculated in accordance with the *Measures for Capital Management of Commercial Banks (Trial)* promulgated by the CBRC in June 2012. From 2009 to the end of 2012, capital adequacy ratio was calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks* and the relevant regulations issued by the CBRC.
- Accounting Standards for Business Enterprises No.9 – Employee Benefit* was promulgated by the MOF in January 2014. Considering constantly insignificant differences between PRC GAAP and IFRS, the Group early adopted such standard in 2013 and made retrospective adjustments to the comparative figures. For more information, please refer to Note "Significant Accounting Policies and Accounting Estimates" in the "Financial Statements".

| Financial ratios (%)                              | 2013   | 2012   | Change +/- | 2011   | 2010   | 2009   |
|---|--------|--------|------------|--------|--------|--------|
| <b>Profitability indicators</b>                   |        |        |            |        |        |        |
| Return on average assets <sup>1</sup>             | 1.47   | 1.47   | –          | 1.47   | 1.32   | 1.24   |
| Return on average equity                          | 21.23  | 21.98  | (0.75)     | 22.51  | 22.61  | 20.87  |
| Net interest spread                               | 2.56   | 2.58   | (0.02)     | 2.57   | 2.40   | 2.30   |
| Net interest margin                               | 2.74   | 2.75   | (0.01)     | 2.70   | 2.49   | 2.41   |
| Net fee and commission income to operating income | 20.40  | 20.22  | 0.18       | 21.78  | 20.30  | 17.84  |
| Cost-to-income ratio <sup>2</sup>                 | 29.65  | 29.60  | 0.05       | 29.93  | 31.55  | 33.05  |
| Loan-to-deposit ratio                             | 70.28  | 66.23  | 4.05       | 65.05  | 62.47  | 60.24  |
| <b>Capital adequacy indicators</b>                |        |        |            |        |        |        |
| Common Equity Tier 1 ratio <sup>3, 4</sup>        | 10.75  | 11.32  | N/A        | 10.97  | 10.40  | 9.31   |
| Total capital ratio <sup>3</sup>                  | 13.34  | 14.32  | N/A        | 13.68  | 12.68  | 11.70  |
| Total equity to total assets                      | 6.99   | 6.80   | 0.19       | 6.65   | 6.49   | 5.81   |
| <b>Asset quality indicators</b>                   |        |        |            |        |        |        |
| Non-performing loan ratio                         | 0.99   | 0.99   | –          | 1.09   | 1.14   | 1.50   |
| Allowances to non-performing loans                | 268.22 | 271.29 | (3.07)     | 241.44 | 221.14 | 175.77 |
| Allowances to total loans                         | 2.66   | 2.69   | (0.03)     | 2.64   | 2.52   | 2.63   |

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year.
2. Operating expenses (after deductions of business taxes and surcharges and other business costs) divided by operating income (after deduction of other business costs).
3. At the end of 2013, capital adequacy ratio was calculated in accordance with the *Measures for Capital Management of Commercial Banks (Trial)* promulgated by the CBRC in June 2012. From 2009 to the end of 2012, capital adequacy ratio was calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks* and the relevant regulations issued by the CBRC.
4. From 2009 to the end of 2012, Common Equity Tier 1 ratio listed is calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks* and the relevant regulations issued by the CBRC.

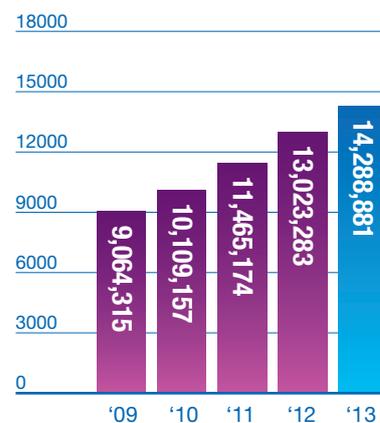
### Total Assets

(In millions of RMB)



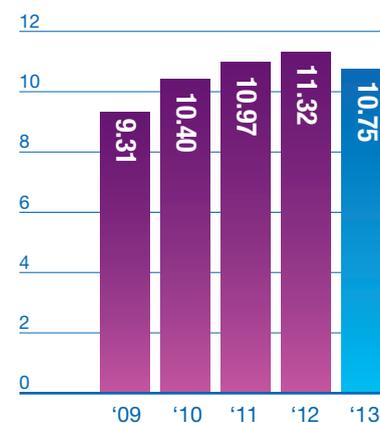
### Total Liabilities

(In millions of RMB)



### Core Capital Adequacy Ratio

(%)



## CORPORATE INFORMATION

|  |  |
|--|--|
| Legal name and abbreviation in Chinese   | 中國建設銀行股份有限公司 (abbreviated as “中國建設銀行”)   |
| Legal name and abbreviation in English   | CHINA CONSTRUCTION BANK CORPORATION (abbreviated as “CCB”)   |
| Legal representative   | Wang Hongzhang   |
| Authorised representatives   | Zhang Jianguo<br>Cheng Pui Ling, Cathy   |
| Secretary to the Board   | Chen Caihong   |
| Representative of securities affairs   | Xu Manxia  |
| Company secretary  | Cheng Pui Ling, Cathy  |
| Qualified accountant   | Yuen Yiu Leung   |
| Registered address, office address and postcode  | No. 25, Financial Street, Xicheng District, Beijing 100033   |
| Internet website   | <a href="http://www.ccb.com">www.ccb.com</a>   |
| Email address  | <a href="mailto:ir@ccb.com">ir@ccb.com</a>   |
| Principal place of business in Hong Kong   | 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong  |
| Newspapers for information disclosure  | China Securities Journal and Shanghai Securities News  |
| Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP     | <a href="http://www.sse.com.cn">www.sse.com.cn</a>   |
| “HKExnews” website of Hong Kong Stock Exchange for publishing the annual report prepared in accordance with IFRS | <a href="http://www.hkexnews.com.hk">www.hkexnews.com.hk</a>   |
| Place where copies of this annual report are kept  | Board of Directors Office of the Bank  |
| Contact Information  | Address: No. 25, Financial Street, Xicheng District, Beijing<br>Telephone: 86-10-66215533<br>Facsimile: 86-10-66218888   |
| Listing stock exchanges, stock abbreviations and stock codes   | A-share: Shanghai Stock Exchange<br>Stock abbreviation: 建設銀行<br>Stock code: 601939<br>H-share: The Stock Exchange of Hong Kong Limited<br>Stock abbreviation: CCB<br>Stock code: 939 |

|  |   |
|--|---|
| Date and place of initial registration                             | 17 September 2004<br>State Administration for Industry & Commerce of the People's Republic of China<br><br>(Please refer to the H-share Global Offering Prospectus issued by the Bank on Hong Kong Stock Exchange on 14 October 2005 and the A-share Prospectus issued by the Bank on the Shanghai Stock Exchange on 11 September 2007 for more information.) |
| Date and place of registration change                              | 8 May 2013<br>State Administration for Industry & Commerce of the People's Republic of China  |
| Registration number of the corporate legal person business licence | 100000000039122   |
| Organisation code  | 10000444-7  |
| Financial licence institution number                               | B0004H111000001   |
| Taxation registration number                                       | 京稅證字110102100004447   |
| Certified public accountants                                       | PricewaterhouseCoopers Zhong Tian LLP<br>Address: 11/F, PricewaterhouseCoopers Centre, 202 Hu Bin Road, Shanghai<br>Signing accountants: Zhu Yu and Yan Lin<br>PricewaterhouseCoopers<br>Address: 22/F, Prince's Building, Central, Hong Kong   |
| Legal advisor as to PRC laws                                       | Haiwen & Partners<br>Address: 20/F, Fortune Financial Centre, 5 Dong San Huan Central Road, Chaoyang District, Beijing  |
| Legal advisor as to Hong Kong laws                                 | Clifford Chance<br>Address: 28/F, Jardine House, One Connaught Place, Central, Hong Kong  |
| A-share registrar  | China Securities Depository and Clearing Corporation Limited, Shanghai Branch<br>Address: 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai   |
| H-share registrar  | Computershare Hong Kong Investor Services Limited<br>Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong   |

# RANKINGS AND AWARDS

## THE BANKER

### THE BANKER

Ranked 5th in the "Top 1000 World Banks" (by tier-one capital)

Ranked 9th in the "Top 1000 World Banks" (by total assets)

Ranked 10th in the "The Banker / BrandFinance® Banking 500"

Ranked 2nd in the "Chinese Bank Rankings"

## FINANCIAL TIMES

### FINANCIAL TIMES

Ranked 19th in the "FT Global 500"

Ranked 3rd in the "FT Emerging 500"

## FORBES

### FORBES

Ranked 2nd in the "Forbes Global 2000 Leading Companies"

## FORTUNE

### FORTUNE

Ranked 50th in the "Fortune Global 500"

## FORTUNE CHINA

### FORTUNE CHINA

Ranked 9th in the "Fortune China 500"

Ranked 24th in the "China Corporate Social Responsibility Ranking"

## BARRON'S

### BARRON'S

Ranked 97th in the "World's Most Respected Companies"



### THE ASSET

Winner of The Asset Excellence in Management and Corporate Governance - Platinum



### CORPORATE GOVERNANCE ASIA

Corporate Governance Asia Recognition Awards - The Best of Asia



**GLOBAL FINANCE**

Star of China 2013 - Best Corporate Governance Award

Best Investment Bank 2013 - Infrastructure



**YAZHOU ZHOUKAN**

Ranking of Hong Kong Listed Chinese Enterprises - Enterprise of the Highest Market Value

Asian Outstanding Brands Award



**HONG KONG COMMERCIAL DAILY**

Transparency of Key Listed Banks in Asia-Pacific - Gold Award

**BRANDZ**

**BRANDZ**

Ranked 3rd in the "Top 50 Most Valuable Chinese Brands 2013"

Ranked 22nd in the "Top 100 Most Valuable Global Brands"

**ASIAMONEY**

**ASIAMONEY**

Ranked 3rd in the Best Overall Domestic Cash Management Services in China

Ranked 2nd in the Best Domestic Provider of FX Services in China

**EUROMONEY**

**EUROMONEY**

Best Real-Estate Investment Bank



**THE ASIAN BANKER**

Best Mortgage and Home Loans Business in China

**WEALTHASIA MEDIA**

**WEALTHASIA MEDIA**

Ranked 1st in the "Social Media Engagement Award - Retail Bank Category" by BENCHMARK Wealth Management Awards



### CHINA ENTERPRISE CONFEDERATION

Ranked 5th in the “Top  
500 Chinese Enterprises”

Ranked 3rd in the  
“China’s Top 500 Service  
Companies”



### CHINA BUSINESS NEWS

Bank of the Year in 2013



### CHINA BUSINESS JOURNAL

Stated-owned  
Commercial Bank with  
Excellent Competitiveness



### FINET & QQ.COM

Ranked 2nd in the “Top  
100 Hong Kong Listed  
Companies”



### HEXUN.COM

Top 10 Best Banking  
Brands in “the 10th  
China’s Financial Annual  
Champion Awards”



### THE 21ST CENTURY BUSINESS HERALD

Ranked 2nd in the “Asian  
Banks Competitiveness  
Ranking”

Best Comprehensive  
Services Bank



### THE CHINESE BANKER

Best Financial Corporate  
Image

Top 10 Most Innovative  
Financial Products



### NATIONAL BUSINESS DAILY

Best Wealth Management  
Bank of the Year

**理财周报**  
Moneyweek

### MONEYWEEK

Best Retail Bank in China  
Best Debit Card in China  
2013 - Long Card

 腾讯网  
qq.com

### TENCENT

China Internet Finance -  
Product of the Year

  
2013金融行业年度评选

### JRJ.COM

“Lead the Chinese Advance”  
- Best Chinese Bank Award  
“Lead the Chinese Advance”  
- Best Mobile Banking Award  
“Lead the Chinese Advance”  
- Best Private Banking Award  
“Lead the Chinese Advance”  
- Best Retail Banking Award

## STOCK PRICES

|      | H-shares (HKD)         |                           |                           | A-shares (RMB)         |                           |                           |
|------|------------------------|---------------------------|---------------------------|------------------------|---------------------------|---------------------------|
|      | Year-end closing price | Maximum Price in the Year | Minimum Price in the Year | Year-end closing price | Maximum Price in the Year | Minimum Price in the Year |
| 2013 | 5.85                   | 6.75                      | 5.00                      | 4.14                   | 5.19                      | 3.80                      |
| 2012 | 6.22                   | 6.62                      | 4.71                      | 4.60                   | 4.95                      | 3.82                      |
| 2011 | 5.42                   | 7.58                      | 4.41                      | 4.54                   | 5.34                      | 4.32                      |
| 2010 | 6.97                   | 8.30                      | 5.77                      | 4.59                   | 6.21                      | 4.51                      |
| 2009 | 6.67                   | 7.46                      | 3.62                      | 6.19                   | 6.75                      | 3.67                      |
| 2008 | 4.25                   | 7.29                      | 2.50                      | 3.83                   | 10.21                     | 3.46                      |

# CHAIRMAN'S STATEMENT

By actively seizing the opportunities brought about by China's comprehensively deepening reform, we will reform and optimise our own systems and mechanisms, vigorously advance strategic transformation, strengthen driving forces of innovation and continue to optimise financial services. We are endeavouring to build an innovative bank, being "domestically best and globally first-class", and are striving to inherit the Group's outstanding achievements for 60 years with best results.

Dear shareholders,

In 2013, both domestic and global economic and financial situations remained complex and volatile. The growth rate of global economy edged down, developed economies achieved slightly strengthened growth momentum, while emerging economies experienced increasing pressure in economic growth, resulting in significant regional divergence. The Chinese economy in general made progress while ensuring stability. The economic growth slowed down in tandem with accelerated structural adjustments, the market-oriented reforms were rapidly promoted, competition from inside and outside the financial sector became increasingly intense, financial reforms were continuously deepened and regulatory policies were further tightened. All these were testing the Group's adaptability to changes, adjustment ability and promoting capability for management reforms, and driving the Group to steadily move forward, actively develop transformation and get a head start among peers.

Adhering to the strategy featuring "integration, multifunction and intensiveness" and scrupulously abiding by the general keynote of steady development, the Group persisted in supporting the real economy and accelerated strategic transformation. It maintained a "stable" operation as a whole during the process of upgrading and transforming traditional businesses and accelerating the development of emerging businesses, realised "progress" in strategic focuses and key areas, and achieved new growth while maintaining stability in operating results and market performances. All these produced generous returns to shareholders, customers and the society. At the end of 2013, the Group's total assets exceeded RMB15 trillion. The return on average assets and the return on average equity were 1.47% and 21.23%, respectively. Total capital ratio was 13.34%. Our key financial indicators continued to lead the market. On account of the favourable operating results, the Board of the Bank has recommended a final cash dividend of RMB0.30 per share.

## WE FURTHER CONSOLIDATED TRADITIONAL BUSINESSES ADVANTAGES WITH RAPID DEVELOPMENT IN EMERGING BUSINESSES

The Group persisted in supporting the real economy, and reasonably allocated resources to promote economic development and industrial upgrading. The increase of loans



Wang Hongzhang  
Chairman

to infrastructure sectors accounted for 43.89% of the increase in corporate loans, and the loans were primarily granted to support key areas and major projects in the national economic development. The balance of residential mortgages ranked first among peers, which were mainly granted to support customers to buy ordinary apartments for residential purpose. To vigorously support the development of small and micro businesses, the Group granted a total of RMB909,722 million credit funds to 155,600 small and micro businesses, and provided settlement services for more than two million small and micro businesses. Financial services to "agriculture, farmers and rural areas" were significantly improved, with an increase of 27.38% in agriculture-related loans. The Group continued to support affordable housing projects, with an increase of 37.71% in development loans for indemnificatory housing projects. Due to the rapid development in various emerging businesses, the accumulative number of credit cards issued reached 52.01 million, with the increase leading the market and the loan balance rose by 50.99%. The underwriting volume of debt securities recorded RMB342,486 million, ranking first among peers in terms of underwriting volume for three years in a row. The number of contracted corporate customers for pension business exceeded 20,000 with multiple indicators including increase in pension assets under trusteeship and growth amount in account management leading the market. The number of cross-border RMB settlement customers exceeded 10,000 with settlement volume exceeding RMB900 billion, up 54.04%. The ratio of account transaction volume through electronic banking and self-service channels to total account transaction volume through various channels rose to 85.40%. The number of personal online banking customers and mobile phone banking customers reached 150 million and 117 million, respectively.

## WE GAINED BREAKTHROUGHS IN KEY AREAS OF STRATEGIC TRANSFORMATION

The Group made significant progress in integrated transformation, and completed the acquisition agreement with Shanghai Liangmao Futures, leading the market in terms of non-banking financial licenses. The Group's subsidiaries maintained good development momentum with continuously improved rankings among peers. Key business indicators of affiliated life insurance and trust companies ranked first among peers of large banks. The

overseas network expanded rapidly. Six branches or subsidiaries in Russia, Dubai, Taipei, Osaka, Luxembourg, etc. opened in succession. The Group concluded a merger & acquisition (M&A) agreement with Banco Industrial e Comercial S.A. of Brazil, and effectively integrated institutions and resources in Hong Kong. As a result, total assets of overseas entities increased by over 40%. The Group further deepened the multifunctional transformation by integrating its resources, improving its product supply ability, service customisation ability and asset allocation ability, bringing about constantly expanded coverage of customers and products. Intensive transformation progressed orderly, and efforts for centralised operation were intensified. It succeeded in completing the separation between the bank counters and back offices for 28 categories of counter businesses in 14,000 operating entities. With continuous advancement in the “three integrations” of outlets, customers can enjoy convenience and comfort brought by our one-stop comprehensive services.

## WE MADE STEADY PROGRESS IN RISK MANAGEMENT AND CONTROL

The Group smoothly completed the reform and adjustments in risk management, credit mechanisms and procedures, implemented risk management covering all employees, strengthened the responsibilities undertaken by the management at all levels, and reinforced Group-level risk management and whole-process management and control. All these promoted professionalism and concentration on credit management, and raised efficiency of credit services. Faced with the complicated and changing market environment, the Group kept its composure to strengthen its own liquidity management, conscientiously maintained order in the financial market, and played a “market stabiliser” role against fluctuations. Under the circumstances of economic downturn and structural adjustments, the Group enhanced risk warning and prevention in key regions, industries and products, and reinforced the disposal of non-performing loans. As a result, the asset quality maintained at a stable level. At the end of 2013, the Group’s non-performing loan ratio was 0.99%, remaining unchanged over last year. The allowances for impairment losses were sufficient and the ratio of allowances for impairment losses to non-performing loans stood at 268.22%.

## WE PROACTIVELY FULFILLED THE CORPORATE SOCIAL RESPONSIBILITIES

The Group donated a total of RMB49 million for the year. In this amount, RMB15 million went to earthquake-stricken areas in Ya’an, Sichuan Province. We continued to promote long-term social welfare projects such as “Sponsorship Programme for Health Express for Mothers”, “Programme for Impoverished High School Students”, and “Sponsorship Programme for Impoverished Mothers of Heroes & Exemplary Workers”. We, together with China Youth Development Foundation and other public welfare organisations, initiated activities themed as “Credit Card Points Help Fulfill Dreams, Micro Public Welfare”. At the end of 2013, the total donated points amounted to nearly 500 million. During the year, the Group built the management mechanism for the protection of consumer rights and interests, further improved the multi-channel complaint management system, and opened complaint supervision hotlines to deal with customers’ appeals arising from unsatisfied complaint handlings. The Group vigorously promoted inclusive finance and green finance, and increased credit allocations to green and environmental protection, energy-saving and emission reduction fields. In 2013, the Group became a candidate representative of the Business Advisory Council of Asia-Pacific Economic Cooperation (APEC) and a member unit of APEC

China Business Advisory Council. The Group fostered extensive exchanges and communication with business representatives from various economies of APEC, demonstrated a good corporate image of the Group and the Chinese business community, and made active efforts in building a free and convenient trade and investment environment regionally and globally.

In 2013, the Group’s outstanding results and good performance won wide recognition from the market and community. We received 102 accolades at home and abroad, and a number of comprehensive rankings were further advanced, including the fifth place in the “Top 1000 World Banks” published by *The Banker*, advancing by two places over last year; and the second place in “Global 2000” published by *Forbes*, advancing by 13 places over last year. In addition, the Group won numerous awards from major domestic and foreign organisations for its achievements in fields including corporate governance, small and medium-sized enterprise (SME) service, private banking, cash management, custody, investment banking, pension, international business, e-commerce, and corporate social responsibilities.

In 2013, the Group experienced significant adjustments and changes to the composition of the Board members. Mr. Yam Chi Kwong, Joseph, Rt Hon Dame Jenny Shipley, Mr. Wong Kai-Man, Mr. Wang Yong, Mr. Zhu Zhenmin and Ms. Li Xiaoling ceased to serve in their positions; Mr. Zhu Hongbo and Mr. Hu Zheyi commenced their positions as executive directors of the Bank; Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee commenced their positions as independent non-executive directors of the Bank; Mr. Qi Shouyin, Ms. Zhang Yanling, Mr. Xu Tie and Mr. Guo Yanpeng commenced their positions as non-executive directors of the Bank. I would like to take this opportunity to extend my sincere thanks to the resigned directors for their contributions to the Group and deliver warm welcome to all new directors.

The year of 2014 will witness the 60th anniversary of China Construction Bank. “An Excellence-pursuer, A Partner Forever”, our continuous and sound development benefits from the support and assistance of shareholders, customers and all sectors of society over the years, and from the efforts and contributions made by generations of predecessors, old colleagues, as well as all employees working with us. On the occasion of the 60th anniversary celebration, I, on behalf of the Group, would like to express my sincere gratitude to our staff, shareholders, customers and the wide business community for their trust and tremendous support for years. By actively seizing the opportunities brought about by China’s comprehensively deepening reform, we will reform and optimise our own systems and mechanisms, vigorously advance strategic transformation, strengthen driving forces of innovation and continue to optimise financial services. We are endeavouring to build an innovative bank, being “domestically best and globally first-class”, and are striving to inherit the Group’s outstanding achievements for 60 years with best results.



**Wang Hongzhang**  
Chairman  
28 March 2014

# PRESIDENT'S REPORT

Adhering to the development strategy featuring “integration, multifunction and intensiveness”, the Group will accelerate the development of innovation and strategic transformation, continue to fully support and serve the real economy, stick to sound development and stringently hold the bottom line in preventing risks, thereby constantly endeavouring to enhance its capability in value creation.

Dear shareholders,

In 2013, against the backdrop of complex situations, the Group persisted in seeking progress in stability, and maintained a good momentum of development on the whole as a result of accelerated strategic transformation, constantly released endogenous power and strengthened innovation drives.

## GOOD BUSINESS PERFORMANCE AND STABLE ASSET QUALITY

At the end of 2013, the Group's total assets increased by 9.95% to RMB15,363,210 million from 2012. Gross loans and advances to customers increased by 14.35% to RMB8,590,057 million; deposits from customers rose by 7.76% to RMB12,223,037 million. Operating income increased by 10.51% to RMB511,140 million over 2012. In this amount, net interest income increased by 10.29%, and net interest margin (NIM) was 2.74%. Net fee and commission income increased by 11.52% to RMB104,283 million, accounting for 20.40% of the operating income. As costs and expenses were effectively controlled, cost-to-income ratio stood at 29.65%. The Group achieved a profit before tax of RMB279,806 million, up 11.28% over 2012. Net profit increased by 11.12% to RMB215,122 million. The asset quality remained stable, the non-performing loan ratio was 0.99%, and the ratio of allowances for impairment losses to non-performing loans was 268.22%. The total capital ratio and common equity tier one ratio were 13.34% and 10.75%, respectively, maintaining a leading position among peers.

## CONTINUOUSLY PROMOTED STRATEGIC TRANSFORMATION AND STEADILY IMPROVED OPERATING CAPABILITY

We persisted in supporting the real economy. Under the premise of controlling the total loans and structure adjustment, the Group boosted the economic development and industrial upgrading through differentiated credit policies and comprehensive financial services. At the end of 2013, corporate loans and advances increased by 8.80% to RMB5,399,631 million, mainly in support of the development in the real economy and key areas of the national economy. In this amount, loans to infrastructure sectors increased by RMB191,604 million over 2012, accounting for 43.89% of the increase in corporate loans. Loans to small and micro businesses rose by 15.89%, and agriculture-related loans rose by 27.38%. By capitalising on the brand advantages of “Minben Tongda” series of products, the Group granted loans to livelihood sectors of RMB225,973 million.



**Zhang Jianguo**  
Vice chairman,  
executive director and president

The contribution of retail banking improved. Proportion of profit before tax arising from personal banking segment increased from 20.55% last year to 23.10%. In this amount, residential mortgages rose by 22.99% to RMB1,880,219 million, leading the market in terms of the balance. Personal deposits amounted to RMB5,514,647 million, up 8.60%. Core business indicators of the credit card business led the market among peers. The Group recorded 52.01 million credit cards, the spending amount through credit cards reached RMB1,273,172 million, and the loan balance was RMB268,663 million. In active response to customers' demands in entrusted housing finance business, the Group closely cooperated with nearly 3,000 housing fund management institutions, and was entrusted to grant more than RMB1 trillion of personal provident housing loans. Benefiting from the rapid growth in bank cards, personal wealth management, agency fund sales and other businesses, the increase in net fee and commission income arising from personal banking business accounted for 71.35% of the increase in gross net fee and commission income.

Strategic businesses developed rapidly. The Group, through debt financing and wealth management businesses, broadened the financing channels for customers, with underwriting volume of debt financing instruments ranking first among peers for three straight years. The pension assets under trusteeship amounted to RMB36,491 million, up 48.63%. The personal pension accounts in operation totalled 3.22 million, up 25.78%. The pension assets under custody in operation amounted to RMB84,298 million, up 31.43%. Thanks to the booming electronic banking business, the number of personal online banking customers and corporate online banking customers increased by 25.78% and 31.46%, respectively. The e-commerce platform, “e.ccb.com”, led the market among peers, and the number of active internet merchants newly registered was 8,297, with a transaction volume of nearly RMB30 billion and a financing loan volume of RMB11 billion for the year. The private banking business made great progress, with an increase of 31.04% in the number of private banking customers and an increase of 35.98% in their financial assets with the Group. The domestic cross-border RMB settlement business rose by 54.04%. Trade finance balance recorded a 68.05% increase on and off-balance sheet. The assets under custody amounted to RMB3.10 trillion, up 14.79%. Precious metals business developed fast, with an increase of 9.14% in the total trading volume; due to a widened customer base, the number of customers with precious metals accounts increased by 5.42 million.

## CONSOLIDATED MANAGEMENT FUNDAMENTALS AND ENHANCED RISK MANAGEMENT AND INTERNAL CONTROL CAPACITIES

Facing the severe challenges from external economic environment, the Group stuck to the bottom line in preventing risks and enhanced the disposal of assets. The Group strengthened risk management and control of key industries, regions and customers. The proportions of loans to industries with excess capacity, local government financing vehicles, real estate development and other industries to the total corporate loans decreased compared to last year. The Group completed the adjustments to and process optimisation of risk management system and credit mechanism while giving consideration to risk prevention and performance efficiency, contributing to the steady implementation of the new system and mechanism. The Group kept improving the management of internal deficiencies, and took the lead among peers to clean up and rectify wealth management products, entrusted loans and other businesses by following up activities of business management year with respect to collaterals, off-balance sheet business and financial markets business, leading to consolidated fundamentals of business operation and risk management.

The Group strengthened the building and application of risk management tools. It continued pushing forward the research, development and optimisation of credit risk measurement tools, as well as the building of corresponding supporting systems. To accelerate the implementation of advanced measurement method in capital management, the Bank had officially submitted to the CBRC the application of the implementation of advanced method in capital management, striving to be the first batch of banks to implement the New Basel Capital Accord. Besides, the Group closely prevented liquidity risk, market risk, operational risk, reputation risk and other risks. Under the circumstances of temporary rise and fluctuations of the interest rates of the money market in June and December, the Group took active measures and maintained a reasonable level of liquidity to ensure safe payment and settlement.

## CONTINUOUS ENDOGENOUS POWER RELEASED FROM UNSWERVING REFORM AND INNOVATION

The Group vigorously promoted innovations in products, processes, technology, business model and reform of systems and mechanisms. With respect to management innovation, the Group put great emphasis on the number of effective customers other than the number of customers in internal performance assessment. With respect to product innovation, the Group set up the Product Innovation and

Management Department, and finished 961 projects of product innovations in 2013. The Group had nearly 7,000 self-owned products and agent products for third parties accumulatively within the lifecycle duration of products, and became one of the most innovative commercial banks with a wide range of financial products and comprehensive categories of services.

The Group reinforced the technological support, and speeded up the development of the new generation core banking system. Since the initiation of the Phase I of the new generation core banking system in October 2012, 13 application projects, and two infrastructure projects and the new generation IT framework, platforms, technologies and security components for supporting the operation of applications, had been successfully put into operation, gradually manifesting its business values.

## OUTLOOK FOR 2014

In 2014, the global economic environment will still be subject to variables and risks, and the growth in domestic economy will be faced with multiple tests including shifting of growth rate and structure adjustment. As the financing structure, capital use, interest rate and exchange rate of the whole society are experiencing deeper and quicker changes, the Group will be faced with unprecedented challenges in consolidating the operating results. Adhering to the development strategy featuring "integration, multifunction and intensiveness", the Group will accelerate the development of innovation and strategic transformation, continue to fully support and serve the real economy, stick to sound development and stringently hold the bottom line in preventing risks, thereby constantly endeavouring to enhance its capability in value creation.

Lastly, I would like to sincerely thank the Board and the board of supervisors for their tremendous support, as well as our customers for their trust and our staff for their great dedication.

**Zhang Jianguo**

*Vice chairman, executive director and president*

28 March 2014

In 2013, pursuant to the provisions of laws and regulations and the Articles of Association of the Bank, the board of supervisors earnestly performed its duties, proactively conducted supervision on duty performance, finance, internal control and risk management, and played a role in improving the corporate governance and promoting the sustainable and sound development of the Bank.



#### PARTICULARS OF MAJOR WORK

- The board of supervisors convened meetings of the board of supervisors in pursuant to laws and regulations. During the year, the board of supervisors convened eight general meetings of the board of supervisors, in which 22 resolutions on the agenda were reviewed and approved, including but not limited to the measures on performance assessment of the board of supervisors and its members, the performance assessment reports, nominations for supervisor candidates; five special reports were debriefed, including but not limited to capital management, internal control and compliance; and major issues were studied and discussed, including but not limited to opinions on the implementation of *Guidance on the Work of the Board of Supervisors of Commercial Banks* and suggestions on the improvement of the work with regard to annual performance supervision and assessment. Five meetings of the performance and due diligence supervision committee and six meetings of the finance and internal control supervision committee were convened.
- The board of supervisors continued to improve performance supervision and assessment. The board of supervisors exercised its supervision of the performance of the Board, senior management and their members, by various means including attending meetings, inspecting analysis materials, reviewing performance reports, holding interviews and seminars, making performance assessment, and conducting questionnaire surveys. The board of supervisors organised and conducted annual performance assessment work, proposing the assessment reports of the annual performance of the Board and directors, and senior management and its members, respectively, as well as the self-assessment report of the work of board of supervisors and supervisors' annual performance.
- The board of supervisors endeavoured in conducting proper finance supervision. By focusing on the compilation, verification, and disclosure of periodic financial reports, the board of supervisors communicated with external auditors and relevant departments of the head office on a regular basis, strengthened analysis of major issues that may affect the truthfulness, accuracy and completeness of the financial reports, timely followed up and got knowledge of the changes of regulatory requirements, and presented opinions and suggestions. In accordance with relevant requirements, the board of supervisors conducted supervision on the selection and appointment of external auditors, capital management of the Bank, and the management of insiders of insider information.
- The board of supervisors substantially participated in internal control supervision. The focus was directed towards the implementation of the *Basic Standard for Enterprises Internal Control* by the Bank. The board of supervisors regularly debriefed special reports on the work of internal control and compliance, key findings and rectification in internal audit and prevention and control over non-compliance cases, and strengthened supervision on the internal control formulation and assessment work. The board of supervisors conducted specific study on the major issues with regard to the management of internal control, and specific survey on the internal control of such new businesses as internet merchant loans and domestic factoring.
- The board of supervisors strengthened risk management supervision. It paid particular attention to the major risks currently faced by the Bank, and debriefed special reports with regard to the work of risk management and liquidity risk management. The board of supervisors communicated with relevant departments of the head office on a regular basis on quality of credit assets, conducted specific analysis on assessment of major risks of the Bank, management of reputation risk and wealth management business, continuously monitored the application of risk regulatory indicators, and provided timely suggestions.
- The board of supervisors continuously paid attention to important matters with regard to the reform, development and transformation of the Bank. It actively offered advices and suggestions with regard to strategy execution, operation transformation, and risk management. The board of supervisors organised specific surveys covering such five areas as small enterprise business, management of corporate business collaterals, capital management, internal control of new businesses, and operation and management of overseas entities, and put forward opinions and suggestions. The board of supervisors also had in-depth understanding of the operation, management and internal control of risks of the branches and sub-branches through convening seminars, and put forward directive opinions.
- The board of supervisors continuously strengthened self-improvement. It completed general election of the board of supervisors, studied and enacted the measures on performance assessment of the board of supervisors and its members, and improved the work of annual performance supervision and assessment, as well as the supervision working mechanism. All members of the board of supervisors performed their duties in a diligent manner, attended meetings on time, and participated in the discussion and deliberation with regard to relevant resolutions and motions. They proactively participated in trainings for supervisors, attended the meetings of the Board, the committees under the Board and the senior management as non-voting delegates, participated in the related work organised by the board of supervisors, the committees and the Bank, and diligently fulfilled their obligations.

## Management discussion and analysis

# FINANCIAL REVIEW

In 2013, the global economy appeared to be in slow recovery. The U.S. economic recovery gained momentum and the euro zone and Japanese economies showed signs of improvement. Part of emerging market economies recorded slower growth and faced increasing risks. According to the report published by the International Monetary Fund, the growth rate of global economy was 3.0% in 2013, a decrease of 0.1 percentage point from 2012.

In 2013, China's economy maintained steady growth on the whole. Although faced with complex internal and external environment, the fundamentals that supported the steady growth of China's economy had not changed in essence. Economic restructuring and reform were making progress, investment and consumption increased steadily, structure of import and export was further optimised and employment remained stable. In 2013, China's GDP was RMB56.9 trillion, up 7.7% over 2012, while the consumer price index increased by 2.6% over the previous year.

In 2013, China's financial market continued to grow smoothly. The PBOC furthered the reform of interest rate liberalisation. The PBOC removed the control over interest rates on loans offered by financial institutions to their clients on 20 July, and established the self-regulatory pricing mechanism for market interest rates and the centralised quotation and release mechanism for Loan Prime Rate (LPR) afterwards. The monetary credit growth was in line with expectations, and the loan structure continued to improve. At the end of 2013, the outstanding broad money supply M2 increased by 13.6% over the previous year to RMB110.7 trillion, and the narrow money supply M1 increased by 9.3% to RMB33.7 trillion. The amount of loans granted in RMB increased by 14.1% to RMB71.9 trillion. Deposits in RMB increased by 13.8% over 2012 to RMB104.4 trillion.

The Group closely monitored the trend of national economy and changes in regulatory requirements, accelerated business structure adjustments, and strengthened comprehensive risk controls, achieving favourable profit growth and stable asset quality.

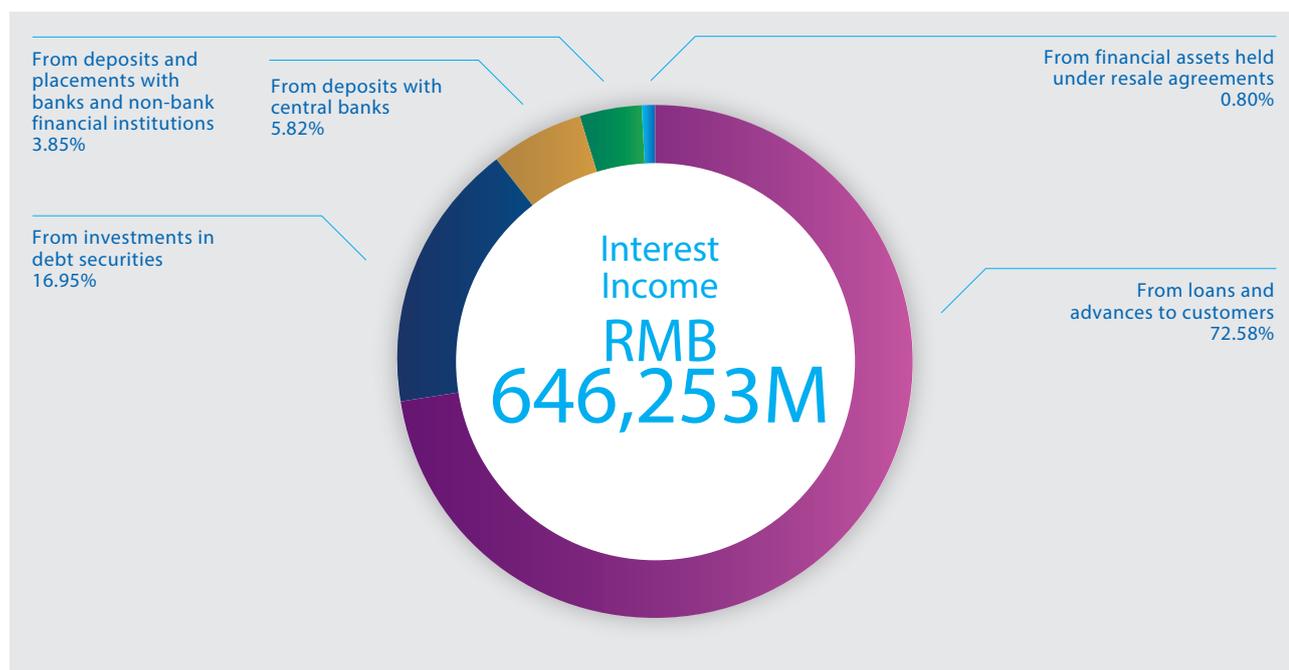


### STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

In 2013, the Group recorded profit before tax of RMB279,806 million, up 11.28% over 2012. Net profit was RMB215,122 million, up 11.12% over 2012. The steady growth of the Group's profitability was mainly due to the following factors: First, the interest-earning assets increased moderately, pushing up net interest income by RMB36,342 million, or 10.29% over 2012. Second, the Group actively conducted service and product innovations, with the net fee and commission income steadily increasing by RMB10,776 million, or 11.52% over the previous year. And third, the Group further improved its cost management and optimised its expenses structure, resulting in a significant decrease in the growth rate of operating expenses compared with that of last year.

The following table sets forth the Group's composition of the statement of comprehensive income and the changes during the respective periods.

| (In millions of RMB, except percentages)                      | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 | Change (%)   |
|---|--------------------------------|--------------------------------|--------------|
| Net interest income   | 389,544                        | 353,202                        | 10.29        |
| Net non-interest income                                       | 121,596                        | 109,331                        | 11.22        |
| – Net fee and commission income                               | 104,283                        | 93,507                         | 11.52        |
| <b>Operating income</b>                                       | <b>511,140</b>                 | <b>462,533</b>                 | <b>10.51</b> |
| Operating expenses  | (188,185)                      | (171,081)                      | 10.00        |
| Impairment losses   | (43,209)                       | (40,041)                       | 7.91         |
| Share of profits less losses of associates and joint ventures | 60                             | 28                             | 114.29       |
| <b>Profit before tax</b>                                      | <b>279,806</b>                 | <b>251,439</b>                 | <b>11.28</b> |
| Income tax expense  | (64,684)                       | (57,837)                       | 11.84        |
| <b>Net profit</b>   | <b>215,122</b>                 | <b>193,602</b>                 | <b>11.12</b> |
| Other comprehensive income for the year, net of tax           | (23,422)                       | (3,574)                        | 555.34       |
| <b>Total comprehensive income for the year</b>                | <b>191,700</b>                 | <b>190,028</b>                 | <b>0.88</b>  |



## Net interest income

In 2013, the Group's net interest income was RMB389,544 million, an increase of RMB36,342 million, or 10.29%, over the previous year. The net interest income accounted for 76.21% of the operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

| (In millions of RMB, except percentages)                               | Year ended 31 December 2013 |                         |                        | Year ended 31 December 2012 |                         |                        |
|--|-----------------------------|-------------------------|------------------------|-----------------------------|-------------------------|------------------------|
|  | Average balance             | Interest income/expense | Average yield/cost (%) | Average balance             | Interest income/expense | Average yield/cost (%) |
| <b>Assets</b>  |                             |                         |                        |                             |                         |                        |
| Gross loans and advances to customers                                  | 8,104,173                   | 469,049                 | 5.79                   | 7,027,047                   | 441,691                 | 6.29                   |
| Investments in debt securities   | 2,929,513                   | 109,576                 | 3.74                   | 2,808,238                   | 100,444                 | 3.58                   |
| Deposits with central banks  | 2,417,929                   | 37,589                  | 1.55                   | 2,302,863                   | 34,694                  | 1.51                   |
| Deposits and placements with banks and non-bank financial institutions | 646,623                     | 24,889                  | 3.85                   | 576,641                     | 20,860                  | 3.62                   |
| Financial assets held under resale agreements                          | 122,041                     | 5,150                   | 4.22                   | 130,335                     | 5,552                   | 4.26                   |
| Total interest-earning assets  | 14,220,279                  | 646,253                 | 4.54                   | 12,845,124                  | 603,241                 | 4.70                   |
| Total allowances for impairment losses                                 | (222,278)                   |                         |                        | (193,168)                   |                         |                        |
| Non-interest-earning assets  | 523,820                     |                         |                        | 513,587                     |                         |                        |
| Total assets   | 14,521,821                  | 646,253                 |                        | 13,165,543                  | 603,241                 |                        |
| <b>Liabilities</b>   |                             |                         |                        |                             |                         |                        |
| Deposits from customers  | 11,690,720                  | 220,588                 | 1.89                   | 10,527,661                  | 208,591                 | 1.98                   |
| Deposits and placements from banks and non-bank financial institutions | 855,906                     | 21,002                  | 2.45                   | 1,016,334                   | 31,808                  | 3.13                   |
| Financial assets sold under repurchase agreements                      | 29,616                      | 1,097                   | 3.70                   | 58,429                      | 2,254                   | 3.86                   |
| Debt securities issued   | 310,470                     | 10,207                  | 3.29                   | 211,505                     | 7,364                   | 3.48                   |
| Other interest-bearing liabilities                                     | 105,706                     | 3,815                   | 3.61                   | 1,686                       | 22                      | 1.25                   |
| Total interest-bearing liabilities                                     | 12,992,418                  | 256,709                 | 1.98                   | 11,815,615                  | 250,039                 | 2.12                   |
| Non-interest-bearing liabilities                                       | 495,122                     |                         |                        | 440,434                     |                         |                        |
| Total liabilities  | 13,487,540                  | 256,709                 |                        | 12,256,049                  | 250,039                 |                        |
| <b>Net interest income</b>   |                             | <b>389,544</b>          |                        |                             | <b>353,202</b>          |                        |
| <b>Net interest spread</b>   |                             |                         | <b>2.56</b>            |                             |                         | <b>2.58</b>            |
| <b>Net interest margin</b>   |                             |                         | <b>2.74</b>            |                             |                         | <b>2.75</b>            |

## Management discussion and analysis

### Financial Review

In 2013, in active response to challenges and opportunities arising from interest rate liberalisation, the Group cultivated and improved its pricing ability under the condition of interest rate liberalisation, refined its pricing models and authorisation management, enhanced the pricing support for branches and the bank counters and improved its deposit and loan pricing ability. As a result, the Group maintained relatively stable net

interest margin and net interest spread, which were 2.74% and 2.56%, slightly decreased by one and two basis points year-on-year, respectively.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for 2013 versus 2012.

| (In millions of RMB)   | Volume factor <sup>1</sup> | Interest rate factor <sup>1</sup> | Change in interest income/expense |
|--|----------------------------|-----------------------------------|-----------------------------------|
| <b>Assets</b>  |                            |                                   |                                   |
| Gross loans and advances to customers                                  | 64,289                     | (36,931)                          | 27,358                            |
| Investments in debt securities   | 4,487                      | 4,645                             | 9,132                             |
| Deposits with central banks  | 1,892                      | 1,003                             | 2,895                             |
| Deposits and placements with banks and non-bank financial institutions | 2,644                      | 1,385                             | 4,029                             |
| Financial assets held under resale agreements                          | (350)                      | (52)                              | (402)                             |
| <b>Change in interest income</b>                                       | <b>72,962</b>              | <b>(29,950)</b>                   | <b>43,012</b>                     |
| <b>Liabilities</b>   |                            |                                   |                                   |
| Deposits from customers  | 21,927                     | (9,930)                           | 11,997                            |
| Deposits and placements from banks and non-bank financial institutions | (4,548)                    | (6,258)                           | (10,806)                          |
| Financial assets sold under repurchase agreements                      | (1,068)                    | (89)                              | (1,157)                           |
| Debt securities issued   | 3,266                      | (423)                             | 2,843                             |
| Other interest-bearing liabilities                                     | 3,680                      | 113                               | 3,793                             |
| <b>Change in interest expense</b>                                      | <b>23,257</b>              | <b>(16,587)</b>                   | <b>6,670</b>                      |
| <b>Change in net interest income</b>                                   | <b>49,705</b>              | <b>(13,363)</b>                   | <b>36,342</b>                     |

1. Changes caused by both average balances and average interest rates were allocated to volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income increased by RMB36,342 million over the previous year, in which an increase of RMB49,705 million was due to the movement of average balances of assets and liabilities, and a decrease of RMB13,363 million was due to the movement of average yields or costs.

#### Interest income

The Group's interest income in 2013 was RMB646,253 million, an increase of RMB43,012 million, or 7.13%, over 2012. In this amount, the proportions of interest income

from loans and advances to customers, investments in debt securities, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements were 72.58%, 16.95%, 5.82%, 3.85% and 0.80%, respectively.

Interest income from loans and advances to customers

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

| (In millions of RMB, except percentages)     | Year ended 31 December 2013 |                 |                   | Year ended 31 December 2012 |                 |                   |
|--|-----------------------------|-----------------|-------------------|-----------------------------|-----------------|-------------------|
|  | Average balance             | Interest income | Average yield (%) | Average balance             | Interest income | Average yield (%) |
| <b>Corporate loans and advances</b>          | <b>5,155,270</b>            | <b>316,540</b>  | <b>6.14</b>       | 4,690,345                   | 307,355         | 6.55              |
| Short-term loans                             | 1,867,434                   | 108,233         | 5.80              | 1,619,010                   | 104,219         | 6.44              |
| Medium to long-term loans                    | 3,287,836                   | 208,307         | 6.34              | 3,071,335                   | 203,136         | 6.61              |
| <b>Personal loans and advances</b>           | <b>2,245,054</b>            | <b>129,438</b>  | <b>5.77</b>       | 1,833,083                   | 112,586         | 6.14              |
| Discounted bills                             | 140,464                     | 7,510           | 5.35              | 127,147                     | 8,694           | 6.84              |
| <b>Overseas operations and subsidiaries</b>  | <b>563,385</b>              | <b>15,561</b>   | <b>2.76</b>       | 376,472                     | 13,056          | 3.47              |
| <b>Gross loans and advances to customers</b> | <b>8,104,173</b>            | <b>469,049</b>  | <b>5.79</b>       | 7,027,047                   | 441,691         | 6.29              |

Interest income from loans and advances to customers rose by RMB27,358 million, or 6.19% year-on-year, to RMB469,049 million, mainly because the average balance of loans and advances to customers increased by 15.33%, and the average yield of loans and advances to customers decreased by 50 basis points to 5.79% over the previous year, mainly due to the repricing of existing loans interest rate. The Group actively adjusted credit structure and enhanced pricing management, and the weighted average interest rate for newly granted loans maintained at a good level.

#### Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB9,132 million, or 9.09% over 2012, to RMB109,576 million. This was mainly because the average balance and average yield of investments in debt securities increased over 2012, due to the optimisation of structure of investments portfolio, and increased investments in high-yield debt securities.

#### Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB37,589 million, an increase of RMB2,895 million, or 8.34% over 2012. This was mainly due to the increase of the average balance of deposits with central banks.

#### Interest expense on deposits from customer

The table below sets forth the average balance, interest expense and average cost of each component of the Group's deposits from customers.

|   | Year ended 31 December 2013 |                 |                   | Year ended 31 December 2012 |                 |                   |
|---|-----------------------------|-----------------|-------------------|-----------------------------|-----------------|-------------------|
|   | Average balance             | Interest income | Average yield (%) | Average balance             | Interest income | Average yield (%) |
| (In millions of RMB, except percentages)    |                             |                 |                   |                             |                 |                   |
| <b>Corporate deposits</b>                   | <b>6,047,456</b>            | <b>107,476</b>  | <b>1.78</b>       | 5,488,128                   | 101,216         | 1.84              |
| Demand deposits                             | 3,591,410                   | 25,741          | 0.72              | 3,320,096                   | 26,438          | 0.80              |
| Time deposits                               | 2,456,046                   | 81,735          | 3.33              | 2,168,032                   | 74,778          | 3.45              |
| <b>Personal deposits</b>                    | <b>5,420,535</b>            | <b>110,042</b>  | <b>2.03</b>       | 4,883,746                   | 105,224         | 2.15              |
| Demand deposits                             | 2,255,075                   | 8,079           | 0.36              | 1,951,264                   | 8,060           | 0.41              |
| Time deposits                               | 3,165,460                   | 101,963         | 3.22              | 2,932,482                   | 97,164          | 3.31              |
| <b>Overseas operations and subsidiaries</b> | <b>222,729</b>              | <b>3,070</b>    | <b>1.38</b>       | 155,787                     | 2,151           | 1.38              |
| <b>Total deposits from customers</b>        | <b>11,690,720</b>           | <b>220,588</b>  | <b>1.89</b>       | 10,527,661                  | 208,591         | 1.98              |

Interest expense on deposits from customers rose by RMB11,997 million to RMB220,588 million, up 5.75% over 2012, mainly because the average balance rose by 11.05% over the previous year. The average cost decreased by nine basis points to 1.89% over 2012, mainly due to the repricing of the existing deposit interest rate.

#### Interest expense on deposits and placements from banks and non-bank financial institutions

Interest expense on deposits and placements from banks and non-bank financial institutions stood at RMB21,002 million, a decrease of RMB10,806 million, or 33.97%, over 2012, largely because both the average balance and average cost of deposits and placements from banks and non-

#### Interest income from deposits and placements with banks and non-bank financial institutions

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB4,029 million to RMB24,889 million, an increase of 19.31% over 2012. This was primarily because the average balance of deposits and placements with banks and non-bank financial institutions rose by 12.14% over 2012, and the average yield also rose by 23 basis points over 2012.

#### Interest income of financial assets held under resale agreements

Interest income of financial assets held under resale agreements was RMB5,150 million, a decrease of RMB402 million, or 7.24%, over the previous year. This was mainly because the average balance and average yield of financial assets held under resale agreements decreased by 6.36% and four basis points year-on-year, respectively.

#### Interest expense

The Group's interest expense in 2013 was RMB256,709 million, an increase of RMB6,670 million, or 2.67% year-on-year.

bank financial institutions decreased over the previous year due to the tighter control over the price of such deposits. Specifically, the average balance and average cost decreased by 15.78% and 68 basis points respectively.

#### Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by RMB1,157 million, or 51.33%, over 2012, to RMB1,097 million. This was primarily because the average balance and average cost of financial assets sold under repurchase agreements decreased by 49.31% and 16 basis points respectively over 2012.

## Management discussion and analysis

### Financial Review

#### Net non-interest income

The following table sets forth the Group's composition and change of the net non-interest income during the respective periods.

| (In millions of RMB, except percentages) | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 | Change (%) |
|--|--------------------------------|--------------------------------|------------|
| <b>Fee and commission income</b>         | <b>107,432</b>                 | 96,218                         | 11.65      |
| Less: fee and commission expense         | (3,149)                        | (2,711)                        | 16.16      |
| Net fee and commission income            | 104,283                        | 93,507                         | 11.52      |
| Other net non-interest income            | 17,313                         | 15,824                         | 9.41       |
| <b>Total net non-interest income</b>     | <b>121,596</b>                 | 109,331                        | 11.22      |

In 2013, the Group's net non-interest income reached RMB121,596 million, an increase of RMB12,265 million, or 11.22% over 2012.

#### Net fee and commission income

The following table sets forth the Group's composition and change of the net fee and commission income during the respective periods.

| (In millions of RMB, except percentages)     | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 | Change (%) |
|--|--------------------------------|--------------------------------|------------|
| <b>Fee and commission income</b>             | <b>107,432</b>                 | 96,218                         | 11.65      |
| Bank card fees                               | 25,783                         | 20,137                         | 28.04      |
| Consultancy and advisory fees                | 21,130                         | 19,722                         | 7.14       |
| Settlement and clearing fees                 | 12,422                         | 11,423                         | 8.75       |
| Agency service fees                          | 12,395                         | 12,772                         | (2.95)     |
| Wealth management service fees               | 10,680                         | 9,381                          | 13.85      |
| Commission on trust and fiduciary activities | 9,135                          | 8,380                          | 9.01       |
| Electronic banking service fees              | 5,740                          | 4,760                          | 20.59      |
| Credit commitment fees                       | 2,741                          | 2,636                          | 3.98       |
| Guarantee fees                               | 1,886                          | 1,931                          | (2.33)     |
| Others                                       | 5,520                          | 5,076                          | 8.75       |
| <b>Fee and commission expense</b>            | <b>(3,149)</b>                 | (2,711)                        | 16.16      |
| <b>Net fee and commission income</b>         | <b>104,283</b>                 | 93,507                         | 11.52      |

In 2013, the Group's net fee and commission income increased by 11.52% to RMB104,283 million. The ratio of net fee and commission income to operating income increased by 0.18 percentage points to 20.40%.

Bank card fees grew by 28.04% to RMB25,783 million. In this amount, fees from credit cards increased by nearly 50%, mainly because the Group seized the opportunities of personal customer consumption upgrading and changes in the way of payment to actively expand high-quality customer base and launch various innovative products. Fees from debit cards and settlement services through ATM maintained a double-digit increase.

Consultancy and advisory fees increased by 7.14% to RMB21,130 million. The growth rate dropped from 2012, mainly due to the decrease in income from routine financial advisory services. Income from new financial advisory services and cost advisory service maintained steady growth.

Settlement and clearing fees increased by 8.75% to RMB12,422 million. In this amount, income from corporate

RMB settlements increased by over 10%, due to the rapid growth of new settlement products such as all-in-one corporate account, corporate settlement card and domestic letter of credit.

Agency service fees decreased by 2.95% to RMB12,395 million. This was mainly because the income from trust agency service dropped. Agency fund sales gradually bottomed out and income from the business increased by over 20%.

Wealth management service fees increased by 13.85% to RMB10,680 million. It was mainly because the Group constantly launched innovative products and improved customer experience in conformity with the diversified needs of different customers and from different channels, leading to the scale expansion of wealth management products.

Commission on trust and fiduciary activities was RMB9,135 million, up 9.01%. In this amount, income from custodial services for securities investment funds, insurance assets, pension and equity investment funds grew steadily.

Electronic banking service fees grew by 20.59% to RMB5,740 million. This was mainly due to the continuous enhancement of product convenience and safety as well as the steady growth of customer base and trading volume of online banking, mobile phone banking and SMS financial service.

Going forward, the Group will strengthen the analysis and research on market and customer needs, and make active efforts in refined marketing and management. Meanwhile,

it will continuously enhance customers' experience by innovating products, optimising procedures and upgrading services, and maintain the market competitiveness of fee-based business products for the steady growth of income on the whole.

#### Other net non-interest income

The following table sets forth the Group's composition and change of other net non-interest income during the respective periods.

| (In millions of RMB, except percentages)    | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 | Change (%)  |
|---|--------------------------------|--------------------------------|-------------|
| Net trading gain                            | 3,092                          | 1,863                          | 65.97       |
| Dividend income                             | 446                            | 239                            | 86.61       |
| Net gain arising from investment securities | 1,395                          | 3,536                          | (60.55)     |
| Other operating income, net                 | 12,380                         | 10,186                         | 21.54       |
| <b>Total other net non-interest income</b>  | <b>17,313</b>                  | <b>15,824</b>                  | <b>9.41</b> |

Other net non-interest income of the Group increased by RMB1,489 million, or 9.41% over last year, to RMB17,313 million. In this amount, net trading gain increased by RMB1,229 million, or 65.97%, over 2012 to RMB3,092 million. Net gain arising from investment securities dropped by RMB2,141 million, or 60.55%, over 2012 to RMB1,395 million. This was mainly due to the sharp decrease in gains from disposal of non-stripped investment held through debt-equity swap and income from bond interest rate spread. Other net operating income increased by RMB2,194 million, or 21.54%, over 2012, to RMB12,380 million. This was mainly due to the increase of insurance business income of CCB Life and exchange earnings.

#### Operating expenses

The following table sets forth the Group's composition of business and administrative expenses during respective periods.

| (In millions of RMB, except percentages) | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 |
|--|--------------------------------|--------------------------------|
| Staff costs                              | 86,830                         | 79,710                         |
| Premises and equipment expenses          | 26,750                         | 23,484                         |
| Business taxes and surcharges            | 31,648                         | 30,233                         |
| Other business costs                     | 7,087                          | 5,620                          |
| Others                                   | 35,870                         | 32,034                         |
| <b>Operating expenses</b>                | <b>188,185</b>                 | <b>171,081</b>                 |
| <b>Cost-to-income ratio (%)</b>          | <b>29.65</b>                   | <b>29.60</b>                   |

In 2013, the Group enhanced cost management and control, and optimised expenses structure. The operating expenses were RMB188,185 million, an increase of RMB17,104 million, or 10.00%, which was apparently lower than that of the previous year.

Staff costs were RMB86,830 million, an increase of RMB7,120 million, up 8.93% over 2012, lower than the growth rates of profit before tax and net profit. Premises

and equipment expenses were RMB26,750 million, up 13.91%. Other business costs were RMB7,087 million, an increase of RMB1,467 million, up 26.10%. This was mainly because the cost of CCB Life increased correspondingly with the expansion of its insurance business. Other operating expenses increased by RMB3,836 million, or 11.97% over 2012 to RMB35,870 million.

## Management discussion and analysis

### Financial Review

#### Impairment losses

The following table sets forth the composition of the Group's impairment losses during respective periods.

| (In millions of RMB)                      | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 |
|---|--------------------------------|--------------------------------|
| <b>Loans and advances to customers</b>    | <b>42,666</b>                  | 38,330                         |
| <b>Investments</b>                        | <b>(130)</b>                   | 1,296                          |
| Available-for-sale financial assets       | (949)                          | (236)                          |
| Held-to-maturity investments              | 1,056                          | 1,126                          |
| Debt securities classified as receivables | (237)                          | 406                            |
| <b>Others</b>                             | <b>673</b>                     | 415                            |
| <b>Total impairment losses</b>            | <b>43,209</b>                  | 40,041                         |

In 2013, the Group's impairment losses were RMB43,209 million, an increase of RMB3,168 million, or 7.91%, over 2012. In this amount, impairment losses on loans and advances to customers were RMB42,666 million, an increase of RMB4,336 million, or 11.31%, over 2012. Reversal of impairment losses on investments was RMB130 million, a decrease of RMB1,426 million, or 110.03%, over 2012.

#### Income tax expense

In 2013, the Group's income tax expense reached RMB64,684 million, an increase of RMB6,847 million over 2012. The effective income tax rate was 23.12%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations.

### STATEMENT OF FINANCIAL POSITION ANALYSIS

#### Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated.

| (In millions of RMB, except percentages)                               | As at 31 December 2013 |               | As at 31 December 2012 |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Amount                 | % of total    | Amount                 | % of total    |
| Gross loans and advances to customers                                  | 8,590,057              |               | 7,512,312              |               |
| Allowances for impairment losses on loans                              | (228,696)              |               | (202,433)              |               |
| Net loans and advances to customers                                    | 8,361,361              | 54.42         | 7,309,879              | 52.31         |
| Investments <sup>1</sup>   | 3,414,617              | 22.23         | 2,866,648              | 20.52         |
| Cash and deposits with central banks                                   | 2,475,001              | 16.11         | 2,458,069              | 17.59         |
| Deposits and placements with banks and non-bank financial institutions | 473,351                | 3.08          | 715,551                | 5.12          |
| Financial assets held under resale agreements                          | 281,447                | 1.83          | 316,685                | 2.27          |
| Interest receivable  | 80,731                 | 0.53          | 68,264                 | 0.49          |
| Others <sup>2</sup>  | 276,702                | 1.80          | 237,732                | 1.70          |
| <b>Total assets</b>  | <b>15,363,210</b>      | <b>100.00</b> | <b>13,972,828</b>      | <b>100.00</b> |

- These comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.
- These comprise precious metals, positive fair value of derivatives, interests in associates and jointly controlled entities, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

As at 31 December 2013, the Group's total assets stood at RMB15,363,210 million, an increase of RMB1,390,382 million, or 9.95%, over 2012. This was mainly due to increases in loans and advances to customers, and investments. With the Group's active support for the development in the real economy and people's livelihood sectors, net loans and advances to customers accounted for 54.42% of total assets, an increase of 2.11 percentage points over 2012. The Group optimised the structure of investment portfolio and expanded

investments in high-quality and high-yield debt securities at the high position of market interest rate, and investments increased by 1.71 percentage points, accounting for 22.23% of total assets. The Group adjusted the amounts of fund use in accordance with the liquidity situation in the market, and deposits and placements with banks and non-bank financial institutions decreased by 2.04 percentage points, accounting for 3.08% of total assets. Cash and deposits with central banks decreased by 1.48 percentage points, accounting for 16.11% of total assets.

### Loans and advances to customers

The following table sets forth the composition of the Group's loans and advances to customers as at the dates indicated.

| (In millions of RMB, except percentages)     | As at 31 December 2013 |               | As at 31 December 2012 |            |
|--|------------------------|---------------|------------------------|------------|
|  | Amount                 | % of total    | Amount                 | % of total |
| <b>Corporate loans and advances</b>          | <b>5,399,631</b>       | <b>62.86</b>  | 4,963,050              | 66.07      |
| Short-term loans                             | 1,870,823              | 21.78         | 1,725,607              | 22.97      |
| Medium to long-term loans                    | 3,528,808              | 41.08         | 3,237,443              | 43.10      |
| <b>Personal loans and advances</b>           | <b>2,464,654</b>       | <b>28.69</b>  | 2,017,826              | 26.86      |
| Residential mortgages                        | 1,880,219              | 21.89         | 1,528,757              | 20.35      |
| Credit card loans                            | 268,663                | 3.13          | 177,936                | 2.37       |
| Personal consumer loans                      | 71,490                 | 0.83          | 80,556                 | 1.07       |
| Personal business loans                      | 91,655                 | 1.07          | 101,776                | 1.36       |
| Other loans <sup>1</sup>                     | 152,627                | 1.77          | 128,801                | 1.71       |
| <b>Discounted bills</b>                      | <b>116,962</b>         | <b>1.36</b>   | 137,558                | 1.83       |
| <b>Overseas operations and subsidiaries</b>  | <b>608,810</b>         | <b>7.09</b>   | 393,878                | 5.24       |
| <b>Gross loans and advances to customers</b> | <b>8,590,057</b>       | <b>100.00</b> | 7,512,312              | 100.00     |

1. These comprise individual commercial property loans, home equity loans and education loans.

As at 31 December 2013, the Group's gross loans and advances to customers rose by RMB1,077,745 million, or 14.35% over 2012, to RMB8,590,057 million.

Domestic corporate loans and advances of the Bank reached RMB5,399,631 million, an increase of RMB436,581 million, or 8.80% over 2012, mainly invested in infrastructure sectors, small and micro businesses and agriculture-related loans. In this amount, short-term loans increased by RMB145,216 million, or 8.42%, and medium to long-term loans increased by RMB291,365 million, or 9.00%.

Domestic personal loans and advances of the Bank increased by RMB446,828 million, or 22.14% over 2012, to RMB2,464,654 million. In this amount, residential mortgages rose by RMB351,462 million, or 22.99%, mainly to support

the financing needs for residential purpose. Credit card loans maintained a rapid growth, increasing by RMB90,727 million, or 50.99% over 2012. Personal consumer loans and personal business loans decreased as a result of the enhancement of loan risk control and adjustment of loan product structure.

Discounted bills decreased by RMB20,596 million, or 14.97%, to RMB116,962 million over 2012, chiefly because discounted bills were curtailed to meet the needs of customers in the medium to long-term loans.

Loans and advances to customers of overseas entities and subsidiaries rose by RMB214,932 million, or 54.57% over 2012, to RMB608,810 million, largely attributable to the largely expanded cross-border business and strengthened domestic and overseas business collaboration.

## Management discussion and analysis

### Financial Review

#### Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

| (In millions of RMB, except percentages)                    | As at 31 December 2013 |               | As at 31 December 2012 |               |
|---|------------------------|---------------|------------------------|---------------|
|   | Amount                 | % of total    | Amount                 | % of total    |
| Unsecured loans   | 2,336,298              | 27.20         | 2,084,988              | 27.76         |
| Guaranteed loans  | 1,652,755              | 19.24         | 1,441,826              | 19.19         |
| Loans secured by tangible assets other than monetary assets | 3,734,986              | 43.48         | 3,176,420              | 42.28         |
| Loans secured by monetary assets                            | 866,018                | 10.08         | 809,078                | 10.77         |
| <b>Gross loans and advances to customers</b>                | <b>8,590,057</b>       | <b>100.00</b> | <b>7,512,312</b>       | <b>100.00</b> |

#### Allowances for impairment losses on loans and advances to customers

| (In millions of RMB)     | Year ended 31 December 2013                                       |  |                                 |                |
|--------------------------|---|--|---------------------------------|----------------|
|                          | Allowances for loans and advances which are collectively assessed | Allowances for impaired loans and advances |                                 | Total          |
|                          |   | which are collectively assessed            | which are individually assessed |                |
| As at 1 January          | 152,710   | 3,909                                      | 45,814                          | 202,433        |
| Charge for the year      | 18,317  | 2,941                                      | 32,240                          | 53,498         |
| Release during the year  | –   | –  | (10,832)                        | (10,832)       |
| Unwinding of discount    | –   | –  | (1,446)                         | (1,446)        |
| Transfers out            | –   | (3)  | (4,858)                         | (4,861)        |
| Write-offs               | –   | (1,427)                                    | (10,441)                        | (11,868)       |
| Recoveries               | –   | 112  | 1,660                           | 1,772          |
| <b>As at 31 December</b> | <b>171,027</b>  | <b>5,532</b>                               | <b>52,137</b>                   | <b>228,696</b> |

The Group adhered to the prudent principle by fully considering the impact of changes in external environment including macro economy and government control policies on credit asset quality, and made full provisions for impairment losses on loans and advances to customers. As at 31 December 2013, the allowances for impairment losses on loans and advances to customers were RMB228,696 million, an increase of RMB26,263 million over 2012. The ratio of allowances to non-performing loans was 268.22%, down 3.07 percentage points over 2012. The ratio of allowances to total loans stood at 2.66%, down 0.03 percentage points over 2012.

#### Investments

The following table sets forth the composition of the Group's investments by nature as at the dates indicated.

| (In millions of RMB, except percentages) | As at 31 December 2013 |               | As at 31 December 2012 |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Amount                 | % of total    | Amount                 | % of total    |
| Debt securities investments              | 3,115,865              | 91.25         | 2,847,441              | 99.33         |
| Equity instruments                       | 19,249                 | 0.56          | 17,967                 | 0.63          |
| Funds                                    | 937                    | 0.03          | 1,240                  | 0.04          |
| Other debt instruments                   | 278,566                | 8.16          | –                      | –             |
| <b>Total investments</b>                 | <b>3,414,617</b>       | <b>100.00</b> | <b>2,866,648</b>       | <b>100.00</b> |

In 2013, in accordance with its annual investment and trading strategy and risk policy requirements, the Group proactively dealt with regulatory and market changes to achieve the balance between risks and returns. As at 31 December 2013, the Group's investments totalled RMB3,414,617 million, an increase of RMB547,969 million, or 19.12% over 2012. In this amount, debt securities investments accounted for 91.25% of total investments, a decrease of 8.08 percentage points over 2012. Other debt instruments accounted for 8.16% of total investments, which were financial assets designated at fair value through profit or loss arising from investments in deposits with banks and non-bank financial institutions of part of newly issued principal-guaranteed wealth management products.

The following table sets forth the composition of the Group's investments by holding intention as at the dates indicated.

| (In millions of RMB, except percentages)              | As at 31 December 2013 |               | As at 31 December 2012 |               |
|---|------------------------|---------------|------------------------|---------------|
|   | Amount                 | % of total    | Amount                 | % of total    |
| Financial assets at fair value through profit or loss | 364,050                | 10.66         | 27,572                 | 0.96          |
| Available-for-sale financial assets                   | 760,292                | 22.26         | 701,041                | 24.46         |
| Held-to-maturity investments                          | 2,100,538              | 61.52         | 1,918,322              | 66.92         |
| Debt securities classified as receivables             | 189,737                | 5.56          | 219,713                | 7.66          |
| <b>Total investments</b>                              | <b>3,414,617</b>       | <b>100.00</b> | <b>2,866,648</b>       | <b>100.00</b> |

#### Debt securities investments

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

| (In millions of RMB, except percentages) | As at 31 December 2013 |               | As at 31 December 2012 |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Amount                 | % of total    | Amount                 | % of total    |
| RMB                                      | 3,051,957              | 97.95         | 2,775,236              | 97.46         |
| USD                                      | 36,066                 | 1.16          | 25,515                 | 0.90          |
| HKD                                      | 15,604                 | 0.50          | 37,592                 | 1.32          |
| Other foreign currencies                 | 12,238                 | 0.39          | 9,098                  | 0.32          |
| <b>Total debt securities investments</b> | <b>3,115,865</b>       | <b>100.00</b> | <b>2,847,441</b>       | <b>100.00</b> |

As at 31 December 2013, total investments in debt securities increased by RMB268,424 million, or 9.43% over 2012, to RMB3,115,865 million. In this amount, RMB debt securities increased by RMB276,721 million, or 9.97%, while the foreign currency debt securities decreased by RMB8,297 million, or 11.49% over 2012.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

| (In millions of RMB, except percentages)  | As at 31 December 2013 |               | As at 31 December 2012 |               |
|---|------------------------|---------------|------------------------|---------------|
|   | Amount                 | % of total    | Amount                 | % of total    |
| Government                                | 1,075,428              | 34.51         | 939,182                | 32.98         |
| Central banks                             | 197,910                | 6.35          | 335,309                | 11.78         |
| Policy banks                              | 445,850                | 14.31         | 351,086                | 12.33         |
| Banks and non-bank financial institutions | 895,277                | 28.73         | 798,952                | 28.06         |
| Public sector entities                    | 98                     | 0.01          | 341                    | 0.01          |
| Cinda                                     | 18,852                 | 0.61          | 57,622                 | 2.02          |
| Other enterprises                         | 482,450                | 15.48         | 364,949                | 12.82         |
| <b>Total debt securities investments</b>  | <b>3,115,865</b>       | <b>100.00</b> | <b>2,847,441</b>       | <b>100.00</b> |

## Management discussion and analysis

### Financial Review

#### Interest receivable

As at 31 December 2013, the Group's interest receivable was RMB80,731 million, an increase of RMB12,467 million, or 18.26%, over 2012. This was mainly due to the growth in loans and debt securities investments.

#### Liabilities

The following table sets forth the composition of the Group's total liabilities as at the dates indicated.

| (In millions of RMB, except percentages)                               | As at 31 December 2013 |               | As at 31 December 2012 |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Amount                 | % of total    | Amount                 | % of total    |
| Deposits from customers  | 12,223,037             | 85.54         | 11,343,079             | 87.10         |
| Deposits and placements from banks and non-bank financial institutions | 848,012                | 5.94          | 1,097,743              | 8.43          |
| Financial assets sold under repurchase agreements                      | 61,873                 | 0.43          | 2,360                  | 0.02          |
| Debt securities issued   | 357,540                | 2.50          | 262,991                | 2.02          |
| Other liabilities <sup>1</sup>   | 798,419                | 5.59          | 317,110                | 2.43          |
| <b>Total liabilities</b>   | <b>14,288,881</b>      | <b>100.00</b> | <b>13,023,283</b>      | <b>100.00</b> |

1. These comprise borrowings from central banks, financial liabilities at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, interest payable, provisions, deferred tax liabilities and other liabilities.

As at 31 December 2013, the Group's total liabilities were RMB14,288,881 million, an increase of RMB1,265,598 million, or 9.72% over 2012. In this amount, deposits from customers accounted for 85.54% of total liabilities, a decrease of 1.56 percentage points over 2012. The Group imposed reasonable controls on the growth of deposits from other banks in line with the trend of market interest rates, while deposits and placements from banks and non-bank financial institutions

accounted for 5.94% of total liabilities, a decrease of 2.49 percentage points. Debt securities issued accounted for 2.50% of total liabilities, up 0.48 percentage points, mainly because the overseas branches and CCB Asia issued more certificates of deposit. Other liabilities accounted for 5.59% of total liabilities, an increase of 3.16 percentage points, which were largely financial liabilities designated at fair value through profit or loss arising from part of the newly issued principal-guaranteed wealth management products.

#### Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

| (In millions of RMB, except percentages)    | As at 31 December 2013 |               | As at 31 December 2012 |               |
|---|------------------------|---------------|------------------------|---------------|
|   | Amount                 | % of total    | Amount                 | % of total    |
| <b>Corporate deposits</b>                   | <b>6,443,255</b>       | <b>52.71</b>  | <b>6,073,726</b>       | <b>53.55</b>  |
| Demand deposits                             | 4,064,038              | 33.25         | 3,714,628              | 32.75         |
| Time deposits                               | 2,379,217              | 19.46         | 2,359,098              | 20.80         |
| <b>Personal deposits</b>                    | <b>5,514,647</b>       | <b>45.12</b>  | <b>5,077,930</b>       | <b>44.77</b>  |
| Demand deposits                             | 2,510,525              | 20.54         | 2,092,791              | 18.45         |
| Time deposits                               | 3,004,122              | 24.58         | 2,985,139              | 26.32         |
| <b>Overseas operations and subsidiaries</b> | <b>265,135</b>         | <b>2.17</b>   | <b>191,423</b>         | <b>1.68</b>   |
| <b>Total deposits from customers</b>        | <b>12,223,037</b>      | <b>100.00</b> | <b>11,343,079</b>      | <b>100.00</b> |

As at 31 December 2013, the Group's total deposits from customers reached RMB12,223,037 million, an increase of RMB879,958 million, or 7.76% over 2012. In this amount, domestic demand deposits of the Bank increased by RMB767,144 million, or 13.21%, higher than the 0.73% growth of time deposits.

## Shareholder's equity

The following table sets forth the composition of the Group's total equity as at the dates indicated.

| (In millions of RMB)  | As at<br>31 December 2013 | As at<br>31 December 2012 |
|---|---------------------------|---------------------------|
| Share capital   | 250,011                   | 250,011                   |
| Capital reserve   | 135,523                   | 135,217                   |
| Investment revaluation reserve                                      | (19,290)                  | 3,023                     |
| Surplus reserve   | 107,970                   | 86,718                    |
| General reserve   | 153,835                   | 80,483                    |
| Retained earnings   | 444,084                   | 391,034                   |
| Exchange reserve  | (6,182)                   | (4,818)                   |
| <b>Total equity attributable to equity shareholders of the Bank</b> | <b>1,065,951</b>          | <b>941,668</b>            |
| Non-controlling interests   | 8,378                     | 7,877                     |
| <b>Total equity</b>   | <b>1,074,329</b>          | <b>949,545</b>            |

As at 31 December 2013, the Group's total equity reached RMB1,074,329 million, an increase of RMB124,784 million over last year. The ratio of total equity to total assets for the Group was 6.99%.

### Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, and equity instrument contracts. Please refer to Note "Derivatives" in the "Financial Statements" of this annual report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption

obligations, outstanding litigation and disputes. The Group enhanced the refined management over off-balance sheet activities and continued to advance the adjustments to off-balance sheet structure. Among these, credit commitments were the largest component, with a balance of RMB2,310,227 million as at 31 December 2013, an increase of RMB293,928 million over 2012. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" of this annual report for details on commitments and contingent liabilities.

## LOAN QUALITY ANALYSIS

### Distribution of loans by the five-category classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss categories.

| (In millions of RMB, except percentages)     | As at 31 December 2013 |               | As at 31 December 2012 |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Amount                 | % of total    | Amount                 | % of total    |
| Normal                                       | 8,300,113              | 96.63         | 7,233,287              | 96.29         |
| Special mention                              | 204,680                | 2.38          | 204,407                | 2.72          |
| Substandard                                  | 32,100                 | 0.37          | 32,745                 | 0.43          |
| Doubtful                                     | 42,231                 | 0.49          | 33,713                 | 0.45          |
| Loss   | 10,933                 | 0.13          | 8,160                  | 0.11          |
| <b>Gross loans and advances to customers</b> | <b>8,590,057</b>       | <b>100.00</b> | <b>7,512,312</b>       | <b>100.00</b> |
| <b>Non-performing loans</b>                  | <b>85,264</b>          |               | <b>74,618</b>          |               |
| <b>Non-performing loan ratio</b>             |                        | <b>0.99</b>   |                        | <b>0.99</b>   |

In 2013, the Group continued to deepen credit structure adjustments, comprehensively strengthened post-lending management and risk prevention and mitigation, and expedited NPL disposal. As a result, credit asset quality continued to be stable. As at 31 December 2013, the Group's NPLs were RMB85,264 million, an increase of RMB10,646 million from 2012, while the NPL ratio was 0.99%, remaining unchanged over last year. The proportion of special mention loans slid to 2.38%, 0.34 percentage points lower from 2012.

## Management discussion and analysis

### Financial Review

#### Distribution of loans and NPLs by product type

The following table sets forth loans and NPLs by product type as at the dates indicated.

| (In millions of RMB,<br>except percentages) | As at 31 December 2013 |               |               | As at 31 December 2012 |        |               |
|---|------------------------|---------------|---------------|------------------------|--------|---------------|
|   | Loans                  | NPLs          | NPL ratio (%) | Loans                  | NPLs   | NPL ratio (%) |
| <b>Corporate loans and advances</b>         | <b>5,399,631</b>       | <b>76,481</b> | <b>1.42</b>   | 4,963,050              | 67,575 | 1.36          |
| Short-term loans                            | 1,870,823              | 50,142        | 2.68          | 1,725,607              | 40,298 | 2.34          |
| Medium to long-term loans                   | 3,528,808              | 26,339        | 0.75          | 3,237,443              | 27,277 | 0.84          |
| <b>Personal loans and advances</b>          | <b>2,464,654</b>       | <b>8,002</b>  | <b>0.32</b>   | 2,017,826              | 5,895  | 0.29          |
| Residential mortgages                       | 1,880,219              | 3,203         | 0.17          | 1,528,757              | 2,809  | 0.18          |
| Credit card loans                           | 268,663                | 1,772         | 0.66          | 177,936                | 1,090  | 0.61          |
| Personal consumer loans                     | 71,490                 | 780           | 1.09          | 80,556                 | 740    | 0.92          |
| Personal business loans                     | 91,655                 | 1,449         | 1.58          | 101,776                | 580    | 0.57          |
| Other loans                                 | 152,627                | 798           | 0.52          | 128,801                | 676    | 0.52          |
| <b>Discounted bills</b>                     | <b>116,962</b>         | <b>-</b>      | <b>-</b>      | 137,558                | -      | -             |
| <b>Overseas operations and subsidiaries</b> | <b>608,810</b>         | <b>781</b>    | <b>0.13</b>   | 393,878                | 1,148  | 0.29          |
| <b>Total</b>                                | <b>8,590,057</b>       | <b>85,264</b> | <b>0.99</b>   | 7,512,312              | 74,618 | 0.99          |

As at 31 December 2013, the NPL ratio for domestic corporate loans was 1.42%, an increase of 0.06 percentage points from 2012, and the NPL ratio for personal loans and advances was 0.32%, an increase of 0.03 percentage points over 2012. The Group strengthened overseas risk management and Group-level consolidated management. As a result, the asset quality of overseas entities and subsidiaries improved steadily.

## Distribution of loans and NPLs by industry

The following table sets forth the Group's loans and NPLs by industry as at the dates indicated.

| (In millions of RMB,<br>except percentages)   | As at 31 December 2013 |               |               |               | As at 31 December 2012 |            |        |               |
|---|------------------------|---------------|---------------|---------------|------------------------|------------|--------|---------------|
|   | Loans                  | % of total    | NPLs          | NPL ratio (%) | Loans                  | % of total | NPLs   | NPL ratio (%) |
| <b>Corporate loans</b>  | <b>5,399,631</b>       | <b>62.86</b>  | <b>76,481</b> | <b>1.42</b>   | 4,963,050              | 66.07      | 67,575 | 1.36          |
| Manufacturing   | 1,322,660              | 15.40         | 38,083        | 2.88          | 1,275,213              | 16.97      | 30,690 | 2.41          |
| Transportation, storage and postal services   | 956,597                | 11.14         | 5,297         | 0.55          | 856,728                | 11.40      | 3,208  | 0.37          |
| Production and supply of electric power, heat, gas and water                        | 571,028                | 6.65          | 2,030         | 0.36          | 593,497                | 7.90       | 3,157  | 0.53          |
| Real estate   | 500,428                | 5.83          | 3,807         | 0.76          | 456,811                | 6.08       | 4,462  | 0.98          |
| Leasing and commercial services   | 473,877                | 5.52          | 982           | 0.21          | 390,186                | 5.19       | 1,606  | 0.41          |
| – Commercial services   | 460,398                | 5.36          | 977           | 0.21          | 377,550                | 5.03       | 1,590  | 0.42          |
| Wholesale and retail trade  | 392,744                | 4.57          | 19,302        | 4.91          | 356,434                | 4.74       | 17,656 | 4.95          |
| Water, environment and public utility management                                    | 272,453                | 3.17          | 197           | 0.07          | 235,694                | 3.14       | 223    | 0.09          |
| Construction  | 238,601                | 2.78          | 2,049         | 0.86          | 218,808                | 2.91       | 1,654  | 0.76          |
| Mining  | 217,448                | 2.53          | 843           | 0.39          | 196,666                | 2.62       | 458    | 0.23          |
| – Exploitation of petroleum and natural gas   | 4,888                  | 0.06          | 4             | 0.08          | 13,501                 | 0.18       | 12     | 0.09          |
| Education   | 71,637                 | 0.83          | 261           | 0.36          | 66,183                 | 0.88       | 362    | 0.55          |
| Information transmission, software and information technology services              | 29,569                 | 0.34          | 950           | 3.21          | 24,639                 | 0.33       | 984    | 3.99          |
| – Telecommunications, broadcast and television, and satellite transmission services | 22,369                 | 0.26          | 462           | 2.07          | 19,159                 | 0.26       | 495    | 2.58          |
| Others  | 352,589                | 4.10          | 2,680         | 0.76          | 292,191                | 3.91       | 3,115  | 1.07          |
| <b>Personal loans</b>   | <b>2,464,654</b>       | <b>28.69</b>  | <b>8,002</b>  | <b>0.32</b>   | 2,017,826              | 26.86      | 5,895  | 0.29          |
| <b>Discounted bills</b>   | <b>116,962</b>         | <b>1.36</b>   | <b>–</b>      | <b>–</b>      | 137,558                | 1.83       | –      | –             |
| <b>Overseas operations and subsidiaries</b>   | <b>608,810</b>         | <b>7.09</b>   | <b>781</b>    | <b>0.13</b>   | 393,878                | 5.24       | 1,148  | 0.29          |
| <b>Total</b>  | <b>8,590,057</b>       | <b>100.00</b> | <b>85,264</b> | <b>0.99</b>   | 7,512,312              | 100.00     | 74,618 | 0.99          |

In 2013, in line with the “12th Five-Year Plan” and changes in other external policies, the Group duly optimised its credit policies and structural adjustment plan, and refined its criteria in customer risk selection. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. The loan quality in infrastructure sectors remained stable. The new NPLs mainly arose from manufacturing, and wholesale and retail trade, while the NPL ratio of wholesale and retail trade decreased slightly over the previous year.

## Management discussion and analysis

### Financial Review

#### Rescheduled loans and advances to customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

| (In millions of RMB, except percentages)    | As at 31 December 2013 |                               | As at 31 December 2012 |                               |
|---|------------------------|-------------------------------|------------------------|-------------------------------|
|   | Amount                 | % of gross loans and advances | Amount                 | % of gross loans and advances |
| Rescheduled loans and advances to customers | 1,009                  | 0.01                          | 2,563                  | 0.03                          |

As at 31 December 2013, rescheduled loans and advances to customers decreased by RMB1,554 million over 2012, to RMB1,009 million, accounting for 0.01% of gross loans and advances, a decrease of 0.02 percentage points over 2012.

#### Overdue loans and advances to customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

| (In millions of RMB, except percentages)             | As at 31 December 2013 |                               | As at 31 December 2012 |                               |
|--|------------------------|-------------------------------|------------------------|-------------------------------|
|  | Amount                 | % of gross loans and advances | Amount                 | % of gross loans and advances |
| Overdue for no more than 3 months                    | 25,077                 | 0.30                          | 24,715                 | 0.33                          |
| Overdue for 3 months to 1 year                       | 26,103                 | 0.30                          | 25,840                 | 0.34                          |
| Overdue for 1 to 3 years                             | 26,552                 | 0.31                          | 13,928                 | 0.19                          |
| Overdue for over 3 years                             | 8,972                  | 0.10                          | 12,593                 | 0.17                          |
| <b>Total overdue loans and advances to customers</b> | <b>86,704</b>          | <b>1.01</b>                   | <b>77,076</b>          | <b>1.03</b>                   |

As at 31 December 2013, overdue loans and advances to customers increased by RMB9,628 million to RMB86,704 million over 2012, mainly because delinquencies rose as certain customers experienced difficulty in liquidity with the slowdown of domestic economy.

#### SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The major areas affected by the

estimates and judgements include: impairment losses on loans and advances to customers, available-for-sale debt securities and held-to-maturity investments, impairment of available-for-sale equity instruments, fair value of financial instruments, reclassification of held-to-maturity investments, income taxes, employee retirement benefit obligations and scope of consolidation. Please refer to Note "Significant Accounting Policies and Accounting Estimates" in the "Financial Statements" of this annual report.

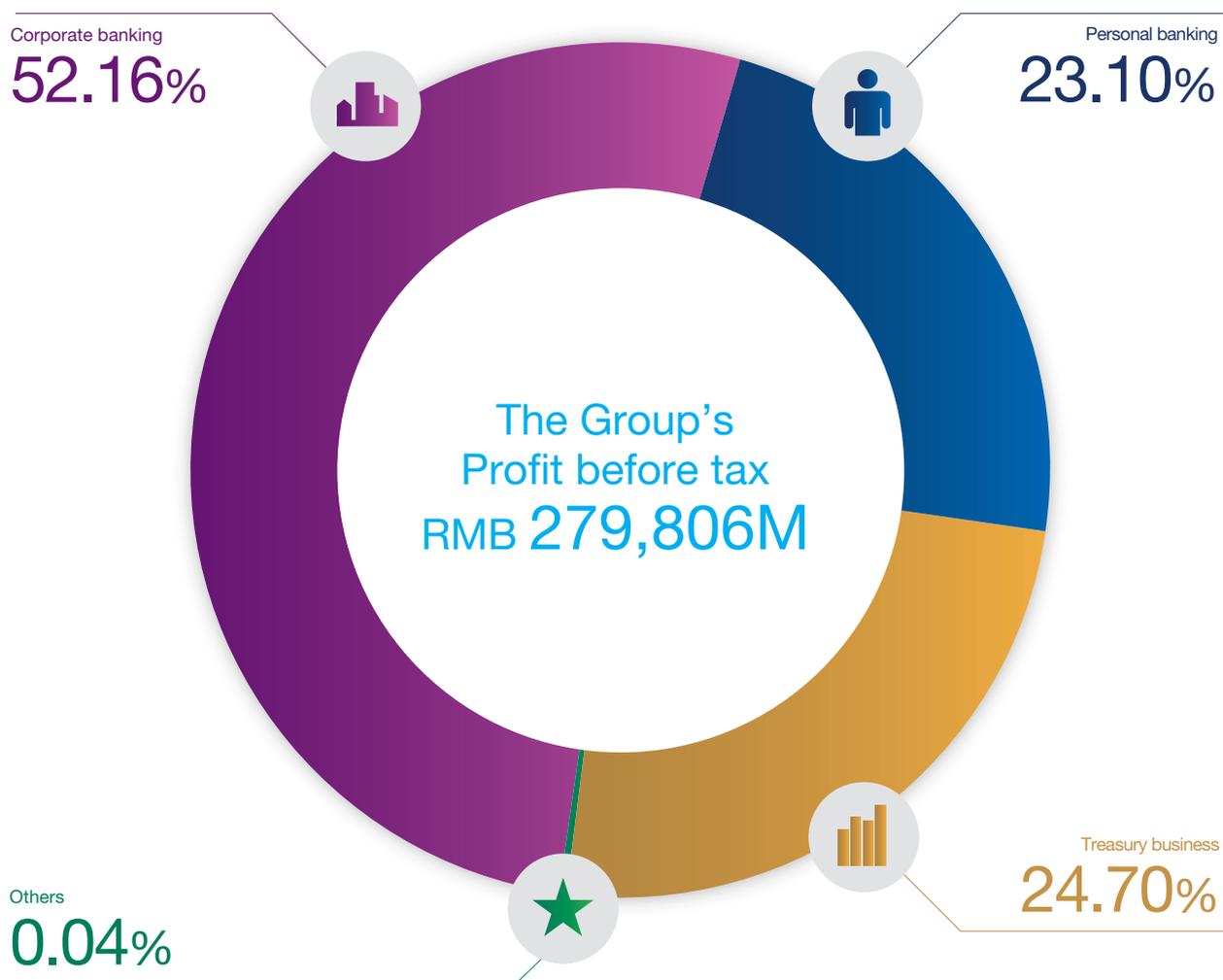
#### DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP AND THOSE PREPARED UNDER IFRS

There is no difference in the net profit for the year ended 31 December 2013 or total equity as at 31 December 2013 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

# Management discussion and analysis

## BUSINESS REVIEW

The Group's major business segments are corporate banking, personal banking, treasury business, and others including overseas business and subsidiaries.



The following table sets forth, for the periods indicated, the profit before tax of each major business segment:

| (In millions of RMB, except percentages) | Year ended 31 December 2013 |               | Year ended 31 December 2012 |               |
|--|-----------------------------|---------------|-----------------------------|---------------|
|  | Amount                      | % of total    | Amount                      | % of total    |
| Corporate banking                        | 145,939                     | 52.16         | 118,494                     | 47.13         |
| Personal banking                         | 64,635                      | 23.10         | 51,663                      | 20.55         |
| Treasury business                        | 69,107                      | 24.70         | 76,272                      | 30.33         |
| Others                                   | 125                         | 0.04          | 5,010                       | 1.99          |
| <b>Profit before tax</b>                 | <b>279,806</b>              | <b>100.00</b> | <b>251,439</b>              | <b>100.00</b> |



# CORPORATE BANKING

Profit before tax from corporate banking segment, the Group's main profit contributor, increased by 23.16% over 2012 to RMB145,939 million, and accounted for 52.16% of the Group's profit before tax.

The following table sets forth, for the periods indicated, the major operating information and changes related to corporate banking:

| (In millions of RMB, except percentages) | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 | Change<br>(%) |
|--|--------------------------------|--------------------------------|---------------|
| Net interest income                      | 202,965                        | 176,390                        | 15.07         |
| Net fee and commission income            | 42,119                         | 40,116                         | 4.99          |
| Other operating income                   | (855)                          | 444                            | (292.57)      |
| <b>Operating income</b>                  | <b>244,229</b>                 | <b>216,950</b>                 | <b>12.57</b>  |
| Operating expenses                       | (66,997)                       | (67,759)                       | (1.12)        |
| Impairment losses                        | (31,293)                       | (30,697)                       | 1.94          |
| <b>Profit before tax</b>                 | <b>145,939</b>                 | <b>118,494</b>                 | <b>23.16</b>  |
|  | As at<br>31 December 2013      | As at<br>31 December 2012      |               |
| <b>Segment assets</b>                    | <b>5,585,454</b>               | <b>5,368,220</b>               | <b>4.05</b>   |

Operating income from corporate banking increased by 12.57% year-on-year. In this amount, net interest income increased by 15.07% over the previous year, driven by the development of corporate deposit and loan businesses; net fee and commission income increased by 4.99% over 2012, boosted by some key products such as corporate settlement and cost advisory service.

### Corporate deposits

While strengthening the retention of existing customers, the Bank also focused on portfolio application and innovation of deposit products to promote the steady growth of corporate deposits. At the end of 2013, domestic corporate deposits of the Bank amounted to RMB6,443,255 million, an increase of RMB369,529 million, or 6.08% over 2012.

### Corporate loans

The Bank's corporate loans were granted at a stable and balanced pace to mainly support the development of the real economy. At the end of 2013, domestic corporate loans and advances of the Bank amounted to RMB5,399,631 million, an increase of RMB436,581 million, or 8.80%. Loans to infrastructure sectors totalled RMB2,287,733 million, an increase of RMB191,604 million over last year, and accounted for 43.89% of the increase in corporate loans. Agriculture-related loans amounted to RMB1,623,918 million, an increase of RMB349,019 million, or 27.38%. In this amount, loans to new countryside construction amounted to RMB120,423 million, up 62.27%. The accumulated amount of loans granted to internet merchant business since 2008 reached RMB116,260 million, extending to over 16,400 customers. Cooperation with high quality e-commerce platforms was expanded, and the number of platforms in cooperation reached 38.

The Bank strictly implemented list management. Loans to the "6+1" industries, including iron and steel, cement, coal chemical, plate glass, wind power equipment, polycrystalline silicon as well as the shipbuilding sector, decreased by RMB15,635 million over last year to RMB172,729 million. The Bank strictly controlled the total amount of loans to government financing vehicles, and continuously optimised cash flow structures by strengthening risk monitoring of maturing loans and preparing repayment schedules for each government financing vehicle. Those classified under the regulatory category decreased by RMB37,679 million over last year. In this amount, loans fully covered by cash flows accounted for 95.73%. Property development loans were mainly in support of the high quality real estate customers and the general residential projects with high credit rating, good business performance and proper closed management of project funds. The outstanding balance of property development loans was RMB444,650 million, an increase of RMB28,880 million over 2012.

### Small enterprise business

The Bank regards small and micro enterprise business as its important strategic business in support of the real economy. The Bank actively served the real economy with a focus on urbanisation and industries with local characteristics, and promoted the transformation of business subdivision, to serve more small and micro enterprises with limited credit resources. The Bank innovated the ways of credit ratings through application for credit rating scorecard, by means of which the Bank rated small and micro enterprises' credit via their logistics, cash flows, electricity meter, water meter, transactions of their banking accounts, etc., rather than the traditional mode of only depending on the financial statements or collaterals to evaluate their credit ratings and release loans. The Bank set up cooperative platforms, and conducted marketing in batches for small enterprise business through the platforms of business communities, industrial chains, governments and associations.

The Bank expanded its product range by developing “Business Alliance Loan” for customers from business communities, optimising “Supply Chain Loan” and “Credit Cooperation Loan” for those from industrial chains and enterprise clusters, and introducing credit loans to customers short of collaterals. The Bank designed settlement type financing products for those holding settlement cards and “business start-up loans” for “customers near the operating outlets”, and provided micro-credit loans to customers with “businesses, social responsibilities and credits”. At the end of 2013, according to the standards of SMEs jointly issued by four ministries and commissions including the Ministry of Industry and Information Technology in 2011 as well as the CBRC’s latest regulatory requirements, loans to small and micro business were RMB989,460 million, up 15.89% over 2012, and the number of credit customers for small and micro business reached 231,961, an increase of 29,554. The Bank was awarded the “Outstanding Performance Bank in Financial Service for Small and Micro Business” by the CBRC.

#### Cost advisory service

Cost advisory service is the Bank’s unique fee-based business product with a strong brand. It has had a history of nearly 60 years since it emerged and developed along with the Bank’s long-term practices of investment in fixed assets and being the agency of the state financial functions. The Bank’s 37 tier-one branches had the grade-A qualification for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, and 156 tier-two branches set up specialised units for cost advisory service. The Bank reinforced fundamental management, pushed forward the construction of business system and innovated businesses and products, while ensuring to provide customers with high quality and effective services. All these led to streamlined, normalised, standardised, and systematic operation and management in engineering cost advisory service, with continuously improved industry position and brand image. In 2013, income from cost advisory service amounted to RMB9,407 million, an increase of 14.97% over 2012.

#### Institutional business

In 2013, the Bank optimised and upgraded its “Minben Tongda” comprehensive financial services brand on an overall basis. With a focus on high quality customers in areas of education, health, social security, culture and environmental protection, the Bank further expanded the range of comprehensive services. The Bank renewed the strategic cooperation agreement with Tsinghua University, signed strategic cooperation agreements with Communication University of China and Xinhuanet, and continued to deepen cooperation with Guangming Daily and people.cn. The Bank obtained the qualification to act as the MOF’s agency bank for the central finance authorised payment with the highest score, and ranked first among peers in terms of the number of customers of the authorised payment agency

business. By proactively responding to the MOF’s reform of centralised electronic payment system of treasury, the Bank took the lead to launch the “Auto Counter System” special for the fiscal business. The coverage of social security banking products continuously expanded. The number of “Xincunguan” customers whose securities deposits managed by the Bank as a third party totalled 22.52 million, and the managed capital amounted to RMB154,749 million, leading the market. The number of contracted futures investment customers accounted for nearly 50% market share, and the number of futures companies with through-train banking services reached 156, with nearly 100% coverage.

#### International business

In 2013, international settlement volume reached US\$1.10 trillion, up 5.77%; domestic cross-border RMB settlement volume totalled RMB903,027 million, up 54.04%. Trade finance recorded a 68.05% increase with a balance of RMB767,979 million on and off-balance sheet. Through continuous expansion of product range, the Bank introduced innovative off-balance sheet products, including entrusted payment and risk participation in export receivables, successfully launched overseas agency payment as on-balance sheet product, and piloted the agency payment services for foreign banks. The Bank started the pilot work for back-to-back letter of credit, cooperated with foreign banks in international factoring financing without recourse for the first time. The Bank steadily expanded the functions of foreign exchange cash management system to satisfy customers’ broader business needs. The Bank enhanced the cooperation with peers, leading to steady expansion of agency bank network, and established head office level agency bank relationship with a total of 1,432 commercial banks registered overseas. The Bank was awarded “Best Supply Chain Financing Bank” in the China Trade Finance Annual Conference held by the China Banking Association.

#### Asset custodial business

The Bank strengthened the direct management at the headquarters level on the asset custodial business, actively engaged in overseas markets, and improved its intensive operational service abilities. At the end of 2013, the Bank’s assets under custody increased by 14.79% to RMB3.10 trillion. Securities investments funds under custody totalled RMB613,728 million, commanding the second largest market share. The number of securities investments funds under custody increased by 84, and the units of funds under custody increased by 123.7 billion, both ranking first among the Chinese peers. Insurance assets under custody totalled RMB586,351 million, an increase of 39.78%. The volume of assets under custody, the increase in the number of custodial customers and newly approved amount of Qualified Foreign Institutional Investor (QFII) ranked first among peers. The Bank made breakthroughs in service innovations, and maintained the leading position among peers in multiple non-traditional areas, such as Exchange-

Traded Funds (ETF) products of publicly offered funds, insurance industry investment, outsourcing services of assets under custody, development of pension back-end product assortment, investment in stock index futures by insurance assets and cross-border RMB remittance of RQFII-ETF.

### Pension business

Pension business developed well with positive progress in product innovations. At the end of 2013, the pension assets under trusteeship amounted to RMB36,491 million, up 48.63%; the pension assets under custody in operation amounted to RMB84,298 million, up 31.43%; the personal pension accounts in operation amounted to 3.22 million, up 25.78%. The Bank made positive progress in product innovation. It jointly launched CCB pension card with the Committee of Development of Financial Service for the Elderly of China Silver Industry Association, and succeeded in the initial launch of pension wealth management product named “Qianyuan-Yangyisifang”. In 2013, the Bank was elected the second session director-level unit of the Special Committee for Pension Business of the China Banking

Association, and was awarded the “Outstanding Contribution Unit for Pension Business of the China Banking Association” by virtue of its outstanding coordination and service capabilities.

### Treasury management and settlement business

Treasury management and settlement business developed rapidly, with significant growth in the number of both accounts and customers. At the end of 2013, the Bank had 3,900,000 corporate RMB settlement accounts, an increase of 500,000 over last year; income from RMB settlement business amounted to RMB9,182 million, up 19.28%. The Bank had 663,300 cash management customers. The leading position of advantage products such as corporate settlement card and all-in-one corporate account was further consolidated. The Bank successfully launched a new generation of corporate cash management system to integrate service channels of cash management, and introduced innovative products such as bank notes pool and bill self-service. The market influence of the Bank’s cash management service branded as “Yudao” constantly expanded.

### Feature Article: Corporate Cash Management Business

Since 1995, the Bank has provided corporate cash management services to enterprises, and successively built the national treasury management and settlement network for a batch of well-known domestic enterprises. In 2002, the Bank became the first financial institution to provide cash management services to multinational companies in China. In 2011, the Bank greatly promoted cash management business as its strategic business. In February 2013, the Bank entered into a memorandum of cooperation with Bank of America Corporation, aiming at jointly providing cash management services to large multinational enterprises. In 2013, the Bank introduced a new generation of corporate cash management system to integrate service channels, and launched innovative products including bank notes pool, virtual cash pool and budget management. All these led to the gradual establishment and improvement of a comprehensive and whole-process cash management system for corporations.

With nearly 20 years’ development, the Bank has become one of the most competitive banks in cash management. Relying on the cash management services branded as “Yudao”, the Bank integrates nearly a hundred types of treasury management and settlement products and more than ten industrial solutions, covering seven product lines including account services, collection and payment products, liquidity management products, information reporting products and investment and wealth management products. All these can meet customers’ cash management demands to the largest extent and offer best experience in cash management services for customers. Among these products, real-time collaborative cash pool for multi-level accounts, all-in-one corporate accounts, corporate settlement cards, and agency collection and payment for financial companies lead the market among peers.

Adhering to the “customer-centric, market-oriented” operating philosophy in cash management business, the Bank attaches great importance to customer experience and endeavours to meet customers’ personalised and diversified cash management demands, which won great recognition from customers. At the end of 2013, the Bank had 663,300 cash management customers, providing services to customers in government departments, non-bank financial institutions, public institutions and various large, medium and small enterprises. A large number of successful service practices laid the foundations for its advanced service abilities and leading market position among peers, as evidenced by professional awards in cash management granted by the media including the *Finance Asia*, *Chief Financial Officer* and *Treasury China*.

In the future, the Bank will continue to enhance innovation in strategic products, accelerate the expansion of global cash management business, and endeavour to improve its comprehensive service abilities, so as to provide customers with integrated, comprehensive and global corporate cash management services.



# PERSONAL BANKING

Personal banking segment achieved profit before tax of RMB64,635 million, a year-on-year increase of 25.11%, and accounted for 23.10% of the Group's profit before tax, up 2.55 percentage points over 2012.



Li Mingxiang, Client Relationship Manager of Beijing Branch, at service of a client.

The following table sets forth, for the periods indicated, the major operating information and changes related to personal banking:

| (In millions of RMB, except percentages) | Year ended<br>31 December 2013    | Year ended<br>31 December 2012    | Change<br>(%) |
|--|-----------------------------------|-----------------------------------|---------------|
| Net interest income                      | 134,452                           | 111,464                           | 20.62         |
| Net fee and commission income            | 40,870                            | 33,181                            | 23.17         |
| Other operating income                   | 374                               | 690                               | (45.80)       |
| <b>Operating income</b>                  | <b>175,696</b>                    | <b>145,335</b>                    | <b>20.89</b>  |
| Operating expenses                       | (101,111)                         | (85,831)                          | 17.80         |
| Impairment losses                        | (9,950)                           | (7,841)                           | 26.90         |
| <b>Profit before tax</b>                 | <b>64,635</b>                     | <b>51,663</b>                     | <b>25.11</b>  |
|  | <b>As at<br/>31 December 2013</b> | <b>As at<br/>31 December 2012</b> |               |
| <b>Segment assets</b>                    | <b>2,590,881</b>                  | <b>2,167,249</b>                  | <b>19.55</b>  |

Operating income from personal banking increased by 20.89% over last year. In this amount, net interest income increased by 20.62% over the previous year as a result of accelerated business transformation and increase of personal loans; net fee and commission income increased by 23.17% over last year, benefiting from the growth of income from fee-based businesses including credit card transactions, personal wealth management and agency fund sales. As the provisions for impairment losses increased along with the increase in residential mortgages, impairment losses increased by 26.90% over the previous year.

### Personal deposits

As the Bank attracted funds and customers at source by actively carrying out peak season marketing and special marketing activities, personal deposits grew steadily. At the end of 2013, domestic personal deposits of the Bank rose by RMB436,717 million, or 8.60%, to RMB5,514,647 million.

### Personal loans

The Bank's personal loans proactively met residents' credit demands in necessities of life including clothing, food, housing and transportations. It strengthened product and service innovation, and improved customer service ability. At the end of 2013, domestic personal loans of the Bank increased by RMB446,828 million, or 22.14%, to RMB2,464,654 million. Residential mortgages were primarily granted to support customers to buy ordinary apartments for residential purpose, amounting to RMB1,880,219 million, up 22.99%, ranking first in terms of loan balance in the market. Personal consumer and operation loans were mainly granted to meet citizens' consumption financing needs in small and micro business and livelihood sectors. The Bank

launched innovative products such as personal business loans on the e-commerce platform of "e.ccb.com". Personal consumer loans were RMB71,490 million, and personal business loans totalled RMB91,655 million.

### Bank cards business

#### *Credit card business*

Credit card business maintained sound and rapid development with core business indicators leading the market among peers. Its market influence, product competitiveness, risk control ability, profitability and customer satisfaction were further enhanced. At the end of 2013, the Bank recorded 52.01 million credit cards with an increase of 11.69 million. The spending amount through credit cards reached RMB1,273,172 million, an increase of 49.48%; and the loan balance was RMB268,663 million, up 50.99%. The Bank launched various innovative products. It accelerated the marketing of ETC Long credit cards, issued Manchester United football credit cards and global payment cards featuring "omni-currency and exchange-free". It launched Voice of China Long cards by cooperating with the music industry. It took the lead to launch digital display Long credit cards, first domestic mobile phone credit cards in SD card mode and SIM card mode and other new products. The Bank enhanced the building of card-using environment and improved customer experience. All these led to the improvement of the online one-stop integrated financial service capabilities including online payment, online card application, car-purchasing instalment, airline ticket and business travel, points redemption, etc. Electronic application channels including QR code, WeChat, SMS and APP used on PC, PAD and mobile phones were almost completed, providing "whenever and wherever possible" card application services to customers.

#### Debit card business

The Bank vigorously strengthened cooperation with industries in social securities, public transport, medical care, and campus, with continuously improved product functions and constantly increased card issuance volume. It accelerated innovations in co-brand debit cards and other products and proactively carried out marketing activities, increasing the overall income from bank cards. At the end of 2013, the number of debit cards issued increased by 91.96 million to 532 million. The spending amount through debit cards reached RMB3,633,159 million, up 53.38%. By comprehensively pushing forward the development of financial IC debit cards, the Bank issued 95.26 million financial IC debit cards in total, an increase of 71.50 million. The Bank issued 7.02 million express settlement cards, an increase of 1.92 million, targeted at individual business proprietors for their payment and settlement demands.

#### Private banking

According to the operating principle of “high net worth customers, high standard service”, the Bank formed a full-function open architecture and comprehensive service platform by integrating marketing, service and trading, to satisfy the full-range and whole-life-cycle demands of customers and their families and enterprises. It took the lead among peers to launch “Golden Housekeeper” personal customer (family) cash management services. The Hong Kong investment immigration services were provided in 35 branches. It creatively launched the first principal-guaranteed investment immigration funds approved by the Australian government, and developed fund collateralised financing products, starting a new overseas private banking mode. It pioneered the integrated reports of customers’ deposit, investment and loan accounts to meet their demand in comprehensive account checking. At the end of 2013, the number of private banking customers with financial assets above RMB10 million grew by 31.04%, and the total amount of customers’ financial assets increased by 35.98%. The Bank issued 210,000 private banking cards and wealth management cards, an increase of more than 70,000. The Bank was awarded the “Best Wealth Management Bank” on the fourth Golden Tripod Prize of China Financial Development Forum 2013.

#### Personal wealth management business

In 2013, the Bank continuously enriched precious metals products, launched multiple businesses including automatic investment plan (AIP) trading of account precious metals and account gold in exchange for physical gold. The Bank made greater marketing efforts in initial offering and afterwards sales of funds. It continuously refined product structure to promote the transformation of sales mode, and income from life insurance agency services reached RMB2,320 million.

#### Entrusted housing finance business

Adhering to the philosophy of “supporting housing reform and serving common people”, the Bank proactively responded to the new technological service needs from housing fund management departments by further strengthening the building of technology system, so as to provide comprehensive and high quality housing finance services. At the end of 2013, housing fund deposits were RMB594,072 million, while personal provident housing loans amounted to RMB1,011,646 million. The Bank intensified loan support for indemnificatory housing to meet low and middle-income residents’ housing demands. In 2013, the Bank granted indemnificatory housing loans of RMB10,765 million to 60,000 low and middle-income residents, and provident fund loans of RMB10,640 million for indemnificatory housing projects.



Credit Card Production Center of Long Card

In 2013, CCB ranked No. 1 among peers in terms of core indicators (including the number of new Long Card holders, the number of new cards issued, the amount of new loans, the number of credit card transactions and asset quality) and a series of our specialty products (such as Long Card global payment card) set new records in the industry, thus CCB became one of the most popular credit card brand among clients.



# TREASURY BUSINESS

Profit before tax arising from treasury business achieved RMB69,107 million, and accounted for 24.70% of the Group's profit before tax.



中国建设银行  
China Construction Bank  
全球市场

## Management discussion and analysis

### Business Review

The following table sets forth, for the periods indicated, the major operating information and changes related to treasury business:

| (In millions of RMB, except percentages)    | Year ended<br>31 December 2013    | Year ended<br>31 December 2012    | Change (%)    |
|---|-----------------------------------|-----------------------------------|---------------|
| Net interest income                         | 51,095                            | 61,280                            | (16.62)       |
| Net fee and commission income               | 18,909                            | 18,037                            | 4.83          |
| Net trading gain                            | 5,763                             | 1,895                             | 204.12        |
| Net gain arising from investment securities | 557                               | 671                               | (16.99)       |
| Other operating income/(loss), net          | (1,207)                           | 871                               | (238.58)      |
| <b>Operating income</b>                     | <b>75,117</b>                     | <b>82,754</b>                     | <b>(9.23)</b> |
| Operating expenses                          | (6,374)                           | (5,651)                           | 12.79         |
| Impairment losses                           | 364                               | (831)                             | (143.80)      |
| <b>Profit before tax</b>                    | <b>69,107</b>                     | <b>76,272</b>                     | <b>(9.39)</b> |
|   | <b>As at<br/>31 December 2013</b> | <b>As at<br/>31 December 2012</b> |               |
| <b>Segment assets</b>                       | <b>6,505,051</b>                  | <b>6,065,163</b>                  | <b>7.25</b>   |

Operating income decreased by 9.23% over last year. Net interest income decreased by 16.62% over last year, due to the increase of internal treasury fund transfer expenses. Driven by the development of products including trading of precious metals, new financial advisory services, underwriting of debt securities, and wealth management, net fee and commission income grew by 4.83%. An amount of RMB364 million of impairment losses was reversed, mainly because part of the allowances for impairment losses on foreign currency bonds were reversed due to the improved issuers' fundamentals and the market rally.

#### Financial market business

In 2013, facing the complex domestic and foreign economic and financial conditions, the Bank adhered to its annual investment and trading strategy and risk policies requirements in the financial market business, and actively promoted business innovation, resulting in outstanding operation achievements and increasingly enhanced profitability.

#### Monetary market business

With regard to the use of RMB fund, the Bank strengthened liquidity management, and integrated various financing channels to provide strong support for the Bank's liquidity safety. The Bank reasonably arranged mismatch of terms to increase fund yields when it had ample liquidity. With regard to the use of foreign currency fund, under the premise of liquidity safety, the Bank reasonably arranged the inter-bank lending terms while considering the yield of fund utilisation.

#### Investments in debt securities

The Bank strengthened adjustments and reversal operation of existing RMB debt securities by accurately tracking the interest rate movements. As a result, the yield of RMB debt securities investments continued to rise. The Bank also actively reduced high-risk subprime mortgage loan bonds denominated in foreign currency to mitigate credit risks.

#### Customer-driven currency transactions

The Bank proactively responded to changes in the market and of regulatory policies, enhanced product innovation and customer marketing, and upgraded capabilities of market-making and pricing. Customer base was expanded in various ways, and the number of corporate customers with foreign exchange trading volume over RMB5 million

increased by 5,116. The Bank introduced the option-linked portfolio products, and the trading volume and income from FX/RMB options increased by 367.26% and 119.27%, respectively. In 2013, the Bank ranked first in inter-bank foreign exchange forward and swap transactions on a comprehensive basis, as well as in the standardised practice of option trading, and became one of the first liquidity providers for the direct trading between RMB and Australian dollar in the inter-bank foreign exchange market.

#### *Precious metals*

The precious metal business developed fast with the sustainably consolidated customer base, continuously promoted product innovation and significantly improved market competitiveness. Nine innovative products including two-way trading of account precious metals, account precious metals conversion and physical gold withdrawal from account gold were introduced. In 2013, the total trading volume of precious metals of the Bank reached 34,981 tonnes, an increase of 9.14%, with a total revenue of RMB2,881 million, an increase of 71.95%; the number of customers with precious metals accounts increased by 5.42 million, an increase of 74.25%.

#### *Investment banking*

The Bank enhanced the refined, standardised and comprehensive risk management over the investment banking, in order to promote the sound and sustainable development in the arena. In 2013, income from wealth management business was RMB10,033 million. The Bank underwrote various debt securities of RMB342,486 million, and the underwriting amount of debt financing instruments ranked first among peers for three consecutive years. By providing services in debt securities underwriting and wealth management, the Bank effectively satisfied the financing demands of corporate customers and strongly supported the real economy.

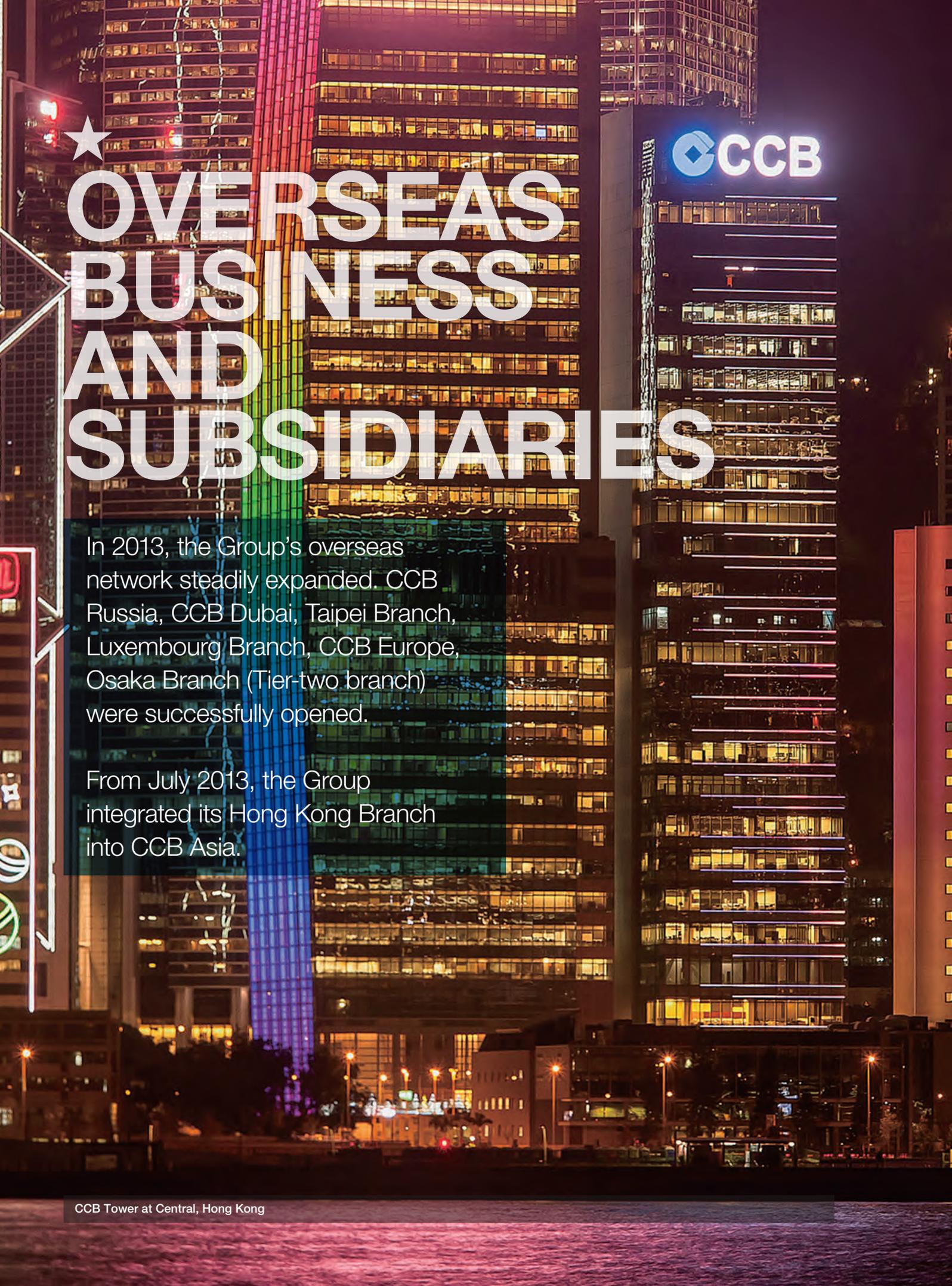
The Bank constantly promoted product innovation to meet the diverse needs of different customers and improve the market flexibility and sensitivity of wealth management products of the Bank. It researched, developed and promoted equity investment wealth management products for capital purpose, innovatively introduced bonds investment wealth management business and developed urbanisation wealth management business. The Bank also engaged in innovation of underwriting of debt financing instruments by introducing innovated products including

assets-backed notes, private placement bonds with high yield and private placement bonds for indemnificatory housing in succession. It participated in the pilot work of the PBOC to expand assets securitisation and planned to release its first corporate credit assets securitisation product.

#### *Wealth management business*

In 2013, the Bank independently issued 8,840 batches of wealth management products with an amount of RMB6,871.1 billion to effectively meet the investment needs of customers. The balance of wealth management products was RMB1,154.4 billion. In this amount, the balance of non-principal-guaranteed wealth management products was RMB718.8 billion and the balance of principal-guaranteed wealth management products was RMB435.6 billion.

The Bank established systematic rules on the information disclosure of wealth management products to safeguard investors' rights to know. The system of "Direct Disclosure of Non-Standard Assets through Online Banking" was launched at the end of July 2013. The Bank improved risk control system for wealth management business, refined dynamic monitoring of wealth management risk, and established risk warnings mechanism. It conducted regular risk examination, and established accountability mechanism for wealth management business. It also set up monitoring and reporting system for matured assets, and put forth the payment plan in advance. It enhanced the recovery and disposal of problem assets by devising one-to-one disposal schemes, and intensified the liquidity management by reasonably arranging products' issuing schedule and increasing issuing volume of products with fixed terms.

A night-time photograph of the CCB Tower at Central, Hong Kong. The building is illuminated with warm yellow lights from its windows, and the CCB logo is prominently displayed at the top in blue and white. The tower's facade is a mix of dark and light panels, creating a textured appearance. The background shows other city buildings and streetlights, with a body of water in the foreground reflecting the lights.

CCB

# ★ OVERSEAS BUSINESS AND SUBSIDIARIES

In 2013, the Group's overseas network steadily expanded. CCB Russia, CCB Dubai, Taipei Branch, Luxembourg Branch, CCB Europe, Osaka Branch (Tier-two branch) were successfully opened.

From July 2013, the Group integrated its Hong Kong Branch into CCB Asia.

## Overseas business

At the end of 2013, the Group had overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Osaka, Seoul, New York, Ho Chi Minh City, Sydney, Melbourne, Taipei and Luxembourg, and wholly-owned operating subsidiaries including CCB Asia, CCB International, CCB London, CCB Russia, CCB Dubai, and CCB Europe. Its overseas entities covered 15 countries and regions.

The Bank's centralised RMB clearing network for overseas entities centred in CCB London was put into operation, and its offshore and cross-border RMB clearing ability was formed in London. Hong Kong Branch was the first batch of the Chinese peers to issue Formosa bonds, raising RMB2 billion. The Bank took the lead among peers to establish the operating entity in Khorgos border cooperation centre, and seized the favourable business opportunities. At the end of 2013, the Group's total assets of overseas entities were RMB731,878 million, an increase of 41.13% over 2012, and profit before tax was RMB3,895 million, an increase of 22.64%.

### CCB Asia

China Construction Bank (Asia) Corporation Limited is one of the 21 licenced banks registered in Hong Kong with a registered capital of HK\$6,703.5 million and RMB17.6 billion.

CCB Asia is the Group's service platform for retail and SME businesses in Hong Kong and Macau, with 52 operating outlets in the areas. CCB Asia is also specialised in wholesale banking services for the customers mainly from Hong Kong, Macau, Taiwan as well as Mainland China, especially the blue-chip, large red-chip companies, large Chinese conglomerates, multinational corporations and local premium customers in these areas. The Bank has rich experience and traditional advantages in providing professional financial services in overseas syndicated loans and structured finance, and realised rapid growth in comprehensive corporate financial services in international settlements, trade finance, treasury business, large structured deposit and financial advisory. At the end of 2013, total assets of CCB Asia amounted to RMB323,053 million, and shareholders' equity was RMB32,392 million. Net profit was RMB2,942 million.

### CCB International

CCB International (Holdings) Limited is the Bank's wholly-owned subsidiary in Hong Kong, with a registered capital of US\$601 million, offering investment banking related business.

In 2013, CCB International continued to push forward strategic transformation with more prudent operation. It played an important role in IPO financing projects of China Galaxy Securities, China Cinda and other large companies, and completed several M&A projects of Chinese conglomerates. The underwriting amount of debt securities substantially increased, with the issue of RMB2 billion Formosa bonds as a prime example. Assets management business including industry funds was steadily propelled, and RQFII qualification was approved by the CSRC. The agreement on share participation of derivative clearing house was signed with Hong Kong Stock Exchange. It was granted with multiple awards including "Annual Best

Investment Bank in Hong Kong" from *The Asset magazine*, and "Best China-funded Bank in Hong Kong" from the *Securities Times*. At the end of 2013, total assets of CCB International amounted to RMB20,187 million, and shareholders' equity reached RMB6,818 million. Net profit reached RMB321 million.

### CCB London

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Bank registered in the UK. In March 2009, CCB London obtained the banking licence issued by the UK financial regulatory authorities. It has a registered capital of US\$200 million and RMB1.5 billion, and is mainly engaged in corporate deposits and lending, international settlement and trade finance, British pound and offshore RMB clearing, and treasury financial products.

CCB London proactively served the Chinese institutions in the UK, British companies with investment in China, and corporate customers involved in bilateral trade, expanding CCB's service channels in the UK and Europe. With its edge in clearing for British pound, CCB London gradually became the Group's British pound clearing centre, providing customers with convenient, fast, and efficient multi-currency clearing services. In 2013, CCB London seized the opportunity of RMB internationalisation to proactively expand the service channels in the UK and Europe, promote constructions of various software and hardware infrastructure, intensify risk management and control, actively consolidate customer base, develop new products and broaden development channels. At the end of 2013, total assets of CCB London amounted to RMB36,959 million and shareholders' equity was RMB2,742 million. Net profit was RMB15.94 million.

### CCB Russia

China Construction Bank (Russia) Limited Liability Company is a wholly-owned subsidiary of the Bank registered in Russia in March 2013 with a registered capital of RUB4.2 billion.

CCB Russia, holding the comprehensive banking license issued by the Central Bank of Russia, is mainly engaged in syndicated loan, bilateral loan, trade finance, international settlement, treasury business, financial institutional business, clearing business, cash business, deposits business, and safe deposit box services, etc. At the end of 2013, total assets of CCB Russia amounted to RMB1,186 million and shareholders' equity amounted to RMB782 million. Net profit amounted to RMB9,088,300.

### CCB Dubai

China Construction Bank (Dubai) Limited is the Bank's wholly-owned subsidiary in Dubai International Financial Centre (DIFC), with a registered capital of US\$100 million.

In April 2013, CCB Dubai obtained the "level-one banking license" issued by Dubai Financial Service Authority (DFSA), which allows it to provide the widest business range of commercial banking in this area. It was specialised in wholesale business, including deposits and loans, proprietary/agency investment transaction, credit or investment arrangement, financial products or credit advisory and custody services. Since

its opening in May 2013, CCB Dubai proactively expanded various assets and liabilities activities, providing commercial bank businesses including syndicated loans, trade finance, international settlement and customer-driven foreign exchange trading for corporate customers. At the end of 2013, total assets of CCB Dubai amounted to RMB2,050 million and shareholders' equity amounted to RMB593 million.

#### CCB Europe

China Construction Bank (Europe) S.A. is a wholly-owned subsidiary of the Bank registered in Luxembourg with a registered capital of EUR200 million. In July 2013, CCB Europe

obtained the banking license issued by the Financial Ministry of Luxembourg and formally opened in October.

Focusing on corporate finance and financial market businesses, CCB Europe mainly provides services to large and medium-sized Chinese enterprises in Europe and European multinational enterprises in China. Based in Luxembourg, CCB Europe offers high quality financial services to various European customers throughout the continent. It also expands its operating service network in Europe by actively taking advantage of its "European Passport". At the end of 2013, total assets of CCB Europe amounted to RMB1,731 million, and shareholders' equity amounted to RMB1,658 million.



Opening ceremony of CCB Russia



Opening ceremony of CCB Dubai



Opening ceremony of Taipei Branch



Opening ceremony of Luxembourg Branch

#### Domestic subsidiaries

The Group's integrated operation strategy is to accelerate the development of insurance, trust, investment banking, mutual funds, leasing, securities and other non-banking businesses, while developing banking as its core business. The Group endeavours to build an operating framework that covers interconnected markets and complementary businesses, with diversified income and decentralised and controllable risk, and realise customer-oriented functions selection, to provide customers with integrated and diversified financial services.

At the end of 2013, the Group owned four domestic subsidiaries in non-banking financial sector, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust and CCB Life, and set up several banking entities providing professional and differentiated services in specific industries and regions, including Sino-German Bausparkasse and 27 rural banks.

The overall development of domestic subsidiaries was in a good shape with steady business expansion and sound asset quality. At the end of 2013, total assets of domestic subsidiaries were RMB120,802 million, up 30.38% year-on-year; net profit reached RMB1,554 million, an increase of 14.69%.

#### CCB Financial Leasing

CCB Financial Leasing Corporation Limited was initially invested and established jointly by the Bank and Bank of America Corporation in Beijing on 26 December 2007 with a registered capital of RMB4.5 billion. On 27 November 2012, the Bank acquired the remaining interests in CCB Financial Leasing from Bank of America Corporation, and made CCB Financial Leasing its wholly-owned subsidiary. CCB Financial Leasing mainly engages in finance leasing (including equipment import

and export trading related to finance leasing), taking one year or above time deposits from shareholders (excluding bank shareholders), receiving security deposits from lessees, assigning rent receivables to commercial banks, issuing financial bonds after receiving approvals, interbank lending, borrowing from financial institutions, borrowing foreign exchange from overseas, sales and disposal of residual value of lease, economic advisory and other businesses approved by the CBRC.

In 2013, relying on the strengthening of strategic synergy and development of its own, CCB Financial Leasing strived to improve the capabilities of risk management, assets management, pricing, multiple-dimension profitability analysis and management, product innovation and trading to continuously enhance its profitability. At the end of 2013, total assets of CCB Financial Leasing reached RMB51,218 million, and shareholders' equity totalled RMB5,715 million. Net profit was RMB377 million.

#### *CCB Trust*

CCB Trust Co., Limited, with a registered capital of RMB1,527 million, was incorporated jointly by the Bank, Hefei Xingtai Holding Group Corporation Limited, and Hefei Municipal State-owned Assets Holding Corporation Limited, with each holding 67%, 27.5% and 5.5% of its shares, respectively. CCB Trust is mainly engaged in trust services for funds, movable and immovable property, and marketable securities; fund investment; asset restructuring, M&A and project financing, corporate finance, and financial advisory services; securities underwriting; intermediary, consultancy, and credit investigation services; custody and safe deposit box services; lending, investment and guarantees with equity funds.

In 2013, CCB Trust accelerated market expansion, endeavoured to improve independent management capability, constantly optimised business structure, paid special attention to risk control and consolidated management basis to facilitate sustainable, steady and rapid development. At the end of 2013, the trust assets under management amounted to RMB325,816 million. Total assets of CCB Trust were RMB6,620 million, and shareholders' equity was RMB6,309 million. Net profit was RMB650 million.

#### *Sino-German Bausparkasse*

Sino-German Bausparkasse Co., Ltd. has a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG held 75.10% and 24.90% of its shares respectively. As a specialised commercial bank with overall functions in housing financing sector, Sino-German Bausparkasse is engaged in taking housing savings deposits, extending housing savings loans and personal residential mortgages, and extending development loans in support of the development and construction of economically affordable houses, low-rent houses, economically affordable rent houses and price-limited houses.

In 2013, Sino-German Bausparkasse realised fast development in its housing credit business, and achieved remarkable results in selling housing savings products, with the substantially improved profitability. At the end of 2013, total assets of

Sino-German Bausparkasse were RMB21,611 million, and shareholders' equity was RMB2,294 million. Net profit was RMB141 million.

#### *CCB Principal Asset Management*

CCB Principal Asset Management Co., Ltd. has a registered capital of RMB200 million, of which the Bank contributes 65%, and Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited, contribute 25% and 10% of the shareholding, respectively. It is engaged in raising and selling of funds, assets management as well as other businesses permitted by the CSRC.

In 2013, CCB Principal Asset Management completed fund-raising for ten new funds including Jianxin Shuangyue Comfort Wealth Management Debt Securities Investment Fund, Jianxin Stable Earning Debt Securities Investment Fund, and all of the funds operated in good manner. At the end of 2013, CCB Principal Asset Management managed 38 funds with a total volume of RMB73 billion. Total assets of CCB Principal Asset Management were RMB810 million, and shareholders' equity was RMB729 million. Net profit was RMB132 million.

#### *CCB Life*

CCB Life Insurance Company Limited has a registered capital of RMB4,496 million, of which the Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, China Jianyin Investment Limited, Shanghai Jin Jiang International Investment and Management Company Limited, and Shanghai China-Sunlight Investment Co., Ltd contribute 51%, 19.9%, 14.27%, 5.08%, 4.9% and 4.85%, respectively. CCB Life's business scope includes personal insurance such as life, health, accidental injury insurance, reinsurance of the above-mentioned businesses, the use of insurance funds permitted by the national laws and regulations, as well as other businesses permitted by the China Insurance Regulatory Commission.

In 2013, CCB Life continued to optimise operational mechanism, accelerated the building of branches and sub-branches, and improved product and service systems, resulting in fast and sound development of all business channels. At the end of 2013, total assets of CCB life were RMB26,297 million, and shareholders' equity was RMB6,821 million. Net profit was RMB101 million.

#### *Rural banks*

At the end of 2013, the Bank sponsored the establishment of 27 rural banks in Hunan Taojiang and many other places. The registered capital of these rural banks totalled RMB2,720 million, of which RMB1,377 million was contributed by the Bank.

Under the premise of controllable risks, the rural banks insisted on providing efficient financial services for "agriculture, farmers and rural areas" and small and micro-enterprises in the counties, and achieved sound operating results. At the end of 2013, total assets of 27 rural banks in operation were RMB14,247 million, and the balance of loans was RMB10,022 million, of which agriculture-related loans accounted for 91.47%. Shareholders' equity of the rural banks was RMB3,014 million and net profit was RMB152 million.

### ANALYSED BY GEOGRAPHICAL SEGMENT

The following table sets forth, for the periods indicated, the distribution of the Group's profit before tax by geographical segment:

| (In millions of RMB, except percentages) | Year ended 31 December 2013 |               | Year ended 31 December 2012 |               |
|--|-----------------------------|---------------|-----------------------------|---------------|
|  | Amount                      | % of total    | Amount                      | % of total    |
| Yangtze River Delta                      | 36,768                      | 13.14         | 36,905                      | 14.68         |
| Pearl River Delta                        | 38,469                      | 13.75         | 32,907                      | 13.09         |
| Bohai Rim                                | 45,019                      | 16.10         | 36,917                      | 14.68         |
| Central                                  | 42,191                      | 15.08         | 35,411                      | 14.08         |
| Western                                  | 46,375                      | 16.57         | 39,686                      | 15.79         |
| Northeastern                             | 15,597                      | 5.57          | 14,586                      | 5.80          |
| Head office                              | 51,492                      | 18.40         | 51,851                      | 20.62         |
| Overseas                                 | 3,895                       | 1.39          | 3,176                       | 1.26          |
| <b>Profit before tax</b>                 | <b>279,806</b>              | <b>100.00</b> | <b>251,439</b>              | <b>100.00</b> |

The following table sets forth, for the periods indicated, the distribution of the Group's assets by geographical segment:

| (In millions of RMB, except percentages) | As at 31 December 2013 |               | As at 31 December 2012 |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Amount                 | % of total    | Amount                 | % of total    |
| Yangtze River Delta                      | 2,639,135              | 13.18         | 2,453,994              | 13.41         |
| Pearl River Delta                        | 2,158,746              | 10.78         | 2,006,787              | 10.96         |
| Bohai Rim                                | 2,737,198              | 13.67         | 2,590,592              | 14.15         |
| Central                                  | 2,411,147              | 12.04         | 2,171,327              | 11.86         |
| Western                                  | 2,500,348              | 12.49         | 2,269,546              | 12.40         |
| Northeastern                             | 910,474                | 4.55          | 863,899                | 4.72          |
| Head office                              | 5,934,221              | 29.63         | 5,431,210              | 29.67         |
| Overseas                                 | 731,878                | 3.66          | 518,579                | 2.83          |
| <b>Total assets<sup>1</sup></b>          | <b>20,023,147</b>      | <b>100.00</b> | <b>18,305,934</b>      | <b>100.00</b> |

1. Total assets exclude elimination and deferred tax assets.

The following table sets forth, for the periods indicated, the distribution of the Group's loans and NPLs by geographical segment:

| (In millions of RMB, except percentages)     | As at 31 December 2013   |               |               |               | As at 31 December 2012   |               |               |               |
|--|--------------------------|---------------|---------------|---------------|--------------------------|---------------|---------------|---------------|
|  | Gross loans and advances | % of total    | NPLs          | NPL ratio (%) | Gross loans and advances | % of total    | NPLs          | NPL ratio (%) |
| Yangtze River Delta                          | 1,781,649                | 20.74         | 40,844        | 2.29          | 1,670,643                | 22.24         | 32,941        | 1.97          |
| Pearl River Delta                            | 1,220,420                | 14.21         | 10,680        | 0.88          | 1,091,848                | 14.53         | 9,096         | 0.83          |
| Bohai Rim                                    | 1,442,213                | 16.79         | 6,695         | 0.46          | 1,301,564                | 17.33         | 6,848         | 0.53          |
| Central                                      | 1,358,192                | 15.81         | 12,052        | 0.89          | 1,195,748                | 15.92         | 9,635         | 0.81          |
| Western                                      | 1,461,129                | 17.01         | 7,221         | 0.49          | 1,270,163                | 16.91         | 8,187         | 0.64          |
| Northeastern                                 | 507,751                  | 5.91          | 4,551         | 0.90          | 461,574                  | 6.14          | 4,920         | 1.07          |
| Head office                                  | 280,597                  | 3.27          | 2,645         | 0.94          | 188,074                  | 2.50          | 1,966         | 1.05          |
| Overseas                                     | 538,106                  | 6.26          | 576           | 0.11          | 332,698                  | 4.43          | 1,025         | 0.31          |
| <b>Gross loans and advances to customers</b> | <b>8,590,057</b>         | <b>100.00</b> | <b>85,264</b> | <b>0.99</b>   | <b>7,512,312</b>         | <b>100.00</b> | <b>74,618</b> | <b>0.99</b>   |

The following table sets forth the distribution of the Group's deposits by geographical segment as at the date below:

| (In millions of RMB, except percentages) | As at 31 December 2013 |               | As at 31 December 2012 |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Amount                 | % of total    | Amount                 | % of total    |
| Yangtze River Delta                      | 2,310,251              | 18.90         | 2,215,637              | 19.53         |
| Pearl River Delta                        | 1,878,995              | 15.37         | 1,743,868              | 15.38         |
| Bohai Rim                                | 2,245,632              | 18.37         | 2,161,208              | 19.05         |
| Central                                  | 2,268,111              | 18.56         | 2,054,347              | 18.11         |
| Western                                  | 2,388,492              | 19.54         | 2,156,594              | 19.01         |
| Northeastern                             | 855,591                | 7.00          | 814,177                | 7.18          |
| Head office                              | 25,671                 | 0.21          | 17,396                 | 0.15          |
| Overseas                                 | 250,294                | 2.05          | 179,852                | 1.59          |
| <b>Total deposits from customers</b>     | <b>12,223,037</b>      | <b>100.00</b> | <b>11,343,079</b>      | <b>100.00</b> |

## DISTRIBUTION CHANNELS

The Bank has an extensive distribution network. Through branches, self-service equipment, specialised service entities across the country and electronic banking service platform, the Bank provides its customers with convenient and high-quality banking services.

At the end of 2013, the Bank had a total of 14,650 operating outlets nationwide, including the head office, 38 tier-one branches, 318 tier-two branches, 11,051 sub-branches, 3,242 entities under the sub-branches and a specialised credit card centre at the head office. The number of operating outlets increased by 529 over the previous year. The operating outlets were mainly distributed in large cities, central cities, top counties and rich towns. More than 2,000 outlets were decorated or renovated, further improving the layout and service environment of outlets.

In 2013, the Bank established 25 private banking centres and wealth management centres, pushing the total number of such centres in operation to 336. The Bank totally established 286 small business operating centres in the form of "Credit Factory", covering 236 cities at prefecture level. More than 1,400 personal loan centres were built, relying on which, the sales of personal loan products, business handling and customer service network were improved gradually.

### Electronic banking

The Bank strived to develop the strength of electronic banking by capitalising on one core application of "e.ccb.com" plus two classic cases of "Joy Life" and "Student Benefit". The Bank proactively promoted the development of electronic banking channels, which was tightly connected to the usage of mobile phone, personal computer and tablet computer, explored the integration of website and online banking as well as intelligent development mode, and constantly enriched and optimised products and services. In 2013, the volume of accounting transactions through

electronic banking and self-service channel accounted for 85.40% of that through various channels, up 3.68 percentage points over last year.

### Online banking

The Bank's personal online banking released functions such as cross-bank fund collection, family cash management, fast bank transfer, "Safe Deal" custodial service for trading funds and two-way trading of account precious metals. A welcome page and a column featured in precise marketing were introduced on online banking website. The Bank integrated electronic channels for corporate business and launched new corporate online banking. It completed optimisation of the second phase of overseas corporate online banking and its application and promotion in five overseas branches including New York Branch, Singapore Branch, Frankfurt Branch and other two overseas branches. It led the market among peers in the share of online electronic payment via Alipay, UnionPay and train ticket sales platform.

At the end of 2013, the number of personal online banking customers increased by 25.78% to 150 million over the previous year; the transaction volume was RMB32.52 trillion, an increase of 38.69% over the previous year; the number of transactions was 5,216 million, an increase of 20.10%. The number of corporate online banking customers reached 2.80 million, an increase of 31.46%; the transaction volume was RMB104.26 trillion, an increase of 32.43%; the number of transactions was 1,943 million, an increase of 49.69%.

### E.ccb.com e-commerce platform

The Bank continued to upgrade its e-commerce platform-e.ccb.com, and improve customer experience. At the end of 2013, the transaction volume of retail mall and corporate mall were RMB1,035 million and RMB26,747 million, respectively, totalling RMB27,782 million. The number of new active internet merchants increased by 8,297, including 3,333 in retail mall and 4,964 in corporate mall, respectively.

## Management discussion and analysis

### Business Review

#### Telephone banking

At the end of 2013, the number of telephone banking customers was 149.70 million, an increase of 25.37 million, or 20.41%, over the previous year.

#### Mobile phone banking

New functions including “queuing with a row number at the outlet”, “shake for transfer” “i-share” and “CCB discount book” were introduced for mobile phone banking, and new client UI of mobile phone banking was launched. The number of mobile banking customers was 116.52 million, an increase of 38.88% over the previous year; the number of transactions

was 1,192 million, an increase of 212.99% over the previous year. The number of SMS customers amounted to 199.45 million, an increase of 25.91%.

#### Self-service banking

At the end of 2013, there were 69,013 ATMs in operation, an increase of 12,045 or 21.14% over the previous year. The ratio of accounting transactions through ATMs to that through counters was 282.20%, an increase of 56.28 percentage points over the previous year. There were 17,878 self-service banks in operation, an increase of 4,064.

### Feature Article: Integrated Strategic Transformation of Outlets

Guided by the business strategy featuring “integration, multi-function and intensiveness”, the Bank vigorously pushed forward the building of integrated outlets, alleviated the burden for thousands of frontline staff and promoted the transformation of comprehensive marketing services. It adopted innovative mechanism of separation between the bank counters and back offices at the outlets and centralised business processing at the head office, to effectively enhance resource utilisation efficiency of outlets and comprehensively improve their service ability and customer satisfaction.

Centring on the customers, the Bank strove to develop the platform of outlets with comprehensive services. The Bank effectively renewed the employment of outlets counter staff by pushing forward the transformation of outlets with single function, implementing integrated teller system, unifying the posts setting and strengthening comprehensive posts training, pushed forward standardisation and manual management of operations at outlets, and fully improved comprehensive service ability for customers. At the end of 2013, the integrated outlets increased by 3,189, and the percentage of outlets providing corporate banking business increased from 71% to 87% with a total number of 12,640. The number of integrated outlets with single function for corporate banking business transformed to integrated counters was 12,070, equivalent to the productivity of over 3,000 new savings offices for personal banking business. With an increase of 52,561 integrated teller, the percentage of integrated teller rose from 27% to 65%. Customers can enjoy convenience and comfort brought by our one-stop comprehensive services.

The Bank strove to develop intensive processing platform with high-efficiency service driven by innovation. On the basis of completing the separation between the bank counters and back offices of over 100 non-real time businesses at the outlets, the Bank independently developed intensive operation platform of over-the-counter business, and achieved real-time centralised processing of business at the head office. At the end of 2013, 13,973 outlets of the Bank achieved centralised processing of 28 over-the-counter businesses including check, remittance and credit card application at the head office. The daily centralised business volume was 701,700, and the separation ratio for the workload of a single business reached 80%, demonstrating the remarkably improved operation efficiency and intensive processing capability at outlets. The average centralised processing efficiency of business increased by 60%, and customers' waiting time was significantly shortened. Counter operational risk was controlled by way of mechanical control other than manual control to ensure the safety of customer funds. The head office conducted centralised processing of businesses from outlets, comprehensively improving the service ability and customer experience at the outlets, enabling the counter staff at outlets to have more face-to-face communications with customers.

With the support of mechanism, the Bank endeavoured to develop an outlets service system featuring “targeted marketing, collaborative services, and integrated solutions”. The Bank defined three basic models for establishing integrated marketing teams, refined integrated marketing methods, guided collaborative sales of products, established and refined comprehensive marketing service mechanism, and highlighted customer service functions at outlets to better meet diversified needs of customers. At the end of 2013, the Bank established 11,589 integrated marketing teams, and the percentage of marketing service staff at outlets rose from 31% to 45%. The comprehensive marketing service ability was significantly strengthened at the outlets, as witnessed by the thoughtful, meticulous and “all-round” services provided to customers at the outlets.

### INFORMATION TECHNOLOGY

In 2013, the Bank intensified its efforts in information technology with a focus on ensuring safe operation and the building of the “new generation core banking system”, to support the development of various businesses.

*Phase I of the “new generation core banking system” was launched successfully and its business value became increasingly clear.* Since the initiation of phase I of the new generation core banking system in October 2012, 13 application projects, two

infrastructure projects and the new generation of IT framework, platforms, technology and security components supporting the application and operation have been launched as planned. At present, the system operated smoothly and businesses of all channels run in order, receiving positive feedback from both staff and customers. The Phase I project comprehensively improved the user experience of customers and staff by promoting integration of internal process and innovation of external service channels. It introduced a series of competitive products and services including personal assets management, custody, financial

market, corporate cash, and corporate collection and payment to meet market needs. It gradually improved the application level of the Bank's data by enhancing the timeliness, completeness and consistency of the Bank's data. It enhanced processing efficiency of transactions and reduced labour intensity while supporting the quick product innovation and comprehensive marketing, by initially establishing the business fundamental functions including corporate customer information, institutions and staff, pricing and product management. With further application of Phase I project, its business value became increasingly significant, demonstrating its effectiveness in bolstering and empowering better and faster development of the Bank's business. With the successful launching of the Phase I project, 34 application projects and three infrastructure projects in the Phase II were kicked off in full swing and all progressed smoothly.

*Safe operation measures were strengthened and operation and maintenance capability was enhanced constantly.* In 2013, all systems operated smoothly. The availability rate of key systems stood at 99.99% and the availability rate of critical systems such as the core business system and online banking system even reached 100%. The grade and quantity of operation incidents were under effective control. Driven by the rapid development of electronic banking business, the peak transaction volume of various key systems all surged. The peak volume of daily

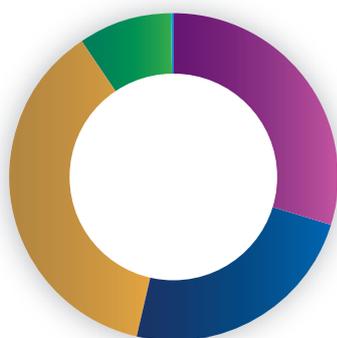
transaction of the core banking business system reached 330.19 million, an increase of 51.90% from the previous year.

*Existing systems were optimised to better meet business development requirements.* The Bank launched new functions in securities business system and "Joy Life" payment platform, and optimised products of "e.ccb.com" and "Student Benefit". It improved interest rate liberalisation system and connectivity to PBOC's mobile trusted platform service (MTPS). It launched the first "Rongcheng Card" among peers, which is a kind of IC card with integrated mobile payment functions to pay for bus, subway and taxi. The Bank optimised the principal standards for corporate customers rating, behaviour scorecards for small and micro enterprises and retail pooling. It completed the application and promotion of overseas core banking system and peripheral systems in newly established overseas entities. A series of business functions derived from market competition, risk control and regulatory requirements were gradually released. All these strongly supported its business development. The Bank strengthened the protection for intellectual property rights, and obtained five patents issued by the State Intellectual Property Office in 2013, accumulatively 42 in total. The Bank registered 63 software copyright at the National Copyright Administration in 2013, accumulatively 129 in total.

## HUMAN RESOURCES AND INSTITUTIONAL MANAGEMENT

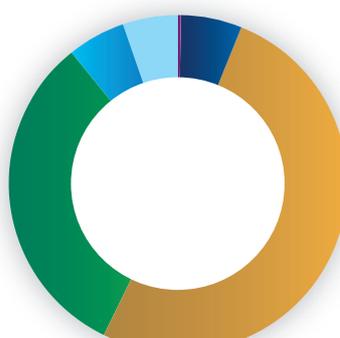
At the end of 2013, the Bank had 368,410 staff members, an increase of 5.58% compared with the previous year (besides, the Bank had 8,320 workers dispatched by labour leasing companies, a decrease of 61.05% over 2012). The staff members with academic qualifications of bachelor's degree or above were 210,231, or 57.06%, and the number of local employees in overseas entities was 325. In addition, the Bank had to assume the expenses of 47,914 retired employees. The composition of the Bank's employees is as follows:

### BY AGE



- Below 30 years old, 29.95%
- 31 to 40 years old, 23.78%
- 41 to 50 years old, 36.88%
- 51 to 59 years old, 9.34%
- Over 60 years old, 0.05%

### BY ACADEMIC QUALIFICATION



- Doctor's degree, 0.13%
- Master's degree, 5.80%
- Bachelor's degree, 51.14%
- Associate degree, 32.22%
- Post-secondary, 5.49%
- High school and below, 5.22%

### BY RESPONSIBILITIES



- Operating outlets and integrated tellers, 51.32%
- Personal banking, 10.53%
- Corporate banking, 9.94%
- Information technology, 6.50%
- Risk management, internal audit, legal and compliance, 4.67%
- Management, 3.96%
- Finance and accounting, 3.85%
- Financial market business, 0.12%
- Others, 9.11%

## Management discussion and analysis

### Business Review

At the end of 2013, the Bank had a total of 14,663 institutions, among which, there were 14,650 domestic institutions and 13 overseas institutions.

The following table sets forth the geographical distribution of the Bank's branches and staff as at the dates indicated:

|                     | As at 31 December 2013 |               |                 |               |
|---------------------|------------------------|---------------|-----------------|---------------|
|                     | Number of branches     | % of total    | Number of staff | % of total    |
| Yangtze River Delta | 2,444                  | 16.67         | 57,487          | 15.60         |
| Pearl River Delta   | 1,849                  | 12.61         | 47,280          | 12.83         |
| Bohai Rim           | 2,399                  | 16.36         | 60,478          | 16.42         |
| Central             | 3,537                  | 24.12         | 82,114          | 22.29         |
| Western             | 2,973                  | 20.28         | 69,778          | 18.94         |
| Northeastern        | 1,445                  | 9.85          | 37,492          | 10.18         |
| Head office         | 3                      | 0.02          | 13,348          | 3.62          |
| Overseas            | 13                     | 0.09          | 433             | 0.12          |
| <b>Total</b>        | <b>14,663</b>          | <b>100.00</b> | <b>368,410</b>  | <b>100.00</b> |

#### Staff remuneration policies

The Bank upholds its philosophy of standardising distribution order and building a harmonious distribution relationship. It strengthens the intensive management of remuneration policy-making and payment, making due contribution of remuneration management to strategic development of the Bank.

The Bank's major allocation rules and other significant matters relating to remuneration management need to be proposed to the Nomination and Remuneration Committee under the Board for assessment and approval. Material proposals relating to remuneration allocation are required to be voted and approved by the shareholders' general meeting, or be reported to the competent authorities of the state for approval and filing. Pursuant to relevant government policies, the annual remuneration standard of the Bank's directors, supervisors and senior executives needs to be reviewed and approved by the competent authorities at a higher level, and deferred payment for their performance remuneration has been implemented. The vesting period of deferred payment of performance remuneration needs to match the business and risk cycles, so as to make remuneration an accurate reflection of one's performance. If a risk is exposed or business performance deteriorates within the vesting period, the deferred payment of performance remuneration can be retroactively deducted.

The Bank continuously innovated and refined the remuneration management policies and incentive mechanism. It fully implemented "allowances for frontline posts of outlets" by putting greater emphasis on the frontline posts and sub-branch level staff when determining remuneration distribution, and strengthened the remuneration management of overseas entities and subsidiaries in accordance with the Bank's strategies of integrated operation and overseas

development. The employees' performance remuneration was mainly distributed to stimulate behaviours in compliance with the Bank's risk framework system and long-term financial indicators, so as to make remuneration an accurate reflection of one's performance. The Bank also formulated relevant remuneration reduction measures for staff who faced disciplinary actions or other penalties due to violation of rules or breach of duty.

#### Staff training programme

The Bank continued to increase investments in training and innovated staff training manners and learning patterns. It not only provided general training programmes to all staff, but also organised specific training programmes for different levels of and groups of employees, including leadership enhancement trainings for managerial staff, qualification certificate trainings for professional staff, and job-related post trainings for frontline employees. In 2013, the Bank conducted 38,701 on-site training sessions, with a total enrolment of over 1.96 million.

#### Profiles of institutions and staff in subsidiaries

The Bank had 39 subsidiaries with a total of 181 branches. In this amount, domestic branches reached 112 and overseas branches reached 69. The subsidiaries had 7,662 staff members (besides, the subsidiaries had 331 workers dispatched by labour leasing companies). In this amount, domestic staff members were 4,853 and overseas staff members were 2,809. In addition, the subsidiaries had to assume the expenses of 19 retired employees.

The subsidiaries determine their remuneration and human resources management rules independently in compliance with local legislations and regulatory requirements, based on the nature of their business. They make training plans for their staff in line with their own business needs.

## Management discussion and analysis

# RISK MANAGEMENT

In 2013, the Bank proactively promoted innovation over the risk management system and mechanism, and continuously refined its comprehensive risk management system over domestic and foreign currency businesses, on-and-off balance sheet businesses and domestic and overseas businesses. It strengthened risk management at the Group level and greatly improved its comprehensive risk management capability.

*Advancing innovation over the risk management system and mechanism.* Based on its strategic positioning of being comprehensive, multi-functional, and intensive, the Bank proactively encouraged the reform over risk management system and the adjustment to credit mechanism. The Bank adopted measures such as promoting full participation of all employees, strengthening accountability system, conducting dual reporting, refining internal checks and balances, and reinforcing overall controls to promote the sound business growth and improve customer experience and satisfaction.

*Strengthening the disposal of non-performing loans.* The Bank expedited the disposal of non-performing loans with a focus on key regions, key industries and key projects, reasonably arranged the total amount of disposal of the loans, explored ways of batch disposal and market-oriented disposal, and strengthened the management and disposal of risky assets and written-off assets. The Bank reinforced fundamental construction, standardised operating procedures, improved working mechanism, and refined the system function of asset resolution management and system maintenance to ensure its safe operation. The Bank conducted compliance checks and rectifications over the assets resolution business to propel the compliance development of relevant businesses.

*Reinforcing the establishment and application of risk management tools.* The Bank continuously promoted research and development, and refinement of the tools of credit risk measurement, and established the corresponding policies. The Bank accomplished the development work for overseas customer rating model, local government rating model and the retail scorecard models for small and micro retail enterprises, anti-fraud and loans recovery. The Bank conducted stress testing over macro-economic fluctuations and real estate loans and continued to refine the stress testing mechanism over capital adequacy ratio, to improve the quality of the stress testing tools against systematic risks. The Bank continuously monitored the implementation status of economic capital and industry limit schemes, refined the portfolio risk management system, and improved the accuracy of the calculation results of the return on risk-adjusted capital index. This helped realise the scientific assessment over customers' overall risk and returns, and support customer sequence and selection, risk pricing and the design of credit scheme.

*Expediting the implementation of advanced measurement method over capital management.* In February 2013, the Bank officially submitted the application over the implementation of advanced measurement method over capital management to the CBRC, and cooperated with the CBRC to complete the related check and review work. Currently, the application is in the process of being approved. By refining the risk rating system, the Bank established a risk rating system covering non-retail, retail, small and micro enterprises. In light of the characteristics of different customer clusters, the Bank established 27 credit rating models for non-retail customers and identified 512 retail asset pools. Going forward, the Bank will continue to deepen the implementation of the applications, improve the ability of risk measurement and enhance the quality of growth. In addition, the Bank will continue the follow-up work over the implementation of the advanced measurement method over capital management according to the regulators' requirements, and make overall arrangements for the application of the advanced method of internal rating of credit risk and the advanced measurement method of operating risk in compliance with standards, in order to achieve continuous regulatory compliance.

## RISK MANAGEMENT STRUCTURE

The Board carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The Board has established Risk Management Committee, responsible for making risk management strategies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors oversees the establishment of the overall risk management system as well as the performance of the Board and the senior management in assuming their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategy established by the Board and organising the implementation of the comprehensive risk management of the Group. The senior management appoints Chief Risk Officer who assists the president with the corresponding risk management work.

Risk Management Department is the comprehensive management department responsible for the overall business risk management. Credit Management Department is the comprehensive management department responsible for the overall credit risk management. Credit Approval Department is the comprehensive management department responsible for the credit granting and approval of the overall credit business. Internal Control and Compliance Department is the coordinating management department responsible for internal control management, compliance risk and operational risk management. Other competent departments are responsible for various corresponding risks.

#### CREDIT RISK MANAGEMENT

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Bank.

In 2013, by treating prevention and resolution of potential risks in key regions and fields, and of key customers and maintaining the asset quality stability as its core tasks in credit risk management, the Bank enhanced daily monitoring and early warning, reinforced risk inspection for key industries and regions, set up credit risk resolution work mechanism, and dealt with credit risk in a timely and effective manner. The asset quality remained stable.

*Reforming risk management system and enhancing credit risk management.* The Bank newly established Credit Management Department to lead the work related to credit policies, credit systems, collateral management and post-lending management, improve the effect of risk mitigation, strengthen credit risk management and credit business process control, improve the quality and efficiency of credit service, and enhance the initiative, attentiveness and effectiveness of credit risk management.

*Adjusting and optimising corporate credit business process and refining the centralised credit management system at the Group level.* The Bank set up the professional credit department, with a focus on strengthening the responsibilities of comprehensive credit granting and group credit granting, realising the all-round comprehensive credit granting covering all products and targeting the whole group. It

strengthened the control over the total amount of credit risk from the group customers, and further implemented the regulatory requirements of centralised credit granting. The Bank distributed the manual of credit approval business and defined management requirements and operating procedures for centralised credit granting. It exerted more efforts in differentiated authorisation and management, and improved the efficiency of credit business while taking effective control over key credit risks.

*Optimising credit policies and promoting operation transformation.* The Bank defined credit operation directions by following national industrial policies and regulatory requirements, along with its development strategies and risk preferences. By reinforcing the “bottom-line thinking” in customer and project selection, revealing key risk points of industries, proposing specific risk management requirements, and optimising policy management measures, the Bank instructed operating institutions to expand customer base, increase value creation, balance risk and return, and prevent systemic risk to strike a balance between risk, return and efficiency.

*Timely studying and judging risks and conducting active early warning.* The Bank traced the direction of national policies, made timely judgement on the potential risks in key industries and regions, and conducted early warning in advance. It organised risk investigations, and took timely resolution and exit measures to effectively control the industrial and cluster risk contagion. The Bank introduced discussion meeting system in respect of the resolution and disposal of significant credit risk events, studied key risk points and risk disposal measures. The Bank implemented risk resolution and disposal measures by means of limiting credit balance, demanding additional collaterals and guarantees, and adopting legal litigation and preservation actions, to safeguard the safety and soundness of credit assets.

## Concentration of credit risks

In line with regulatory requirements, the Group proactively adopted a series of measures to prevent large exposure concentration risk, including further tightening lending criteria, adjusting business structure, controlling the credit granting pace, revitalising existing credit assets and innovating products. At the end of 2013, the gross loans to the largest single borrower accounted for 4.51% of the net capital of the Group, while those to the ten largest customers accounted for 14.80% of the net capital.

### Concentration of loans

| Concentration indicator                           | As at<br>31 December 2013 | As at<br>31 December 2012 | As at<br>31 December 2011 |
|---|---------------------------|---------------------------|---------------------------|
| Ratio of loans to the largest single customer (%) | 4.51                      | 3.86                      | 3.30                      |
| Ratio of loans to the ten largest customers (%)   | 14.80                     | 14.76                     | 15.18                     |

The Group's ten largest single borrowers as at the date indicated are as follows:

| (In millions of RMB,<br>except percentages) | Industry   | As at 31 December 2013 |                  |
|---|--|------------------------|------------------|
|   |  | Amount                 | % of total loans |
| Customer A                                  | Transportation, storage and postal services                            | 59,389                 | 0.69             |
| Customer B                                  | Manufacturing  | 27,338                 | 0.32             |
| Customer C                                  | Transportation, storage and postal services                            | 16,966                 | 0.20             |
| Customer D                                  | Transportation, storage and postal services                            | 14,394                 | 0.17             |
| Customer E                                  | Information transmission, software and information technology services | 13,590                 | 0.16             |
| Customer F                                  | Transportation, storage and postal services                            | 13,456                 | 0.16             |
| Customer G                                  | Water, environment and public utility management                       | 12,705                 | 0.15             |
| Customer H                                  | Transportation, storage and postal services                            | 12,562                 | 0.15             |
| Customer I                                  | Transportation, storage and postal services                            | 12,545                 | 0.15             |
| Customer J                                  | Water, environment and public utility management                       | 11,969                 | 0.14             |
| <b>Total</b>                                |  | <b>194,914</b>         | <b>2.29</b>      |

## LIQUIDITY RISK MANAGEMENT

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Bank cannot obtain sufficient funds in time, or at a reasonable cost, to meet the needs of asset growth or repay liabilities as they are due. The Bank's objective for liquidity risk management is to maintain a reasonable level of liquidity, and ensure the payment and settlement security in compliance with the regulatory requirements, while striving to enhance fund yields by deploying its funds in an effective and reasonable way.

In 2013, the PBOC continued its prudent monetary policies. The statutory deposit reserve ratio was still at a relatively high level, and the banks' role in multiplying deposits was limited, leading to increased competition for deposits business. Affected by the factors such as rapid loan growth, concentrated corporate tax payment, increased demand of cash on holidays, changes in foreign exchange

markets, additional payment of statutory required reserve and concentrated customer clearings at the year-end, the interest rates of money market in June and December showed a temporary rise and fluctuation. The Bank came up with solutions according to the fund situations, conducted coordinated liquidity management at group level, enhanced deposit attraction capacity, adjusted the usage of products such as debt securities investments, financial assets held under resale agreements, and deposits with banks and non-bank financial institutions, and strengthened large fund flow alert. The Bank maintained liquidity at a reasonable level and ensured normal payments and clearings.

The Bank conducted regular stress tests on its liquidity risk, in order to gauge its risk tolerance in extreme scenarios of low probability and other adverse circumstances. The results showed that under the stress scenarios, although liquidity risk increased, it stayed within a controllable range.

## Management discussion and analysis

### Risk Management

The following table sets forth the liquidity ratios of RMB and foreign currency of the Group:

| (%)                          |                  | Regulatory standard | As at 31 December 2013 | As at 31 December 2012 | As at 31 December 2011 |
|------------------------------|------------------|---------------------|------------------------|------------------------|------------------------|
| Liquidity ratio <sup>1</sup> | RMB              | ≥25                 | 46.57                  | 56.73                  | 53.70                  |
|                              | Foreign currency | ≥25                 | 55.20                  | 58.81                  | 53.54                  |

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBRC.

The analysis of the remaining maturity of the Group's assets and liabilities as at the balance sheet date is set out below:

| (In millions of RMB)   | As at 31 December 2013 |                     |                  |                              |                                   |                            |                      | Total             |
|--|------------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|-------------------|
|  | Indefinite             | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |                   |
| <b>Assets</b>  |                        |                     |                  |                              |                                   |                            |                      |                   |
| Cash and deposits with central banks                                   | 2,273,802              | 201,199             | -                | -                            | -                                 | -                          | -                    | 2,475,001         |
| Deposits and placements with banks and non-bank financial institutions | -                      | 27,128              | 186,236          | 103,997                      | 143,951                           | 11,770                     | 269                  | 473,351           |
| Financial assets held under resale agreements                          | -                      | -                   | 275,970          | 3,322                        | 2,155                             | -                          | -                    | 281,447           |
| Loans and advances to customers  | 32,338                 | 270,466             | 294,347          | 603,488                      | 2,230,532                         | 2,108,254                  | 2,821,936            | 8,361,361         |
| Investments  | 28,102                 | -                   | 101,598          | 216,298                      | 422,835                           | 1,524,001                  | 1,124,407            | 3,417,241         |
| Other assets   | 196,990                | 33,127              | 23,729           | 41,044                       | 53,038                            | 5,466                      | 1,415                | 354,809           |
| <b>Total assets</b>  | <b>2,531,232</b>       | <b>531,920</b>      | <b>881,880</b>   | <b>968,149</b>               | <b>2,852,511</b>                  | <b>3,649,491</b>           | <b>3,948,027</b>     | <b>15,363,210</b> |
| <b>Liabilities</b>   |                        |                     |                  |                              |                                   |                            |                      |                   |
| Borrowings from central banks  | -                      | -                   | 70,311           | 4,886                        | 3,960                             | -                          | -                    | 79,157            |
| Deposits and placements from banks and non-bank financial institutions | -                      | 458,703             | 239,605          | 71,784                       | 71,689                            | 6,231                      | -                    | 848,012           |
| Financial liabilities at fair value through profit or loss             | -                      | 24,186              | 107,428          | 159,796                      | 88,970                            | -                          | -                    | 380,380           |
| Financial assets sold under repurchase agreements                      | -                      | -                   | 60,356           | 1,451                        | 66                                | -                          | -                    | 61,873            |
| Deposits from customers  | -                      | 6,653,089           | 944,140          | 1,060,733                    | 2,458,328                         | 1,093,697                  | 13,050               | 12,223,037        |
| Debt securities issued   | -                      | -                   | 37,525           | 54,833                       | 109,390                           | 17,301                     | 138,491              | 357,540           |
| Other liabilities  | 138                    | 107,215             | 32,631           | 42,494                       | 116,335                           | 38,671                     | 1,398                | 338,882           |
| <b>Total Liabilities</b>   | <b>138</b>             | <b>7,243,193</b>    | <b>1,491,996</b> | <b>1,395,977</b>             | <b>2,848,738</b>                  | <b>1,155,900</b>           | <b>152,939</b>       | <b>14,288,881</b> |
| <b>Long/(short) position in 2013</b>                                   | <b>2,531,094</b>       | <b>(6,711,273)</b>  | <b>(610,116)</b> | <b>(427,828)</b>             | <b>3,773</b>                      | <b>2,493,591</b>           | <b>3,795,088</b>     | <b>1,074,329</b>  |
| Long/(short) position in 2012  | 2,378,642              | (5,929,790)         | (738,936)        | (259,318)                    | 209,588                           | 1,895,777                  | 3,393,582            | 949,545           |

The Group regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 31 December 2013, the accumulated gap of various maturities of the Group was RMB1,074,329 million, an increase of RMB124,784 million over 2012. Despite the negative gap for repayment on demand totalling RMB6,711,273 million, the Group is expected to enjoy a stable funding source and maintain stable liquidity in the future given its strong and expansive deposit customer base, relatively stable core demand deposits, and steady growth in deposits.

## MARKET RISK MANAGEMENT

Market risk is the risk of loss in respect of the Bank's on and off-balance sheet activities, arising from adverse movements in market rates, including interest rates, foreign exchange rates, commodity prices and stock prices.

In 2013, the Bank kept refining its policy system of market risk management, and further promoted the comprehensive market risk management. The Bank improved monitoring and reporting on market risk as well as the management of debenture bonds, and optimised the recognition and measurement of market risk, in order to effectively respond to new risk types and ceaselessly enhance its market risk management capability.

*Refining the policy system of market risk management.* The Bank enacted market risk policies and limit schemes for the year 2013, clarified the orientation of market risk policies and the risk tolerance limits. The Bank optimised contingency plans and detailed rules for significant risks and strengthened emergency management. The Bank enhanced the approval of investment in debenture bonds and its post-investment management, and implemented the 12-category risk classification management of bonds assets. The Bank further optimised the control over new products of the financial market business and finished sorting out the new products list. Furthermore, the Bank formulated management rules of the counterparties in the financial market business to improve its counterparty risk management capability.

*Further enhancing monitoring and reporting on market risk.* The Bank traced and monitored the implementation of credit approval, authorisation and risk limits of the financial market business, and timely published risk warning and reminders. Reporting and responses were made over the market fluctuation, emergency and the latest regulatory policy, such

as the tumbling gold price and the new regulation of SAFE, with no time delay. The Bank strengthened the management and control of process risk of the financial market business, and optimised the regular re-inspection mechanism of the financial market business. The Bank established the management mechanism of initiative evaluation, and conducted evaluation on key risk points and specific inspection, to promote the effectiveness of risk monitoring and reporting.

*Promoting the development of measurement system and tools of market risk.* The Bank completed the launch of transaction risk management system in overseas branches, and incorporated the Group's market risk management into the limit system. The Bank conducted verification of models by completing verification of models related to the structured derivatives management system, market risk management system and new products. The Bank finished the consistency check on transactions data to ensure the consistency and accuracy of the data stored in the front, middle and back offices. The Bank carried out the management and control programme of counterparty risk exposure, in order to continuously enhance and reinforce the management capability of market risk measurement.

### Value at Risk analysis

The Bank has separated on and off-balance sheet activities into two major categories, trading book and banking book. The Bank performs VaR analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaR of RMB and foreign currency trading portfolio on a daily basis (at a confidence level of 99% and with a holding period of one-day).

The VaR analysis on the Bank's trading portfolio as at the balance sheet date and during the respective years is as follows:

| (In millions of RMB)                | 2013                 |         |         |         | 2012                 |         |         |         |
|-------------------------------------|----------------------|---------|---------|---------|----------------------|---------|---------|---------|
|                                     | As at<br>31 December | Average | Maximum | Minimum | As at<br>31 December | Average | Maximum | Minimum |
| Risk valuation of trading portfolio | 128                  | 64      | 148     | 29      | 53                   | 63      | 116     | 26      |
| – Interest rate risk                | 117                  | 36      | 134     | 17      | 44                   | 42      | 77      | 16      |
| – Foreign exchange risk             | 94                   | 53      | 107     | 17      | 32                   | 41      | 96      | 14      |
| – Commodity risk                    | 7                    | 2       | 18      | –       | –                    | 4       | 80      | –       |

## Management discussion and analysis

### Risk Management

#### Interest rate risk management

Interest rate risk is the risk of loss in the overall income and economic value of the banking book as a result of adverse movements in interest rates, term structure and other interest-related factors. Repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities are the primary sources of interest rate risk for the Bank, while yield curve risk and option risk have relatively less impact on interest rate risk. The overall objective of the Bank's interest rate risk management is to maintain steady growth of net interest income, while keeping interest rate risk within a tolerable range in accordance with the risk appetite and risk management capability.

In 2013, the Bank strengthened the net interest margin management by a series of approaches such as duly adjusting the credit structure and investment strategy and optimising the investment portfolio. Meanwhile, in response to challenges of the interest rate liberalisation, the Bank adopted the pricing strategy, which combined the standardised and differentiated techniques, and timely adjusted internal and external prices and authorisation based on market changes, to improve the Bank's pricing capabilities of loans and deposits. It conducted regular analysis by comprehensively using multiple tools such as interest rate sensitivity gap, net interest income sensitivity analysis, scenario simulation and stress testing. The overall interest rate risk was kept within the set tolerable level and the net interest margin remained stable.

#### Interest rate sensitivity gap analysis

The analysis of the next expected repricing dates or maturity dates (whichever are earlier) of the Group's assets and liabilities as at the balance sheet date is set out below:

| (In millions of RMB)   | As at 31 December 2013 |                        |                                   |                                 |                      | Total             |
|--|------------------------|------------------------|-----------------------------------|---------------------------------|----------------------|-------------------|
|  | Non-interest-bearing   | Less than three months | Between three months and one year | Between one year and five years | More than five years |                   |
| <b>Assets</b>  |                        |                        |                                   |                                 |                      |                   |
| Cash and deposits with central banks                                   | 120,044                | 2,354,957              | -                                 | -                               | -                    | 2,475,001         |
| Deposits and placements with banks and non-bank financial institutions | -                      | 320,488                | 146,374                           | 6,489                           | -                    | 473,351           |
| Financial assets held under resale agreements                          | -                      | 279,292                | 2,155                             | -                               | -                    | 281,447           |
| Loans and advances to customers  | -                      | 4,432,346              | 3,800,494                         | 58,818                          | 69,703               | 8,361,361         |
| Investments  | 22,811                 | 522,349                | 542,287                           | 1,277,382                       | 1,052,412            | 3,417,241         |
| Other assets   | 354,809                | -                      | -                                 | -                               | -                    | 354,809           |
| <b>Total assets</b>  | <b>497,664</b>         | <b>7,909,432</b>       | <b>4,491,310</b>                  | <b>1,342,689</b>                | <b>1,122,115</b>     | <b>15,363,210</b> |
| <b>Liabilities</b>   |                        |                        |                                   |                                 |                      |                   |
| Borrowings from central banks  | -                      | 75,197                 | 3,960                             | -                               | -                    | 79,157            |
| Deposits and placements from banks and non-bank financial institutions | -                      | 770,665                | 71,116                            | 6,231                           | -                    | 848,012           |
| Financial liabilities at fair value through profit or loss             | 24,186                 | 267,224                | 88,970                            | -                               | -                    | 380,380           |
| Financial assets sold under repurchase agreements                      | -                      | 61,807                 | 66                                | -                               | -                    | 61,873            |
| Deposits from customers  | 74,794                 | 8,587,466              | 2,462,729                         | 1,089,647                       | 8,401                | 12,223,037        |
| Debt securities issued   | -                      | 110,950                | 103,031                           | 5,699                           | 137,860              | 357,540           |
| Other liabilities  | 338,882                | -                      | -                                 | -                               | -                    | 338,882           |
| <b>Total Liabilities</b>   | <b>437,862</b>         | <b>9,873,309</b>       | <b>2,729,872</b>                  | <b>1,101,577</b>                | <b>146,261</b>       | <b>14,288,881</b> |
| <b>Interest rate sensitivity gap in 2013</b>                           | <b>59,802</b>          | <b>(1,963,877)</b>     | <b>1,761,438</b>                  | <b>241,112</b>                  | <b>975,854</b>       | <b>1,074,329</b>  |
| <b>Accumulated interest rate sensitivity gap in 2013</b>               |                        | <b>(1,963,877)</b>     | <b>(202,439)</b>                  | <b>38,673</b>                   | <b>1,014,527</b>     |                   |
| Interest rate sensitivity gap in 2012                                  | 157,050                | (1,755,646)            | 1,736,008                         | (90,498)                        | 902,631              | 949,545           |
| Accumulated interest rate sensitivity gap in 2012                      |                        | (1,755,646)            | (19,638)                          | (110,136)                       | 792,495              |                   |

As at 31 December 2013, the repricing gap of the Group's assets and liabilities generally expanded. The accumulated negative gap for a period less than one year was RMB202,439 million, which expanded by RMB182,801 million compared to 2012, mainly due to the increase of liabilities such as short-term deposits from customers and certificates of deposit issued. The Group's positive gap for a period more than one year was RMB1,216,966 million, which expanded by RMB404,833 million over 2012, mainly due to the growth of long-term debt securities investments.

#### Net interest income sensitivity analysis

Net interest income sensitivity analysis is based on two scenarios. The first is to assume that the interest rate for deposits with the PBOC stays constant, and all yield curves rise or fall by 100 basis points in a parallel way; the second is to assume that the interest rates for deposits with the PBOC and demand deposits stay constant, while the other yield curves rise or fall by 100 basis points in a parallel way.

The interest rate sensitivity of the Group's net interest income is set out below:

| (In millions of RMB)          | Change in net interest income |                          |  |  |
|-------------------------------|-------------------------------|--------------------------|--|--|
|                               | Rise by 100 basis points      | Fall by 100 basis points | Rise by 100 basis points (demand deposit rates being constant) | Fall by 100 basis points (demand deposit rates being constant) |
| <b>As at 31 December 2013</b> | <b>(40,135)</b>               | <b>40,135</b>            | <b>31,468</b>  | <b>(31,468)</b>  |
| As at 31 December 2012        | (36,670)                      | 36,670                   | 26,887   | (26,887)   |

#### Foreign exchange rate risk management

Foreign exchange rate risk is the risk of impact of adverse movement in foreign exchange rates on a bank's financial position. The Bank is exposed to foreign exchange rate risks primarily because of the currency mismatch of assets and liabilities held by the Bank that are denominated in currencies other than RMB and the position held by the Bank as a market maker in the financial market. The Bank avoided exchange rate risk by matching its assets and liabilities, controlled exchange rate risk by setting limits, hedged exchange rate risk by using derivative financial instruments and transferred exchange rate risk by reasonable product pricing.

In 2013, the Bank optimised the asset and liability management system twice, and achieved the fully automatic measurement of exchange rate risk exposure within overseas branches and a few subsidiaries. With the rapid development of overseas business in recent years, some of the overseas institutions held a certain amount of foreign currencies or operational capital in compliance with the local regulations. Under such circumstances, the Bank invested in overseas institutions by the means of currency matching to alleviate the currency mismatch pressure, and properly adopted the derivative financial instruments to hedge exchange rate risk.

#### Currency concentrations

| (In millions of RMB)             | As at 31 December 2013 |                      |                         |               | As at 31 December 2012 |                      |                         |              |
|----------------------------------|------------------------|----------------------|-------------------------|---------------|------------------------|----------------------|-------------------------|--------------|
|                                  | USD (RMB equivalent)   | HKD (RMB equivalent) | Others (RMB equivalent) | Total         | USD (RMB equivalent)   | HKD (RMB equivalent) | Others (RMB equivalent) | Total        |
| Spot assets                      | 731,627                | 141,255              | 71,352                  | 944,234       | 524,730                | 153,916              | 125,957                 | 804,603      |
| Spot liabilities                 | (540,063)              | (174,454)            | (117,234)               | (831,751)     | (432,029)              | (161,150)            | (178,574)               | (771,753)    |
| Forward purchases                | 740,072                | 57,311               | 105,430                 | 902,813       | 409,707                | 9,581                | 232,258                 | 651,546      |
| Forward sales                    | (924,064)              | (11,030)             | (55,931)                | (991,025)     | (499,732)              | (5,363)              | (179,561)               | (684,656)    |
| Net options position             | 200                    | -                    | -                       | 200           | 28                     | -                    | (1)                     | 27           |
| <b>Net long/(short) position</b> | <b>7,772</b>           | <b>13,082</b>        | <b>3,617</b>            | <b>24,471</b> | <b>2,704</b>           | <b>(3,016)</b>       | <b>79</b>               | <b>(233)</b> |

## Management discussion and analysis

### Risk Management

As at 31 December 2013, the net exposure of the Group's foreign exchange rate risk was a positive value of RMB24,471 million, an increase of RMB24,704 million compared to 2012. The overall foreign exchange rate risk was controllable despite a slight rise.

#### OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of losses due to inadequate or flawed internal processes, people and systems, or external events.

In 2013, in accordance with the regulatory requirements and the trend of operational risk, the Bank strengthened its operational risk control over key areas and key positions, continuously promoted the use of operational risk management tools, comprehensively improved and refined the information system of operational risk management, and established and improved the policies and system of business continuity management, in order to secure the safe operation of various businesses.

*Conducting re-examinations and continuous inspection over key risk points.* The Bank further conducted specific business inspections, audit and monitoring, and focused on inspecting the authenticity of credit granting and e-banking businesses. The Bank continued to strengthen the check and balance mechanism across departments and positions, and timely re-examined and dynamically adjusted incompatible positions (responsibilities) pursuant to risk changes and process adjustments.

*Refining the platform of operational risk management system and deepening the application of operational risk management tools.* The Bank continuously improved operational risk management information system, and developed measurement models of advanced method and the matching system functions. The Bank conducted self-assessment of operational risk in multi-dimensions, and constantly improved the accuracy and completeness of loss data. The Bank enhanced the risk monitoring and early warning of key risk indicators over key business areas, in order to improve the professional and refined management capabilities.

*Promoting the development of business continuity management system and reinforcing the effective response to the risk with huge loss and low frequency.* The Bank reviewed and modified business continuity management policies, optimised business continuity management tool system, including business impact analysis, risk assessment, emergency plan templates and drill plans, conducted self-assessment of business continuity management system, and steadily promoted the establishment of emergency plan and emergency drill file base and corresponding policy system.

#### Anti-money laundering

In 2013, the Bank further implemented anti-money laundering (AML) laws and regulations of the regulatory authorities, continuously optimised work mechanism and internal control system, and strengthened guidance on AML. By organising activities including speeding up centralised AML work, starting risk assessment study of money laundering, conducting analysis of money laundering types and developing the new generation of AML system, the Bank continuously deepened the development of AML work, which effectively prevented and struck the money laundering crimes and terrorist financing activities.

#### REPUTATION RISK MANAGEMENT

Reputation risk is the risk of negative impacts or damages to the banks' overall image, reputation and brand value, arising when commercial banks' operational, managerial and other behaviours or contingencies are noticed or reported by the media.

In 2013, the Bank further strengthened reputation risk management, initially established the system of reputation risk management, which was consistent with the Bank's strategic objectives, and drawn up related regulations. The Bank continuously carried out identification, evaluation, monitoring, controlling and mitigation work towards reputation risk, constantly enhanced the mechanism building of the public sentiment work, and improved capabilities of responding to public sentiment and guiding public opinion. The Bank based reputation risk management work on strengthening risk prevention and fundamental management and improving service quality. It strengthened reputation risk trainings on all employees, promoted the cultural construction of reputation risk management, and enhanced employees' awareness of reputation risk and response capability.

#### CONSOLIDATED MANAGEMENT

Consolidated management is the comprehensive and continuous management that the Bank imposes over the Group's capital, finance and risks, based on the single legal person, in order to identify, measure, monitor and assess the overall risk profile of the Group.

In 2013, the Bank comprehensively implemented the latest consolidation regulatory requirements, optimised consolidated management framework, refined consolidated management method, in order to steadily improve consolidated management and feasibly prevent risks arising from the Group's integrated operation.

*Optimising the building of consolidated management mechanism.* The Bank refined the framework of the comprehensive risk management, and continuously promoted the building of the comprehensive risk management system covering all employees, the whole processes and the Group as well as all risk types. The Bank researched on the mechanism of intra-group risk isolation to prevent the cross-industry risk contagion of subsidiaries, and further

strengthened the management of reporting on major emergencies.

*Strengthening the consolidated management of capital adequacy ratio.* The Bank implemented the requirements of the *Measures for Capital Management of Commercial Banks (Trial)* by putting into practice the revised version of the measures of capital adequacy ratio management of the Bank into practice. The Bank refined the capital adequacy ratio management to improve the capital management on the Group level.

*Reinforcing the Group's large risk exposure management.* The Bank promoted the unified credit management on the Group level, and enhanced the management and control of credit risk exposure of the same counterparty. The Bank conducted the regular monitoring and warning by continuously incorporating subsidiaries into the scope of the industry limit management.

*Enhancing the consolidated management of internal transactions.* The Bank optimised management policies and procedures of internal transactions, refined management process of related party transactions, conducted regular monitoring, analysis and reporting on the Group's internal transactions, and instructed subsidiaries to refine their internal transactions management.

*Strengthening risk management in other fields at the Group level.* The Bank regularly organised and implemented the stress testing of liquidity risk at the Group level, and submitted to the CBRC the Bank's liquidity risk report covering subsidiaries. The Bank optimised the country-specific risk management system and enhanced monitoring and pre-warning of country-specific risk. The Bank conducted on-site survey of legal risk of subsidiaries, in order to standardise the prevention work of legal risk at the Group level. The Bank refined the reputation risk management system to improve the level of professional management.

*Improving the informationisation level of consolidated management.* The Bank refined the data submission process of consolidated management information system, in order to improve the information accuracy of subsidiaries. The Bank accelerated the building of the Group's new generation information system, and opened the system related to credit management to subsidiaries.

## INTERNAL AUDIT

In order to promote the establishment of a sound and effective risk management mechanism, internal control system and corporate governance procedures, the Bank's internal audit department evaluates the effectiveness of the internal control system and risk management mechanism, the effect of corporate governance procedures, the efficiency of business operations, and the economic responsibilities

of relevant personnel, and puts forward suggestions for improvement on the basis of its internal audit. The internal audit department works in a relatively independent manner, and is managed vertically. It is responsible to and reports to the Board and the audit committee, as well as reports to the board of supervisors and senior management. There is an audit department at the head office, and 39 audit offices at tier-one branches, responsible for managing and conducting audit projects.

In 2013, the Bank's internal audit department adopted the risk-orientated philosophy, clarified the audit priorities and optimised audit methods to improve audit capability and strengthen the application of audit results.

*Solidly launching audit projects by following up the core tasks and pursuing better results.* The audit department focused on the Bank's core tasks, paid closer attention to development of operational environment, and exerted more emphasis on the audit of key areas and key businesses. The department carried out 28 categories of systemic audit projects, including dynamic audit investigation of credit business, audits of entrusted loans, centralised purchasing management, anti-money laundering, precious metals, IT operation of some branches, main business operation and management of some overseas institutions and subsidiaries, and economic responsibility within tenure. Meanwhile, the department further reinforced follow-up auditing. Audit offices conducted selected audit projects based on the specific operation, management and risk characteristics of respective branches, further supplementing the coverage and depth of the audits and improving the pertinence of audit projects. The Board, board of supervisors and senior management attached great importance to the audit findings, actively urged the rectifications, and facilitated departments in the head office and branches to optimise related rules, business processes and IT systems, and reinforce capability of risk management.

*Improving the quality of audits by adhering to principles and stressing management and control.* By means of respective working mechanism, the department enhanced the line management and strengthened the awareness of duties and qualities. By balancing and allocating the audit resources, the department improved the use efficiency and output effect. The department reinforced control on the process of projects, with further improved qualities of audits throughout the year.

*Consolidating fundamentals and continuously enhancing the audit capability based on the long-term view.* The internal audit department further strengthened the building of specialisation, system, technology and internal audit team, and consolidated and perfected the specific long-term mechanism of capability enhancement. By carrying out methodology research and concept transmission of fundamental audit of internal control, the department strove to promote the level and value of audit work.

# CAPITAL MANAGEMENT

The Group has implemented a comprehensive capital management which covers regulatory capital, economic capital and accounting capital management, including but not limited to management of capital adequacy ratio, capital planning, capital raising and economic capital.

In 2013, the Group continuously strengthened the building of the fundamental capability of capital management and proactively promoted its business transformation towards more intensive utilisation of capital. As a result, the capital adequacy ratio continued to rank first among domestic peers, and the guiding and restraint functions of capital on business development were further upgraded.

The Group steadily promoted the implementation of new capital management measures and strengthened the building of fundamental capability. The Group seized the opportunity of implementing the new capital management measures to comprehensively push forward the building of three pillars, reinforce the building of capital management policies and procedures, and constantly consolidate the management fundamentals. The Group actively pushed forward the implementation and application of the advanced method in capital measurement, accomplished the work related to assessment of internal capital adequacy, capital planning, as well as the implementation of annual plan for capital adequacy ratio. By following the latest changes in regulatory policies, the Group actively researched on and promoted the innovation of capital instruments. Furthermore, the Group kept optimising and improving the system to ensure accurate and timely measurement and disclosure of capital adequacy ratio before the completion of adoption of the new capital management measures. By virtue of above measures, the Group's risk and capital management capabilities were further enhanced.

The Group endeavoured to promote the business structure adjustment and accelerate the business transformation towards more intensive utilisation of capital. The Group actively promoted the implementation of the operation philosophy featuring intensive utilisation of capital throughout the whole process of business development, and reasonably controlled the growth rate of risky assets to facilitate the improvement in business management process and reduce ineffective capital occupation. With respect to asset structure, the Group deepened the analysis of capital occupation and risk-weighted asset items, improved the allocation and assessment of economic capital, reinforced restraints of capital on business, advanced the adjustment and optimisation of business structure, and encouraged the development of retail and small and micro businesses with less capital occupation and higher returns, to constantly improve capital utilisation efficiency.

## CAPITAL ADEQUACY RATIO

### Scope for calculating capital adequacy ratios

From the first quarter of 2013, the Group commenced to calculate capital adequacy ratios, in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*, promulgated by the CBRC in June 2012. The scope for calculating capital adequacy ratios includes both the Bank's domestic and overseas branches and sub-branches, and subsidiaries with financial institutional functions (insurance companies excluded).

## Capital adequacy ratio

As at 31 December 2013, the Group's total capital ratio, tier 1 ratio and common equity tier 1 ratio, which were calculated in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*, were 13.34%, 10.75% and 10.75%, respectively.

| (In millions of RMB, except percentages)  | As at<br>31 December 2013 |
|---|---------------------------|
| <b>Common Equity Tier 1 ratio</b>   | <b>10.75%</b>             |
| <b>Tier 1 ratio</b>   | <b>10.75%</b>             |
| <b>Total capital ratio</b>  | <b>13.34%</b>             |
| <b>Common Equity Tier 1 capital</b>   |                           |
| Qualifying common share capital   | 250,011                   |
| Capital reserve <sup>1</sup>  | 116,321                   |
| Surplus reserve   | 107,970                   |
| General reserve   | 153,825                   |
| Retained earnings   | 442,554                   |
| Minority interest given recognition in Common Equity Tier 1 capital   | 3,729                     |
| Others <sup>2</sup>   | (5,948)                   |
| <b>Deductions for Common Equity Tier 1 capital</b>  |                           |
| Goodwill <sup>3</sup>   | 1,415                     |
| Other intangible assets (excluding land use right) <sup>3</sup>   | 1,609                     |
| Cash-flow hedge reserve   | (148)                     |
| Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation | 3,902                     |
| <b>Additional Tier 1 capital</b>  |                           |
| Minority interest given recognition in Additional Tier 1 capital  | 16                        |
| <b>Tier 2 capital</b>   |                           |
| Directly issued qualifying Tier 2 instruments including related stock surplus   | 144,000                   |
| Provisions in Tier 2  | 110,918                   |
| Minority interest given recognition in Tier 2 capital   | 106                       |
| <b>Common Equity Tier 1 capital after deductions<sup>4</sup></b>  | <b>1,061,684</b>          |
| <b>Tier 1 capital after deductions<sup>4</sup></b>  | <b>1,061,700</b>          |
| <b>Total capital after deductions<sup>4</sup></b>   | <b>1,316,724</b>          |
| <b>Risk-weighted assets<sup>5</sup></b>   | <b>9,872,790</b>          |

1. The investment revaluation reserve is included in capital reserve.
2. Others mainly contain foreign exchange reserve.
3. Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
4. Common Equity Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deductions is calculated by netting off the corresponding deduction items from the total capital.
5. Risk-weighted assets consist of credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets. Among them, the credit risk-weighted assets are calculated with the regulatory weight approach, the market risk-weighted assets are calculated with the standardised approach, and the operational risk-weighted assets are calculated with the basic indicator approach.

Relevant disclosure requirements on composition of capital under the *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the CBRC, please refer to *Capital Adequacy Ratio Report of China Construction Bank Corporation 2013*.

## Management discussion and analysis

### Capital Management

#### Leverage Ratio

As at 31 December 2013, the Group's leverage ratio, calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks*, was 6.01%, above the regulatory requirement of the CBRC.

| (In millions of RMB, except percentages)                            | As at<br>31 December 2013 |
|---|---------------------------|
| <b>Leverage Ratio<sup>1</sup></b>                                   | <b>6.01%</b>              |
| Tier 1 capital  | 1,068,477                 |
| Deductions from tier 1 capital                                      | (6,778)                   |
| <b>Tier 1 capital after deductions</b>                              | <b>1,061,700</b>          |
| On-balance sheet assets after adjustment <sup>2</sup>               | 15,361,296                |
| Off-balance sheet items after adjustment <sup>3</sup>               | 2,310,227                 |
| <b>On and off-balance sheet assets after adjustment<sup>4</sup></b> | <b>17,664,745</b>         |

1. Leverage ratio is calculated in accordance with relevant regulatory requirements. The tier 1 capital after deductions is consistent with that used in the calculation of capital adequacy ratio by the Group.
2. On-balance sheet assets after adjustment include derivatives calculated using the current risk exposure approach and other on-balance sheet assets.
3. Off-balance sheet items after adjustment include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet items.
4. On and off-balance sheet assets after adjustment = On-balance sheet assets after adjustment + Off-balance sheet items after adjustment – Deductions from tier 1 capital.

# PROSPECTS

In 2014, the domestic and foreign environment is expected to remain complicated. Internationally, the global economy will continue its slow recovery. While the US economy is on the track of faster recovery, the euro zone economy as a whole remains relatively weak and the emerging economies are undergoing adjustments to the economic development modes. With the US gradual exit from quantitative easing, the long-term interest rates may continue to rise, and emerging economies will face the impacts of capital movement and the change of financing cost. Domestically, China's economy is still expected to make steady progress, and the potential and space of economic development are still relatively huge. The comprehensive promotion of reforms particularly is conducive to boosting economic vitality and unlocking growth potential. In addition, the domestic economic development is also faced with multiple challenges brought about by growth rate shifting and structure adjustment, and the long-term accumulated conflicts may become more intense.

In 2014, the development of banking industry will face many challenges. It is estimated that liquidity in the interbank market will stay tight and the market interest rates will still experience big fluctuations, making it increasingly difficult for banks to gauge their liquidity position and manage liquidity. With the introduction of deposit insurance system and the expedited reform of interest rate liberalisation, the net interest margin is expected to be further narrowed. The greater participation of privately-owned banks and the rapid development of internet finance will intensify intra-bank competition faced by commercial banks. Moreover, upgraded regulatory requirements and enhanced capital restraints will bring new challenges to the traditional growth mode of high capital consumption for the banking industry.

Along with the dramatic changes in economic environment, macro policies, financial markets and its own operations, the Group is deeply aware that it has to accelerate development innovation and strategic transformation, seize the opportunity of economic transformation and upgrading, and explore new development opportunities in industrial transformation and upgrading, reforms in people's livelihood sector, coordinated development of regions and China's further opening up.

In 2014, the Group will stick to the development direction featuring "integration, multi-function, and intensiveness", vigorously support and serve the real economy, adhere to steady development, promote operation transformation, firmly hold the risk bottom line, and continue to improve the value creation capability. Efforts will be made in the following areas. First, the Group will strive to enlarge customer base and optimise customer structure, to ensure the steady development of deposit business. Second, the Group will deepen the loan structure adjustments and increase the proportion of retail loans increment. The growth rate of RMB-denominated loans for 2014 is expected to be around 11%. Third, the Group will improve its service quality by means of product innovation and precise marketing, so as to increase fee-based business income. Fourth, the Group will further explore the potential of strategic emerging businesses, and expedite the development of electronic banking, cash management, pension, supply chain finance and other emerging businesses. Fifth, the Group will improve product innovation system and mechanism, consolidate innovation foundation and boost product innovation capability, based on the needs of customers. Sixth, the Group will solidify the construction of operational foundation, and continue to promote the channel transformation with a focus on the off-the-counter channels. Seventh, the Group will firmly hold the risk bottom line, improve internal control level, maintain the stability of credit assets quality, and closely prevent liquidity risk, market risk, operational risk, reputation risk and other risks.

#### Feature Article: Product Innovation

Adhering to the philosophy of “innovation drives development”, the Bank continuously enhances product innovation capability and strives to build itself as an innovative bank.

In 2013, the Bank set up the Product Innovation and Management Department. The department worked out the first specialised plans for product innovation, enabling the leapfrog growth of innovation projects and dramatic boost of innovation enthusiasm. Innovative products were created in various business fields. The number of finished product innovation projects was 961 in 2013, up 176.15% over the previous year. At the end of 2013, the number of the Bank’s self-owned products and agent products for third parties within the products lifecycle duration approached 7,000, forming a complete product system covering 12 major business lines including deposits, credits, trade finance, credit card, investment and wealth management, payment and settlement, agency business, electronic banking, custodial and supervisory service, investment banking, financial markets and customer assets management. The Bank became one of the most innovative domestic commercial banks with a wide range of financial products and comprehensive categories of services.

With a focus on serving the real economy and people’s livelihood sectors, the Bank accelerated its product innovation in the financial market, pension fund management, investment custody and other emerging businesses, built and enriched the product system in relevant businesses. It strengthened product innovation related to urbanisation, small and micro enterprises and personal high-end customers, and launched innovative products including scorecards credit mode for small and micro businesses, and loans for marine economy and urbanisation. It also provided services for overseas study, immigration and credit cards of personal high-end customers, and domestic and overseas collaborative services for them.

The constant innovation satisfied the diversified financial needs of customers. The Bank designed comprehensive solutions for customers from multiple industries including road and highway traffic, information technology manufacture, pension fund, as well as various institutional customers, small enterprises and private banking customers. By strengthening collaboration with branches and subsidiaries and timely launching several investment banking products and customised products, the Bank’s comprehensive service capabilities were enhanced.

The innovation promoted consolidation and integration of products. The Bank developed a cash management system for personal customers and refined the cash management system for enterprise customers. In addition, it launched products for loan management services, and introduced several personal credit products based on “e.ccb.com” while continuously improving its functions and services. The Bank continuously introduced special offers via “Student Benefit” based on the characteristics of the student demographics. All these led to the constant improvement in different service platforms for diversified customers.

The innovation accelerated the application of technologies. Applications of new technologies in the Bank speeded up. The Bank launched and refined products with emerging technologies at a rapid pace, including the peer-leading digital-display credit card, NFC-SIM card for mobile phones, financial IC card with new functions, and WeChat banking, intensifying the applications of innovation in new technologies and mobile finance. The deployment of products in electronic channels accelerated, and customer experience constantly improved.

# CORPORATE SOCIAL RESPONSIBILITIES



In 2013, CCB proactively fulfilled its corporate social responsibilities, and constantly promoted the implementation of the strategic goals of corporate social responsibilities, i.e., “becoming a bank that strives to serve the general public, promote people’s livelihood, adhere to the principle of low carbon and environmental protection, and achieve sustainable development”, demonstrating a good image as a corporate citizen.

Guo Qi, Client Relationship Manager of Yunnan Branch, introduced financial products of the Bank to ethnic minorities, trying to widespread financial knowledge. The Bank reaches out to minority areas, dispersing financial knowledge, serving new rural construction and boosting economic development.

### ACTIVELY LAUNCHING SOCIAL WELFARE ACTIVITIES

In 2013, CCB actively contributed to the society and continued to support social welfare activities by implementing 13 important public welfare projects and making donations totalling RMB49 million.

*Financial Support for Disaster Relief and Post-disaster Reconstruction in Ya'an, Sichuan Province.* In 2013, Ya'an in Sichuan province experienced severe earthquakes. CCB made a timely donation of RMB15 million to help people in disaster-stricken area to fight against earthquakes and rebuild their homes.

*The continued CCB Sponsorship Programme "Mothers' Health Express".* In 2013, CCB donated RMB8 million to purchase 53 vehicles for medical treatment. These vehicles were dispatched to such provinces as Yunnan, Guizhou, Guangxi and Tibet to provide services including health check, medical treatment and maternal health care to local women. This was the second time for CCB to donate for the "Mothers' Health Express" Sponsorship Programme.

*Other Long-term Public Welfare Programmes.* By the end of 2013, "CCB Sponsorship Programme for Impoverished High School Students" had cumulatively granted nearly RMB120 million to more than 80,000 impoverished high school students. "CCB Sponsorship Programme of Impoverished Mothers of Heroes and Exemplary Workers" had accumulatively sponsored more than 11,000 people with RMB30.32 million. "CCB Scholarships and Grants for College Students from Ethnic Minorities Programme" had extended scholarships and grants of over RMB46 million to 17,000 college students from ethnic minorities. "Tibet in Our Heart-CCB and Jianyin Investment Scholarship (Bursary) Foundation" had granted scholarships (bursaries) of RMB1.38 million to 660 college and high school students from impoverished families in Tibet. CCB had also built and maintained 41 CCB Hope Primary Schools and sponsored training for 229 teachers from rural areas.

*Innovative Social Welfare Programmes Combined with CCB's Own Advantages.* In 2013, CCB associated with several public welfare institutions to jointly implement activities of "Credit Card Points Help Fulfill Dreams, Micro Public Welfare". With the establishment of the points donation platform of Long Card holders, CCB credit card points donated by people with loving hearts from all walks of life were devoted to public welfare activities. The initial donation projects included "Volunteer Services of Caring for Children of Migrant Workers-Colourful Lodge", "Hope Project-Happy Music Classroom", and "Training for Music and Art Teachers in Rural Areas". The activities of "Credit Card Points Help Fulfill Dreams, Micro Public Welfare" has been widely supported by people with loving hearts from all walks of life since its launch on 29 September. By the end of 2013, with the points donation from CCB Long Card holders, a Happy Music Classroom had been set up both at CCB Hope Primary School in Mangniuba in Mengga Town of Dehongmang City in Yunnan Province and at Tanyue Primary School in Silin Town in Tiandong County of Baise City in Guangxi, and the initial project of "Training for Music and Art Teachers in Rural Areas" had been successfully conducted in Guangxi.

### ESTABLISHMENT AND PERFECTION OF THE MANAGEMENT MECHANISM OF CONSUMER RIGHTS AND INTERESTS PROTECTION

In 2013, in order to provide consumers with better service and protect their rights and interests, CCB established an organisational and managerial system. The Product Planning and Innovation Committee in CCB was in charge of arrangement and co-ordination, and competent departments were appointed for specified centralised management, with the help of a specialist team which concretely organised and carried out related work. CCB drawn up *Opinions on Completing the Work*



In 2013, the Bank continued to implement its Sponsorship Programme "Mothers' Health Express".

*of Consumer Rights and Interests Protection* this year, which specified the aim, framework and major measures of the work of consumer rights and interests protection. Meanwhile, each tier-one branch established the specialised institution for the work of consumer rights and interests protection to ensure the implementation of details.

CCB comprehensively carried out publicity and education on the consumer rights and interests protection, and constantly strengthened the protection on personal financial information of consumers. To achieve that, the Bank strengthened the protection of consumer rights and interests in areas closely related to consumers, including wealth management, credit card and electronic banking businesses, throughout the whole process from pre-sale, sale to post-sale. In addition, CCB had set up multi-channel complaint management system, consolidating networks of telephone banking, on-line banking and operating outlets, along with a peer-leading supervision and evaluation system of customer service quality, contributing to the constant improvement in the Bank's service capacity and quality.

### ACTIVE IMPLEMENTATION OF GREEN FINANCE

CCB continuously increased credit investments in areas of green environment protection, energy saving and emission reduction, while strictly controlled the credit lending to industries with high energy-consumption, high pollution and excess capacity. As at the end of 2013, the balance of green credit was RMB488,390 million. To achieve the reduction of energy consumption and carbon emission, in its daily operation and management, CCB tried to cut down staff's business trips, advocate video conferences rather than on-site ones, practise paperless office, limit the indoor temperature under air-conditioning, use the energy-saving and water-saving devices in office areas.

### CONCERNS FOR STAFF'S DEVELOPMENT AND PROTECTION OF THEIR RIGHTS AND INTERESTS

By carrying out Employee Assistance Programme, CCB delivered humane care and enhanced training on staff, in order to help them improve the quality in general and enable further growth. In 2013, CCB organised 38,701 trainings in total, at an expense of RMB1,083 million for 1,963,400 person times, each of whom participated in trainings for 13 days on average. E-learning system was put in bank-wide use to provide staff with rich learning resources for self-training.

# CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

## CHANGES IN SHARES

Unit: share

|   | 1 January 2013         |                | Increase/(Decrease) during the reporting period |             |                                       |              |              | 31 December 2013       |                |
|---|------------------------|----------------|---|-------------|---------------------------------------|--------------|--------------|------------------------|----------------|
|   | Number of shares       | Percentage (%) | Issuance of additional shares                   | Bonus issue | Shares converted from capital reserve | Others       | Sub-total    | Number of shares       | Percentage (%) |
| <b>I. Shares subject to selling restrictions</b>      | -                      | -              | -   | -           | -                                     | -            | -            | -                      | -              |
| <b>II. Shares not subject to selling restrictions</b> |                        |                |   |             |                                       |              |              |                        |                |
| 1. RMB ordinary shares                                | 9,593,657,606          | 3.84           | -   | -           | -                                     | -            | -            | 9,593,657,606          | 3.84           |
| 2. Overseas listed foreign investment shares          | 91,915,429,499         | 36.76          | -   | -           | -                                     | 51,965,000   | 51,965,000   | 91,967,394,499         | 36.78          |
| 3. Others <sup>1</sup>                                | 148,501,890,381        | 59.40          | -   | -           | -                                     | (51,965,000) | (51,965,000) | 148,449,925,381        | 59.38          |
| <b>III. Total number of shares</b>                    | <b>250,010,977,486</b> | <b>100.00</b>  | <b>-</b>  | <b>-</b>    | <b>-</b>                              | <b>-</b>     | <b>-</b>     | <b>250,010,977,486</b> | <b>100.00</b>  |

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baosteel Group, State Grid, and Yangtze Power.

### DETAILS OF SECURITIES ISSUANCE AND LISTING

Pursuant to the resolution of the first extraordinary general meeting of 2011, upon approvals of the CBRC and PBOC, in November 2011, the Bank issued subordinated bonds of RMB40 billion in the national interbank bond market, with a term of 15 years and a fixed coupon rate of 5.70%. At the end of the tenth year, the issuer has an option to redeem the bonds with conditions. In November 2012, the Bank again issued subordinated bonds of RMB40 billion, with a term

of 15 years and a fixed coupon rate of 4.99%. At the end of the tenth year, the issuer has an option to redeem the bonds with conditions. All proceeds raised from the issuance of subordinated bonds are used to replenish the supplementary capital of the Bank.

Please refer to Note "Debt Securities Issued" in the "Financial Statements" for details of the Bank's other debt securities issuance.

**NUMBER OF SHAREHOLDERS AND PARTICULARS OF SHAREHOLDINGS**

At the end of the reporting period, the Bank had a total of 768,168 shareholders, of which 51,978 were holders of H-shares and 716,190 were holders of A-shares. As at 24 March 2014, the Bank had a total of 767,973 shareholders, of which 51,896 were holders of H-shares and 716,077 were holders of A-shares.

Unit: share

| Total number of shareholders   |                                       | 768,168 (Total number of registered holders of A-shares and H-shares as at 31 December 2013) |                             |  |                          |
|--|---------------------------------------|--|-----------------------------|--|--------------------------|
| Particulars of shareholdings of the top ten shareholders   |                                       |  |                             |  |                          |
| Name of shareholder  | Nature of shareholder                 | Shareholding percentage (%)  | Total number of shares held | Number of                              | Number of                |
|  |                                       |  |                             | shares subject to selling restrictions | shares pledged or frozen |
| Huijin   | State-owned                           | 57.03  | 142,590,494,651 (H-shares)  | None                                   | None                     |
|  | State-owned                           | 0.23   | 570,941,976 (A-shares)      | None                                   | None                     |
| HKSCC Nominees Limited <sup>1</sup>  | Foreign legal person                  | 29.04  | 72,608,412,031 (H-shares)   | None                                   | Unknown                  |
| Temasek <sup>1</sup>   | Foreign legal person                  | 7.15   | 17,878,670,050 (H-shares)   | None                                   | None                     |
| State Grid <sup>1,2</sup>  | State-owned legal person              | 1.14   | 2,843,817,730 (H-shares)    | None                                   | None                     |
| Baosteel Group   | State-owned legal person              | 0.80   | 2,000,000,000 (H-shares)    | None                                   | None                     |
|  | State-owned legal person              | 0.13   | 318,860,498 (A-shares)      | None                                   | None                     |
| China Ping An Life Insurance Company Limited – Traditional – Ordinary insurance products           | Domestic non-state-owned legal person | 0.86   | 2,143,438,329 (A-shares)    | None                                   | None                     |
| Yangtze Power <sup>1</sup>   | State-owned legal person              | 0.41   | 1,015,613,000 (H-shares)    | None                                   | None                     |
| Reca Investment Limited  | Foreign legal person                  | 0.34   | 856,000,000 (H-shares)      | None                                   | None                     |
| China Ping An Life Insurance Company Limited – Traditional – High interest rate insurance products | Domestic non-state-owned legal person | 0.24   | 591,906,825 (A-shares)      | None                                   | None                     |
| China Securities Finance Corporation Limited   | State-owned legal person              | 0.11   | 284,953,643 (A-shares)      | None                                   | None                     |

- On 4 May 2012, Temasek declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 17,878,670,050 H-shares of the Bank. As at 31 December 2013, State Grid and Yangtze Power held 2,843,817,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Besides the H-shares of the Bank held by Temasek, State Grid and Yangtze Power, another 72,608,412,031 H-shares of the Bank were held under the name of HKSCC Nominees Limited.
- As at 31 December 2013, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: State Grid Yingda International Holdings Group Co. Ltd. held 804,035,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 347,500,000 shares, State Grid International Development Co., Ltd. held 350,000,000 shares and Shenzhen Guoneng International Trading Co., Ltd. held 27,000,000 shares.
- Some of the shareholders mentioned above are subject to management by the same entity. Apart from this, the Bank has not been aware of any connected relation or acting in concert among the shareholders.

## SUBSTANTIAL SHAREHOLDERS OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.26% of the shares of the Bank, as at the end of the reporting period. Huijin is a wholly state-owned investment company established in accordance with the Company Law on 16 December 2003 with the approval of the State Council. Its registered capital and paid-in capital are both RMB828,209 million. Its legal representative is Mr. Ding Xuedong and its organisation code is 71093296-1. Huijin makes equity investment in key state-owned financial corporations as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial corporations up to its contribution on behalf of the state to achieve preservation and appreciation of

state-owned financial assets. Huijin does not engage in any other commercial operations, nor does it intervene in daily operations of the key state-owned financial corporations controlled by Huijin.

Considering the audited financial report of Huijin for the year 2013 cannot be provided until all the institutions in which Huijin holds interests finish the audits of their financial statements, the following financial data are the audited data for the year 2012. As at 31 December 2012, the total assets of Huijin were RMB2,363,604,890.6 thousand, total liabilities were RMB149,769,242.8 thousand, and shareholders' equity was RMB2,213,835,647.8 thousand. Net profit for 2012 was RMB398,395,813.4 thousand. Net cash flows from operating activities, investing activities and financing activities for 2012 were RMB39,391,118.4 thousand.

As at 31 December 2013, basic information of the enterprises directly held by Huijin was as follows:

| No. | Institution Name   | Shareholding percentage held by Huijin (%) |
|-----|--|--|
| 1   | China Development Bank Corporation                             | 47.63                                      |
| 2   | Industrial and Commercial Bank of China Limited <sup>1,2</sup> | 35.33                                      |
| 3   | Agricultural Bank of China Limited <sup>1,2</sup>              | 40.28                                      |
| 4   | Bank of China Limited <sup>1,2</sup>                           | 67.72                                      |
| 5   | China Construction Bank Corporation <sup>1,2</sup>             | 57.26                                      |
| 6   | China Everbright Bank Company Limited <sup>1,2</sup>           | 41.66 <sup>3</sup>                         |
| 7   | China Export & Credit Insurance Corporation                    | 73.63                                      |
| 8   | China Reinsurance (Group) Corporation                          | 84.91                                      |
| 9   | New China Life Insurance Company Limited <sup>1,2</sup>        | 31.34                                      |
| 10  | China Jianyin Investment Limited                               | 100.00                                     |
| 11  | China Galaxy Financial Holdings Co., Ltd.                      | 78.57                                      |
| 12  | Shenyin & Wanguo Securities Co., Ltd.                          | 55.38                                      |
| 13  | China International Capital Corporation Limited                | 43.35                                      |
| 14  | China Securities Co., Ltd.                                     | 40.00                                      |
| 15  | China Investment Securities Co., Ltd.                          | 100.00                                     |
| 16  | China Everbright Industry Group Limited                        | 100.00                                     |
| 17  | Jiantou Zhongxin Assets Management Co., Ltd.                   | 70.00                                      |
| 18  | Guotai Junan Investment Management Co., Ltd.                   | 14.54                                      |

1. As at 31 December 2013, the A-share listed companies held by Huijin, the controlling shareholder of the Bank;
2. As at 31 December 2013, the H-share listed companies held by Huijin, the controlling shareholder of the Bank;
3. Shareholding percentage of China Everbright Bank Company Limited held by Huijin changes to 41.24% after China Everbright Bank Company Limited exercised the over-allotment option upon H-share listing in January 2014 and Huijin's performance of duty to reduce the stated-owned shares.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of CIC.

At the end of the reporting period, there were no other institutional shareholders holding 10% or more of shares of the Bank (excluding HKSCC Nominees Limited). There were no internal staff shares.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors of the Bank

| Name                         | Position                                     | Gender | Age | Term of Office                                |
|------------------------------|--|--------|-----|---|
| Wang Hongzhang               | Chairman, executive director                 | Male   | 59  | January 2012 to 2014 annual general meeting   |
| Zhang Jianguo                | Vice chairman, executive director, president | Male   | 59  | June 2013 to 2015 annual general meeting      |
| Zhu Hongbo                   | Executive director, executive vice president | Male   | 51  | July 2013 to 2015 annual general meeting      |
| Hu Zheyi                     | Executive director, executive vice president | Male   | 59  | July 2013 to 2015 annual general meeting      |
| Qi Shouyin                   | Non-executive director                       | Male   | 62  | July 2013 to 2015 annual general meeting      |
| Zhang Yanling                | Non-executive director                       | Female | 62  | January 2014 to 2015 annual general meeting   |
| Chen Yuanling                | Non-executive director                       | Female | 50  | June 2013 to 2015 annual general meeting      |
| Xu Tie                       | Non-executive director                       | Male   | 60  | September 2013 to 2015 annual general meeting |
| Guo Yanpeng                  | Non-executive director                       | Male   | 51  | January 2014 to 2015 annual general meeting   |
| Dong Shi                     | Non-executive director                       | Male   | 48  | September 2011 to 2013 annual general meeting |
| Zhang Long                   | Independent non-executive director           | Male   | 48  | January 2014 to 2015 annual general meeting   |
| Elaine La Roche              | Independent non-executive director           | Female | 64  | September 2012 to 2014 annual general meeting |
| Zhao Xijun                   | Independent non-executive director           | Male   | 50  | June 2013 to 2015 annual general meeting      |
| Chung Shui Ming<br>Timpson   | Independent non-executive director           | Male   | 62  | October 2013 to 2015 annual general meeting   |
| Wim Kok                      | Independent non-executive director           | Male   | 75  | October 2013 to 2015 annual general meeting   |
| Murray Horn                  | Independent non-executive director           | Male   | 59  | December 2013 to 2015 annual general meeting  |
| Margaret Leung Ko<br>May Yee | Independent non-executive director           | Female | 61  | December 2013 to 2015 annual general meeting  |

### Resigned directors

|                          |                                    |        |    |                              |
|--------------------------|------------------------------------|--------|----|------------------------------|
| Wang Yong                | Non-executive director             | Male   | 52 | June 2010 to June 2013       |
| Zhu Zhenmin              | Non-executive director             | Male   | 64 | August 2010 to December 2013 |
| Li Xiaoling              | Non-executive director             | Female | 56 | June 2010 to June 2013       |
| Yam Chi Kwong,<br>Joseph | Independent non-executive director | Male   | 65 | August 2010 to October 2013  |
| Jenny Shipley            | Independent non-executive director | Female | 62 | June 2010 to December 2013   |
| Wong Kai-Man             | Independent non-executive director | Male   | 63 | June 2010 to December 2013   |

### Supervisors of the Bank

| Name          | Position                              | Gender | Age | Term of Office                              |
|---------------|---------------------------------------|--------|-----|---|
| Zhang Furong  | Chairman of the board of supervisors  | Male   | 61  | June 2013 to 2015 annual general meeting    |
| Liu Jin       | Shareholder representative supervisor | Female | 49  | June 2013 to 2015 annual general meeting    |
| Li Xiaoling   | Shareholder representative supervisor | Female | 56  | June 2013 to 2015 annual general meeting    |
| Jin Panshi    | Employee representative supervisor    | Male   | 49  | June 2013 to 2015 annual general meeting    |
| Huang Shuping | Employee representative supervisor    | Female | 60  | June 2013 to 2015 annual general meeting    |
| Zhang Huajian | Employee representative supervisor    | Male   | 59  | June 2013 to 2015 annual general meeting    |
| Wang Lin      | Employee representative supervisor    | Male   | 58  | January 2014 to 2016 annual general meeting |
| Wang Xinmin   | External supervisor                   | Male   | 62  | June 2013 to 2015 annual general meeting    |
| Bai Jianjun   | External supervisor                   | Male   | 58  | June 2013 to 2015 annual general meeting    |

### Resigned supervisors

|               |                                       |      |    |  |
|---------------|---------------------------------------|------|----|--|
| Song Fengming | Shareholder representative supervisor | Male | 67 | June 2010 to 2012 annual general meeting |
| Li Weiping    | Employee representative supervisor    | Male | 60 | June 2013 to January 2014                |
| Guo Feng      | External supervisor                   | Male | 51 | June 2010 to 2012 annual general meeting |
| Dai Deming    | External supervisor                   | Male | 51 | June 2010 to 2012 annual general meeting |

## Senior management of the Bank

| Name            | Position  | Gender | Age | Term of Office    |
|-----------------|---|--------|-----|-------------------|
| Zhang Jianguo   | President   | Male   | 59  | July 2006 to      |
| Zhu Hongbo      | Executive vice president                          | Male   | 51  | February 2012 to  |
| Hu Zheyi        | Executive vice president                          | Male   | 59  | March 2009 to     |
| Pang Xiusheng   | Executive vice president, chief financial officer | Male   | 55  | February 2010 to  |
| Zhang Gengsheng | Executive vice president                          | Male   | 53  | April 2013 to     |
| Yang Wensheng   | Executive vice president                          | Male   | 47  | December 2013 to  |
| Huang Yi        | Executive vice president                          | Male   | 50  | April 2014 to     |
| Zeng Jianhua    | Chief risk officer                                | Male   | 55  | September 2013 to |
| Huang Zhiling   | Chief economist                                   | Male   | 53  | September 2013 to |
| Yu Jingbo       | Chief audit officer                               | Male   | 55  | March 2011 to     |
| Chen Caihong    | Secretary to the Board                            | Male   | 56  | August 2007 to    |
| Xu Huibin       | Controller of wholesale banking                   | Male   | 56  | March 2011 to     |

### Resigned senior management

|           |                          |      |    |                          |
|-----------|--------------------------|------|----|--------------------------|
| Zhao Huan | Executive vice president | Male | 50 | May 2011 to January 2014 |
|-----------|--------------------------|------|----|--------------------------|

## Particulars of shareholdings of directors, supervisors and senior management

During the reporting period, Mr. Zhang Long, director of the Bank, held 235,400 A-shares of the Bank, and Ms. Margaret Leung Ko May Yee, director of the Bank, held 100,000 H-shares of the Bank. Some of the Bank's supervisors and senior executives indirectly held H-shares of the Bank via employee stock incentive plan before they assumed duties of their current positions. Mr. Zhang Huajian held 18,999 H-shares, Ms. Huang Shuping held 21,910 H-shares, Mr. Wang Lin held 19,303 H-shares, Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Yang Wensheng held 10,845 H-share, Mr. Zeng Jianhua held 25,838 H-shares, Mr. Huang Zhiling held 18,751 H-shares, Mr. Yu Jingbo held 22,567 H-shares, Mr. Chen Caihong held 19,417 H-shares, and Mr. Xu Huibin held 20,004 H-shares. For the resigned ones, Mr. Li Weiping held 20,446 H-shares and Mr. Zhao Huan held 18,292 H-shares.

Apart from the above, all other directors, supervisors and senior executives do not hold any shares of the Bank.

## CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors of the Bank

Upon election at the 2012 annual general meeting of the Bank, from June 2013, Mr. Zhang Jianguo was re-elected executive director of the Bank, Mr. Zhao Xijun was re-elected independent non-executive director of the Bank, and Ms. Chen Yuanling was re-elected non-executive director of the Bank.

In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Zhu Hongbo and Mr. Hu Zheyi commenced their positions as executive directors of the Bank from July 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Qi Shouyin commenced his position as non-executive director of the Bank from July 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Xu Tie commenced his position as non-executive director of the Bank from September 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Chung Shui Ming Timpson and Mr. Wim Kok commenced their positions as independent non-executive directors of the Bank from October 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee commenced their positions as independent non-executive directors of the Bank from December 2013.

## Corporate Governance

### Profiles of Directors, Supervisors and Senior Management

In accordance with the resolution at the first extraordinary general meeting of the Bank of 2013 and upon approval of the CBRC, from January 2014, Ms. Zhang Yanling and Mr. Guo Yanpeng commenced their positions as non-executive directors of the Bank, and Mr. Zhang Long commenced his position as independent non-executive director of the Bank.

Upon the conclusion of the 2012 annual general meeting of the Bank, Ms. Li Xiaoling ceased to serve as non-executive director of the Bank due to the expiration of her term of office. From 7 June 2013, Mr. Wang Yong ceased to serve as non-executive director of the Bank due to work variation. In accordance with the arrangement on terms of office of directors approved by the 2012 annual general meeting of the Bank, Mr. Yam Chi Kwong, Joseph ceased to serve as independent non-executive director of the Bank from 23 October 2013, Dame Jenny Shipley and Mr. Wong Kai-Man ceased to serve as independent non-executive directors of the Bank from 12 December 2013, and Mr. Zhu Zhenmin ceased to serve as non-executive director of the Bank from 31 December 2013.

#### Supervisors of the Bank

In accordance with the resolution at the 2012 annual general meeting of the Bank, from June 2013, Ms. Li Xiaoling commenced her position as shareholder representative supervisor of the Bank, and Mr. Wang Xinmin and Mr. Bai Jianjun commenced their positions as external supervisors of the Bank.

From May 2013, Mr. Zhang Huajian resigned from his position as shareholder representative supervisor of the Bank due to work arrangement. In accordance with the resolution at the second joint meeting of the third employee representatives meeting of the Bank, Mr. Zhang Huajian commenced his position as employee representative supervisor of the Bank from June 2013.

In accordance with the resolution at the third meeting of the third employee representatives meeting of the Bank, Mr. Wang Lin commenced his position as employee representative supervisor of the Bank from January 2014.

Upon the conclusion of the 2012 annual general meeting of the Bank, Mr. Song Fengming ceased to serve as shareholder representative supervisor of the Bank, and Mr. Guo Feng and Mr. Dai Deming ceased to serve as external supervisors of the Bank due to the expiration of their terms of office.

From January 2014, Mr. Li Weiping resigned from his position as employee representative supervisor of the Bank due to work arrangement.

#### Senior management of the Bank

Upon appointment at the second meeting of the Board of the Bank in 2013 and approval of the CBRC, Mr. Zhang Gengsheng commenced his position as executive vice president of the Bank from April 2013.

Upon appointment at the fifth meeting of the Board of the Bank in 2013, from September 2013, Mr. Pang Xiusheng commenced his position concurrently as chief financial officer of the Bank, Mr. Zeng Jianhua commenced his position as chief risk officer and ceased to serve as chief financial officer of the Bank, and Mr. Huang Zhiling commenced his position as chief economist and ceased to serve as chief risk officer of the Bank.

Upon appointment at the sixth meeting of the Board of the Bank in 2013 and approval of the CBRC, Mr. Yang Wensheng commenced his position as executive vice president of the Bank from December 2013.

Upon appointment by the Board of the Bank and approval of the CBRC, Mr. Huang Yi commenced his position as executive vice president of the Bank from April 2014.

From January 2014, Mr. Zhao Huan ceased to serve as executive vice president of the Bank.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors of the Bank



#### **WANG HONGZHANG**

**Chairman, executive director**

Mr. Wang has served as chairman and executive director since January 2012. From November 2003 to November 2011, Mr. Wang was chief disciplinary officer of the PBOC. From June 2000 to November 2003, Mr. Wang was the president of Chengdu Branch of the PBOC and administrator of Sichuan Branch of the SAFE. From April 1996 to June 2000, Mr. Wang was deputy director-general of the Supervision Bureau and director-general of the internal auditing department of the PBOC. From November 1989 to April 1996, Mr. Wang served on various positions including assistant president of Qingdao Branch, deputy director of the General Administration Office, deputy director of the Finance Planning Department and general manager of the banking business department of Industrial and Commercial Bank of China. From January 1984 to November 1989, Mr. Wang worked in the Industrial and Commercial Credit Department and the General Administration Office of Industrial and Commercial Bank of China. From September 1978 to January 1984, Mr. Wang worked in the Credit Bureau, Savings Bureau and Industrial and Commercial Credit Department of the PBOC. Mr. Wang is a senior economist and a certified public accountant. Mr. Wang graduated from Liaoning Finance and Economics College with a bachelor's degree in finance in 1978, and obtained his master's degree in economics from Dongbei University of Finance and Economics in 1997.



#### **ZHANG JIANGUO**

**Vice chairman, executive director, president**

Mr. Zhang has served as vice chairman and executive director of the Bank since October 2006, and as president of the Bank since July 2006. Mr. Zhang was vice chairman of the board of directors and president of Bank of Communications Co., Ltd. from May 2004 to July 2006, executive vice president of Bank of Communications Co., Ltd. from September 2001 to May 2004. From September 1984 to September 2001, Mr. Zhang served several positions in Industrial and Commercial Bank of China, including deputy general manager and general manager of the international banking department, and deputy general manager of Tianjin Branch. From November 1987 to December 1988, Mr. Zhang studied international financial business in Canadian Imperial Bank of Commerce and Ryerson Institute of Technology. Mr. Zhang graduated from Tianjin College of Finance and Economics with a bachelor's degree in finance in 1982 and a master's degree in economics in 1995.



### ZHU HONGBO

Executive director, executive vice president

Mr. Zhu has served as executive director since July 2013, as executive vice president since February 2012, and as chief disciplinary officer of the Bank since December 2011. He was executive vice president and chief disciplinary officer of Agricultural Bank of China Limited from February 2010 to December 2011. He was chief disciplinary officer of Agricultural Bank of China from April 2008 to February 2010. Mr. Zhu served as a member of senior management of Agricultural Bank of China and general manager of Beijing Branch of Agricultural Bank of China from June 2006 to April 2008. Mr. Zhu previously served consecutively as deputy director and director of the general office of Agricultural Bank of China, general manager of Hainan Branch, Jiangsu Branch and Beijing Branch of Agricultural Bank of China from November 1995 to June 2006. Mr. Zhu is a senior economist. He obtained a bachelor's degree in finance from Central University of Finance and Economics in 1983 and received a Ph.D. degree in management science and engineering from Nanjing University in 2008.



### HU ZHEYI

Executive director, executive vice president

Mr. Hu has served as executive director since July 2013, as executive vice president since March 2009, and as a member of senior management since December 2008. Mr. Hu was director-general of the macro-economy research department of the Research Office of the State Council from September 2004 to December 2008. He worked at macro-economy research department of the Research Office of the State Council as division chief and deputy director-general successively from October 1998 to September 2004. From March 1992 to September 1998, Mr. Hu worked in the head office of the PBOC as deputy division chief and division chief successively. Mr. Hu graduated from South China University of Technology in 1982 with a bachelor's degree in chemical automation and instruments. He then obtained his master's degree in technological economics and system engineering from the Management School of Tianjin University in 1988. Mr. Hu graduated from School of Economics and Management of Tsinghua University with a Ph. D. degree in technological economics in 1992.



### QI SHOUYIN

Non-executive director

Mr. Qi has served as director of the Bank since July 2013. He served as director of Department of Finance of Hebei Province from January 2003 to January 2012, and deputy director of Department of Finance of Hebei Province from August 1995 to December 2002. Mr. Qi was chief officer, senior economist, researcher, deputy head and head of Scientific Research Institute of Finance of Department of Finance of Hebei Province and division-chief of Budget Division of Department of Finance of Hebei Province from 1986 to 1995. Mr. Qi was a teacher of economics at Hebei Normal College from August 1976 to August 1983. Mr. Qi graduated from Hebei Normal College in July 1976, and obtained his master's degree in economics from Sichuan University in July 1986 and his Ph.D. degree in economics from the Research Institute for Fiscal Science of the MOF in December 2001. Mr. Qi is currently an employee of the Bank's substantial shareholder, Huijin.



## CHEN YUANLING

### Non-executive director

Ms. Chen has served as director of the Bank since August 2010. She was a partner of Beijing Kang Da Law Firm from November 2007 to August 2010. Previously, she was a partner and lawyer of Beijing DeHeng Law Offices from May 2005 to November 2007, a lawyer of Beijing JunZeJun Law Offices from May 2002 to May 2005 and a senior manager of the Legal Department of China Securities Corporation from March 2001 to May 2002. Ms. Chen is a first-grade lawyer. She graduated with a bachelor's degree in law from the law faculty of Peking University in 1985 and graduated from post-graduate level class in accounting at the Business School of Jilin University in 2000. Ms. Chen is currently an employee of the Bank's substantial shareholder, Huijin.



## XU TIE

### Non-executive director

Mr. Xu has served as director of the Bank since September 2013. Mr. Xu was administrator of Shandong Branch of the CSRC from September 2008 to September 2013, deputy director of Department of Public Offering Supervision of the CSRC from January 2001 to September 2008, director of the CSRC Guiyang Special Dispatch Office from January 1999 to December 2000. From February 1992 to December 1998, Mr. Xu was division chief and deputy director of State Commission for Economic Restructuring Guizhou Branch. From January 1990 to January 1992, he was deputy secretary of the CPC Committee of Wuchuan County. He also served as deputy division chief and division chief of Economy Research Office of the Government of Guizhou Province from May 1983 to December 1989. Mr. Xu obtained his bachelor's degree in philosophy from Sun Yat-sen University in July 1976. Mr. Xu is currently an employee of the Bank's substantial shareholder, Huijin.



## GUO YANPENG

### Non-executive director

Mr. Guo has served as director of the Bank since January 2014. Mr. Guo was deputy director-general of the MOF from October 2009 to January 2014. Mr. Guo was chairman of Trade Union of the MOF from December 2005 to October 2009, deputy director and director of Organisational Department of the MOF from September 1998 to December 2005, chief officer and research associate of the MOF from May 1995 to September 1998. Mr. Guo obtained his college diploma in international economics from Correspondence Institute of the Party School of the Central Committee of CPC in December 1997. Mr. Guo is currently an employee of the Bank's substantial shareholder, Huijin.



#### **DONG SHI**

##### **Non-executive director**

Mr. Dong has served as director of the Bank since September 2011. Mr. Dong served as director of both China Reinsurance (Group) Corporation and China Reinsurance Asset Management Co., Ltd. from October 2008 to August 2011. Mr. Dong served consecutively as assistant special inspector of the State Council, division-chief of the Supervisory Committee of Central Enterprises Working Commission and deputy director-general of the Foreign Affairs Bureau under the State-owned Assets Supervision and Administration Commission from August 1998 to September 2008. Mr. Dong was deputy division-chief at the Supervision Bureau of the PBOC from July 1988 to July 1998. Mr. Dong made a study visit to the Federal Reserve of the United States in 1994 and studied at RMIT University in Australia in 1996. Mr. Dong is a senior economist and an accountant. Mr. Dong graduated from Zhengzhou University with a bachelor's degree in finance in 1988 and obtained his master's degree in economic law from Renmin University of China in 2002. Mr. Dong is currently an employee of the Bank's substantial shareholder, Huijin.



#### **ZHANG LONG**

##### **Independent non-executive director**

Mr. Zhang has served as director of the Bank since January 2014. Mr. Zhang is currently chairman of Zhongbao Ruixin Investment Co., Ltd. Mr. Zhang was president of Inner Mongolia Ruifeng Mining Industries Co., Ltd. from 2007 to 2009, secretary to the board of directors of the Bank from December 2006 to May 2007, and controller of Investment and Wealth Management Banking of the Bank from May 2006 to May 2007. He was executive vice chairman of the Bank's Investment and Wealth Management Banking Committee from March 2006 to May 2006, general manager of Credit Approval Department and head of Management Mechanism Reform Office of the Bank from December 2004 to March 2006. He served consecutively as deputy head and head of Office of Credit Management Committee of the Bank, head of Credit Approval Office under Risk Control & Management Committee of the Bank and general manager of Credit Approval Department of the Bank from August 1998 to December 2004. Mr. Zhang was regional economist and investment officer of Asia Bureau of International Finance Corporation from December 1995 to August 1998, regional economist of Central Asia, Middle East and North Africa Bureau of International Finance Corporation from August 1994 to December 1995, and senior research analyst of Brookings Research Institute from October 1992 to August 1994. Mr. Zhang obtained a bachelor's degree in engineering physics from Tsinghua University in 1985, a master's degree in business administration from University of Chicago in 1989 and a Ph.D. degree in economics from University of California in 1996.



#### **ELAINE LA ROCHE**

##### **Independent non-executive director**

Ms. Elaine La Roche has served as director of the Bank since September 2012. She currently serves as the Senior Advisor of the China International Capital Corporation Limited. From March 2012, she has served as the independent non-executive director of Marsh and McLennan Companies, a global risk management and human resources professional services company. Ms. Elaine La Roche served as independent non-executive director of the Bank from June 2005 to June 2011, and vice chairperson of J.P. Morgan (China) Securities from 2008 to 2010. From 1978 to 2000, Ms. Elaine La Roche consecutively held several positions in Morgan Stanley. In 1998, she was assigned from Morgan Stanley to serve as chief executive officer of China International Capital Corporation Limited. Thereafter, she served as chief executive officer of Salisbury Pharmacy Group and the chairman of the board of Linktone, a NASDAQ listed company. Ms. Elaine La Roche graduated from Georgetown University School of Foreign Service with a bachelor's degree in international affairs and from the American University with a master's degree in business administration in finance.



## ZHAO XIJUN

### Independent non-executive director

Mr. Zhao has served as director of the Bank since August 2010. As a professor, he is currently Deputy Dean of the School of Finance of Renmin University of China. Mr. Zhao was Director of International Office of Renmin University of China from 2001 to 2005, Department Head of the Finance Department of the School of Finance of Renmin University of China from 1995 to 2001 and a research fellow of the International Department of the CSRC from 1994 to 1995. Mr. Zhao currently serves as external director of China Coal Technology & Engineering Group Corporation (an unlisted company), and supervisor of Xuchang Bank Corporation (an unlisted company). Mr. Zhao was a visiting scholar in University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996. Mr. Zhao graduated from Wuhan University with a bachelor's degree in Scientific French in 1985, a master's degree in finance from the Finance Department of Renmin University of China in 1987 and a Ph.D. degree in finance from the School of Finance of Renmin University of China in 1999.



## CHUNG SHUI MING TIMPSON

### Independent non-executive director

Mr. Chung has served as director of the Bank since October 2013. Mr. Chung currently serves as independent non-executive director of China Unicom (Hong Kong) Limited, Miramar Hotel and Investment Company Limited, Glorious Sun Enterprises Limited, China State Construction Engineering Corporation, China Overseas Grand Oceans Group Limited, Henderson Land Development Company Limited and China Everbright Limited. Mr. Chung served as independent non-executive director of China Everbright Bank from 2006 to 2012. Formerly, he served in various companies and public institutions, consecutively as chairman of the Council of the City University of Hong Kong, chief executive officer of Shimao International Holdings Limited, chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, executive director of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, and independent non-executive director of Nine Dragons Paper Holdings Limited. From 1979 to 1983, he was a senior audit director of Coopers & Lybrand Consulting. Mr. Chung is a senior fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree of science from University of Hong Kong in 1976 and a master's degree in business administration from Chinese University of Hong Kong in 1987. Mr. Chung received the title of Justice of the Peace from the Hong Kong Special Administrative Region Government in 1998 and was awarded the Gold Bauhinia Star by the Hong Kong Special Administrative Region Government in 2000.



## WIM KOK

### Independent non-executive director

Mr. Wim Kok has served as director of the Bank since October 2013. In 2003, Mr. Wim Kok was appointed as Minister of State of the Netherlands. Mr. Wim Kok served two consecutive terms as Prime Minister of the Netherlands from 1994 to 2002. He was leader of the Dutch Labour Party from 1986 to 2002, Minister of Finance and Deputy Prime Minister of the Netherlands from 1989 to 1994, president of the European Trade Union Confederation from 1979 to 1982, and president of the Netherlands Confederation of Trade Unions from 1973 to 1985. From January 2010 to January 2014, he served as president of the Club de Madrid, composing of former Heads of State and Government. In 2004, he headed a High Level Group advising the European Council on revitalising the European economy and improving its competitiveness. After having stepped down as Prime Minister in 2002, Mr. Wim Kok served as non-executive director of various large international companies, such as Royal Dutch Shell, ING Group, TNT, Post NL and KLM. He also holds positions in various non-profit organisations, including as chairman of the board of trustees of the Anne Frank Foundation, member of the board of trustees of the International Crisis Group (ICG) and member of the International Commission on Missing Persons (ICMP). Mr. Wim Kok graduated from the Nijenrode Business School.



#### **MURRAY HORN**

##### **Independent non-executive director**

Mr. Murray Horn has served as director of the Bank since December 2013. Mr. Murray Horn currently serves as chairman of the Wynyard Group and Marisco Properties Ltd., director of Telecom New Zealand and chairman of the National Health Board and the Health Innovation Hub. He also consults to government agencies and various private companies. Mr. Murray Horn holds positions in public organisations in New Zealand and other regions, including as chairman of the New Zealand Business Roundtable, member of the NZ Tourism Board, member of the Board of the Centre for Independent Studies in Australia and member of the Trilateral Commission. Mr. Murray Horn was previously managing director of ANZ Bank in New Zealand and director of ANZ's Global Institutional Banking business, based in Sydney, Australia. He was Secretary to the New Zealand Treasury from 1993 to 1997. Mr. Murray Horn holds a Ph.D. degree from Harvard University in Political Economy and Government, a Master's degree in Commerce and a Bachelor's degree in Commerce (Agriculture) from Lincoln University. Lincoln University awarded him the Bledisloe Medal in 2000. He also made a Companion of the New Zealand Order of Merit in 2013.



#### **MARGARET LEUNG KO MAY YEE**

##### **Independent non-executive director**

Ms. Leung Ko May Yee has served as director of the Bank since December 2013. Ms. Leung Ko May Yee is a member of the Board of Directors and the Finance Committee of the Hospital Authority, and the Independent Commission on Remuneration for Members of the Executive Council, the Legislature and Officials under the Political Appointment System of the Hong Kong Special Administrative Region Government. She is a council member and member of the Finance Committee of the University of Hong Kong, a court member of the Hong Kong Baptist University, and Chairman of the Executive Committee of the Community Chest of Hong Kong. Ms. Leung is vice-chairperson and general manager of Chong Hing Bank Limited, independent non-executive director of First Pacific Company Limited, HKEx Group, Li & Fung Limited, Sun Hung Kai Properties Limited and QBE Insurance Group Limited. Ms. Leung was vice-chairperson and chief executive of Hang Seng Bank Limited, chairperson of Hang Seng Bank (China) Limited, director of various subsidiaries of Hang Seng Bank Limited, director of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), the Group general manager of HSBC Holdings plc prior to her retirement from the HSBC Group in June 2012. She was chairperson of the Board of Governors of Hang Seng Management College and Hang Seng School of Commerce, a member of the Advisory Board and chairperson of the Investment Committee of the Hong Kong Export Credit Insurance Corporation, a member of the Advisory Committee of the Securities and Futures Commission and the Banking Review Tribunal of the Hong Kong Special Administrative Region, and independent non-executive director of Swire Pacific Limited and Hutchison Whampoa Limited. Ms. Leung holds a bachelor's degree in Economics, Accounting and Business Administration from the University of Hong Kong. Ms. Leung was awarded Silver Bauhinia Star and Justice of the Peace by the Hong Kong Special Administrative Region Government.

## Supervisors of the Bank



### ZHANG FURONG

#### Chairman of the board of supervisors

Mr. Zhang has served as chairman of the board of supervisors of the Bank since September 2010. He served as executive director and executive vice president of Industrial and Commercial Bank of China Limited (ICBC) from October 2005 to July 2010. Mr. Zhang served as executive vice president of ICBC from 2000, assistant president of ICBC, general manager of Human Resources Department from 1997, deputy general manager of ICBC Liaoning Branch and general manager of ICBC Dalian Branch from 1994, chief of the Accounting Division and deputy general manager of ICBC Liaoning Branch from 1986. Mr. Zhang joined ICBC in 1984, and joined the PBOC in 1971. Mr. Zhang is also vice chairman of the Banking Accounting Society of China and vice chairman of Financial Planning Standards Council of China. Mr. Zhang graduated from Liaoning Finance and Economics College and obtained a master's degree in economics and a doctorate degree in finance from Dongbei University of Finance and Economics.



### LIU JIN

#### Shareholder representative supervisor

Ms. Liu has served as supervisor of the Bank since September 2004 and served concurrently as director of board of supervisors office since November 2004. Ms. Liu was a dedicated supervisor of deputy director-general level at the board of supervisors of China Construction Bank from July 2003 to September 2004, dedicated supervisor of deputy director-general level at the board of supervisors of the People's Insurance Company of China and China Reinsurance Company from November 2001 to July 2003. Ms. Liu is a senior economist and graduated from Hunan Finance and Economics College with a bachelor's degree in finance in 1984. She graduated from postgraduate finance programme of Shaanxi Finance and Economics College in 1999 and from the Research Institute for Fiscal Science of the MOF with a doctorate degree in public finance in 2008.



### LI XIAOLING

#### Shareholder representative supervisor

Ms. Li has served as supervisor of the Bank since June 2013. Ms. Li served as shareholder representative director of the Bank from June 2007 to June 2013. Ms. Li was a deputy inspector of Budget Department of the MOF from January 2006 to June 2007, and an assistant inspector of Budget Department of the MOF from May 2001 to January 2006. Ms. Li is a senior economist and graduated from Beijing Normal University in 2003 with a master's degree in political economics.



### JIN PANSHI

#### Employee representative supervisor

Mr. Jin has served as employee representative supervisor of the Bank since June 2010. He served as shareholder representative supervisor from September 2004 to June 2010. He has been general manager of the information technology management department of the Bank since January 2010. Mr. Jin was general manager of the audit department of the Bank from December 2007 to January 2010. Mr. Jin was deputy general manager of the audit department of China Construction Bank from June 2001 to September 2004. Mr. Jin is a senior engineer and a Certified Information Systems Auditor and graduated from Jilin University of Technology with a bachelor's degree in computer application in 1986, and a master's degree in computer application from the same university in 1989. Mr. Jin graduated from Tsinghua University with an EMBA degree in 2010.



### HUANG SHUPING

#### Employee representative supervisor

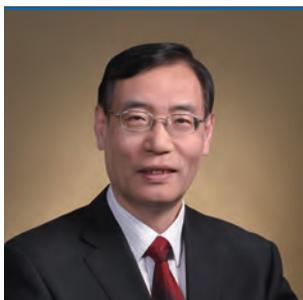
Ms. Huang has served as supervisor of the Bank since June 2010. She has served as director of Chengdu Audit Sub-Bureau of the Bank since December 2010. Ms. Huang served as general manager of Chongqing Branch from September 2001 to December 2010. Ms. Huang was deputy general manager of Sichuan Branch from March 1993 to September 2001. Ms. Huang is a senior economist. Ms. Huang graduated from Sichuan Provincial Fiscal School majoring in Finance and Accounting in 1975, and graduated from Harbin Advanced Investment Specialised School majoring in Infrastructure Finance and Credit in 1991, and graduated from Wuhan University with a bachelor's degree in International Finance in 1997.



### ZHANG HUAJIAN

#### Employee representative supervisor

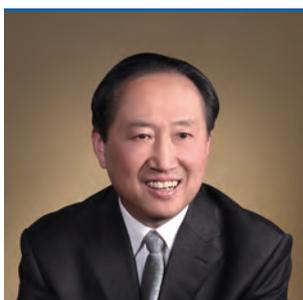
Mr. Zhang has served as employee representative supervisor of the Bank since June 2013. Mr. Zhang served as shareholder representative supervisor from August 2011 to May 2013. He has served as general manager of the disciplinary and supervisory department of the Bank since March 2007. He served as deputy general manager of the human resources department of the Bank from June 2005 to March 2007 (general manager level at the head office), deputy general manager of the human resources department of China Construction Bank from February 2001 to June 2005, and deputy general manager of the personnel and education department of China Construction Bank from December 1996 to February 2001. Mr. Zhang is a senior economist. He graduated from Hubei Finance and Economics College with a bachelor's degree in infrastructure finance and credit in 1984.



## WANG LIN

### Employee representative supervisor

Mr. Wang has served as supervisor of the Bank since January 2014. Mr. Wang has served as general manager of the executive office (the party committee office) of the Bank since April 2009. He served as general manager of the procurement department of the Bank from March 2007 to April 2009, general manager of the disciplinary and supervisory department of the Bank from January 2001 to March 2007, and deputy director of supervisory office of China Construction Bank from February 1998 to January 2001. Before joining China Construction Bank in September 1996, Mr. Wang worked in the central government departments and the Beijing Municipal Committee of CPC. Mr. Wang is currently deputy director of the editorial board of Review of Investment Studies. He graduated from Renmin University of China with a bachelor's degree in Chinese literature in 1984.



## WANG XINMIN

### External supervisor

Mr. Wang has served as supervisor of the Bank since June 2013. He served as deputy secretary of the Disciplinary Committee of the PBOC from February 2008 to April 2013, and director-general of the Supervision Bureau of the PBOC stationed by the Ministry of Supervision from January 2008 to February 2013. Mr. Wang was appointed as deputy director-general level inspection commissioner of group two and group five in the Central Inspection Team in July 2003. He served as the director level and deputy director-general level supervision commissioner of the eighth supervision office of the Central Commission for Discipline Inspection from August 1995, the director level deputy director and secretary of the party branch of the case management office of the General Office of the Central Commission for Discipline Inspection from August 1990, officer and deputy director of the fifth supervision office of the Central Commission for Discipline Inspection from July 1983. Mr. Wang graduated from the Department of International Politics at Peking University with a bachelor's degree in law. Mr. Wang is currently a member of the financial branch of Institute of China Supervision.



## BAI JIANJUN

### External supervisor

Mr. Bai has served as supervisor of the Bank since June 2013. Mr. Bai is currently a professor and doctoral tutor at the Law School of Peking University, director of the Research Institute of Empirical Legal Affairs and deputy director of the Financial Law Research Center of Peking University. He has been teaching at the Law School of Peking University since July 1987. Mr. Bai is a part-time professor at Zhengzhou Training Institute of the PBOC and National Judges College, and independent director of Beijing Boya Yingjie Science & Technology Co., Ltd. He was a visiting professor at Niigata University in Japan from October 1996 to October 1997 and a visiting research fellow at New York University from September 1990 to October 1991. Mr. Bai obtained his master's degree from the Law School of Peking University in July 1987 and his Ph.D. degree in law from the Law School of Peking University in July 2003.

Senior management of the Bank



**ZHANG JIANGUO**

Vice chairman, executive director, president

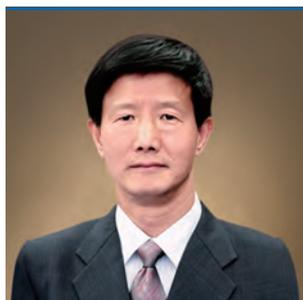
See “Directors of the Bank”.



**ZHU HONGBO**

Executive vice president, executive director

See “Directors of the Bank”.



**HU ZHEYI**

Executive vice president, executive director

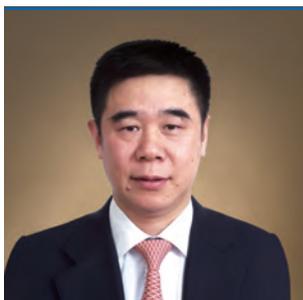
See “Directors of the Bank”.



**PANG XIUSHENG**

Executive vice president, chief financial officer

Mr. Pang has served as executive vice president and concurrently as chief financial officer of the Bank since September 2013. He has served as executive vice president of the Bank since February 2010. He served as chief financial officer from April 2006 to March 2011, executive vice chairman of the Bank’s asset and liability committee from March 2006 to April 2006, director of the Bank’s restructuring office from April 2005 to March 2006, general manager of Zhejiang Branch of China Construction Bank from June 2003 to April 2005, and acting as general manager of Zhejiang Branch of China Construction Bank from April 2003 to June 2003. Mr. Pang served consecutively as deputy general manager of treasury and planning department, deputy general manager of planning and finance department, and general manager of planning and finance department of China Construction Bank from September 1995 to April 2003. Mr. Pang is a senior economist, and a recipient of a special grant by PRC government. He graduated from postgraduate programme in technological economics from Harbin Industrial University in 1995.



## ZHANG GENSHENG

### Executive vice president

Mr. Zhang has served as executive vice president of the Bank from April 2013. Mr. Zhang served as a member of senior management of the Bank from December 2010 to April 2013. Mr. Zhang was general manager of the group clients department and deputy general manager of Beijing Branch of the Bank from October 2006 to December 2010, general manager of the banking business department and the group clients department from March 2004 to October 2006, deputy general manager of the banking business department from June 2000 to March 2004 (in charge of overall management from March 2003), general manager of the Three Gorges Branch from September 1998 to June 2000, and deputy general manager of Three Gorges Branch from December 1996 to September 1998. Mr. Zhang is a senior economist. He obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1984 and an Executive MBA degree from Peking University in 2010.



## YANG WENSHENG

### Executive vice president

Mr. Yang has served as executive vice president of the Bank since December 2013. Mr. Yang served as general manager of Liaoning Branch of the Bank from December 2010 to December 2013. He was the head of Liaoning Branch of the Bank from November 2010 to December 2010. Mr. Yang was general manager of Dalian Branch of the Bank from October 2006 to November 2010, deputy general manager of Jilin Branch of China Construction Bank from August 2001 to October 2006 and assistant general manager of Jilin Branch of China Construction Bank from January 2000 to August 2001. Mr. Yang is a senior economist. He obtained his master's degree in technological economics from Tsinghua University in 1993.



## HUANG YI

### Executive vice president

Mr. Huang has served as executive vice president of the Bank from April 2014. Mr. Huang served as a member of senior management of the Bank from December 2013 to April 2014. Mr. Huang served as director of the Supervisory Rules & Regulations Department of the CBRC from January 2010 to December 2013, and deputy director and director (head of the Research Bureau) of the Supervisory Rules & Regulations Department of the CBRC from July 2003 to January 2010. From April 1999 to July 2003, Mr. Huang served consecutively as a director level cadre and director of the Financial Claim Management Office, assistant inspector of Legal Affairs Department (concurrently serving a temporary position as deputy director of Department of Finance of Sichuan Province) and assistant inspector of Banking Management Department of the PBOC. He was general manager of the Development and Research Department of Hua Xia Bank from August 1997 to April 1999. Mr. Huang is a recipient of a special grant by PRC government. He graduated from Peking University in 1997 and obtained his Ph.D. degree in law.



#### **ZENG JIANHUA**

##### **Chief risk officer**

Mr. Zeng has served as chief risk officer of the Bank since September 2013. From March 2011 to September 2013, Mr. Zeng served as chief financial officer of the Bank. He served as general manager of Guangdong Branch of the Bank from September 2007 to March 2011. Mr. Zeng was consecutively the head of Guangdong Branch from July 2007 to September 2007, general manager of Shenzhen Branch of the Bank from October 2004 to July 2007, deputy general manager of the asset and liability management department of China Construction Bank from July 2003 to October 2004, and deputy general manager of Hunan Branch of China Construction Bank from February 1996 to July 2003. Mr. Zeng is a senior economist and obtained his Ph.D. degree in enterprise management from Hunan University in 2005.



#### **HUANG ZHILING**

##### **Chief economist**

Mr. Huang has served as chief economist of the Bank from September 2013. Mr. Huang served as chief risk officer of the Bank from February 2011 to September 2013. He served as general manager of the risk management department of the Bank from April 2006 to February 2011. Mr. Huang was consecutively director of the asset disposal review committee of China Cinda Asset Management Corporation from December 2000 to April 2006, director of the asset disposal decision-making committee office of China Cinda Asset Management Corporation from November 2000 to December 2000, director of president office and director of the party committee office of China Cinda Asset Management Corporation from August 1999 to November 2000, deputy general manager of administrative office and secretary to the party team of China Construction Bank from June 1997 to August 1999. Mr. Huang is a researcher and a recipient of a special grant by PRC government. He obtained his Ph.D. degree in finance from Shaanxi Institute of Finance and Economics in 1991.



#### **YU JINGBO**

##### **Chief audit officer**

Mr. Yu has served as chief audit officer of the Bank since March 2011, and concurrently as general manager of Beijing Branch of the Bank since August 2013. Mr. Yu served as general manager of the audit department of the Bank from April 2011 to October 2012, general manager of Zhejiang Branch of the Bank from March 2005 to March 2011. Mr. Yu was consecutively deputy general manager (in charge) of Zhejiang Branch of China Construction Bank from July 2004 to March 2005, deputy general manager of Zhejiang Branch of China Construction Bank from August 1999 to July 2004, and general manager of Hangzhou Branch of China Construction Bank from April 1997 to August 1999. Mr. Yu is a senior engineer. Mr. Yu obtained his bachelor's degree in industrial and civil architecture from Tongji University in 1985 and his master's degree in enterprise management from Hangzhou University in 1998.



### **CHEN CAIHONG**

#### **Secretary to the Board**

Mr. Chen has served as secretary to the Board since August 2007. Mr. Chen was general manager of Seoul Branch of China Construction Bank from December 2003 to July 2007. Mr. Chen served consecutively as deputy director, director of administrative office, deputy general manager of Fujian Branch, and head of preparation team for Seoul Branch of China Construction Bank from March 1997 to December 2003. Mr. Chen is a senior economist. He graduated from Hubei Finance and Economics College with a bachelor's degree in infrastructure economics in 1982 and obtained his master's degree in public finance from the Research Institute for Fiscal Science of the MOF in 1986.



### **XU HUIBIN**

#### **Controller of wholesale banking**

Mr. Xu has served as controller of wholesale banking of the Bank since March 2011. Mr. Xu served as general manager of Henan Branch of the Bank from May 2006 to March 2011. From May 1994 to May 2006, Mr. Xu served consecutively as deputy director of fund raising and savings department, deputy general manager of retail business department, deputy general manager of personal banking department, head and general manager of banking business department, general manager of personal banking business department, deputy director of personal banking business committee, and general manager of personal finance department of China Construction Bank. Mr. Xu is a senior economist, and a recipient of a special grant by PRC government. He obtained the Excellent Contribution Award of China Construction Bank and May 1st Labour Medal of Henan Province. Mr. Xu obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1983.

Company secretary and qualified accountant of the Bank



**CHENG PUI LING, CATHY**

**Company secretary**

Ms. Cheng has served as company secretary of the Bank since June 2012. She has been company secretary of China Construction Bank (Asia) Corporation Limited since December 2010. She has over 20 years of legal and company secretarial experience, serving various corporations, including Industrial and Commercial Bank of China Limited, Industrial and Commercial Bank of China (Asia) Limited, Cheung Kong (Holdings) Limited and PCCW Limited. In 1989, she obtained her bachelor's degree in law from the University of Hong Kong. In 1992, she obtained the qualification of solicitor from the High Court of Hong Kong Special Administrative Region.



**YUEN YIU LEUNG**

**Qualified accountant**

Mr. Yuen has served as qualified accountant of the Bank since August 2005. Mr. Yuen has been head of finance department of China Construction Bank (Asia) Corporation Limited since July 2013. He was head of finance department of Hong Kong Branch of the Bank from September 2004 to June 2013, and served concurrently as head of finance department of CCB International from January 2006 to May 2011. Prior to that, Mr. Yuen held the same position in the Hong Kong Branch of China Construction Bank from October 1995 to September 2004 and he served in several capacities at the internal control, finance and accounting functions of Standard Chartered Bank. Mr. Yuen is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, UK and the Chartered Institute of Management Accountants, UK and an associate of the Institute of Chartered Accountants in England & Wales. Mr. Yuen graduated from Hong Kong Polytechnic University with a professional diploma in management accountancy in 1988 and obtained a master's degree in business administration from University of Wales in cooperation with Manchester Business School in 1998.

## REMUNERATION

Remuneration for directors, supervisors and senior management in 2013

Unit: RMB'000

| Name                       | Fees | Remuneration paid | Contribution by the employer to compulsory insurances, housing allowances, etc. | Total (before tax) <sup>1</sup> | Other remuneration from corporate shareholders |
|----------------------------|------|-------------------|---|---------------------------------|--|
| Wang Hongzhang             | -    | 799               | 330   | 1,129                           | -  |
| Zhang Jianguo              | -    | 761               | 348   | 1,109                           | -  |
| Zhu Hongbo                 | -    | 680               | 302   | 982                             | -  |
| Hu Zheyi                   | -    | 680               | 302   | 982                             | -  |
| Qi Shouyin <sup>2</sup>    | -    | -                 | -   | -                               | 318  |
| Zhang Yanling <sup>2</sup> | -    | -                 | -   | -                               | -  |
| Chen Yuanling <sup>2</sup> | -    | -                 | -   | -                               | 750  |
| Xu Tie <sup>2</sup>        | -    | -                 | -   | -                               | -  |
| Guo Yanpeng <sup>2</sup>   | -    | -                 | -   | -                               | -  |
| Dong Shi <sup>2</sup>      | -    | -                 | -   | -                               | 780  |
| Zhang Long                 | -    | -                 | -   | -                               | -  |
| Elaine La Roche            | 392  | -                 | -   | 392                             | -  |
| Zhao Xijun                 | 410  | -                 | -   | 410                             | -  |
| Chung Shui Ming Timpson    | 72   | -                 | -   | 72                              | -  |
| Wim Kok                    | 60   | -                 | -   | 60                              | -  |
| Murray Horn                | 35   | -                 | -   | 35                              | -  |
| Margaret Leung Ko May Yee  | 34   | -                 | -   | 34                              | -  |
| Zhang Furong               | -    | 734               | 349   | 1,083                           | -  |
| Liu Jin                    | -    | 518               | 265   | 783                             | -  |
| Li Xiaoling                | -    | 259               | 134   | 393                             | -  |
| Jin Panshi <sup>3</sup>    | 50   | -                 | -   | 50                              | -  |
| Huang Shuping <sup>3</sup> | 50   | -                 | -   | 50                              | -  |
| Zhang Huajian <sup>3</sup> | 50   | -                 | -   | 50                              | -  |
| Wang Lin <sup>3</sup>      | -    | -                 | -   | -                               | -  |
| Wang Xinmin                | 146  | -                 | -   | 146                             | -  |
| Bai Jianjun                | 146  | -                 | -   | 146                             | -  |
| Pang Xiusheng              | -    | 680               | 302   | 982                             | -  |
| Zhang Gengsheng            | -    | 674               | 299   | 973                             | -  |
| Yang Wensheng              | -    | 170               | 76  | 246                             | -  |
| Huang Yi                   | -    | -                 | -   | -                               | -  |
| Zeng Jianhua               | -    | 647               | 265   | 912                             | -  |
| Huang Zhiling              | -    | 647               | 265   | 912                             | -  |
| Yu Jingbo                  | -    | 647               | 265   | 912                             | -  |
| Chen Caihong               | -    | 647               | 265   | 912                             | -  |
| Xu Huibin                  | -    | 647               | 265   | 912                             | -  |

## Corporate Governance

### Profiles of Directors, Supervisors and Senior Management

| Name   | Fees | Remuneration paid | Contribution by the employer to compulsory insurances, housing allowances, etc. | Total (before tax) <sup>1</sup> | Other remuneration from corporate shareholders |
|--|------|-------------------|---|---------------------------------|--|
| <b>Resigned directors, supervisors and senior executives</b> |      |                   |   |                                 |  |
| Wang Yong <sup>2</sup>                                       | –    | –                 | –   | –                               | 325  |
| Zhu Zhenmin <sup>2</sup>                                     | –    | –                 | –   | –                               | 780  |
| Li Xiaoling <sup>2</sup>                                     | –    | –                 | –   | –                               | 390  |
| Yam Chi Kwong, Joseph  | 317  | –                 | –   | 317                             | –  |
| Jenny Shipley  | 440  | –                 | –   | 440                             | –  |
| Wong Kai-Man   | 440  | –                 | –   | 440                             | –  |
| Song Fengming  | 135  | –                 | –   | 135                             | –  |
| Li Weiping <sup>3</sup>                                      | 50   | –                 | –   | 50                              | –  |
| Guo Feng   | 125  | –                 | –   | 125                             | –  |
| Dai Deming   | 135  | –                 | –   | 135                             | –  |
| Zhao Huan  | –    | 680               | 302   | 982                             | –  |

1. Remunerations for chairman of the Board, president, chairman of the board of supervisors, some directors, supervisors and senior management members have not been finalised in accordance with the policies of the relevant government authorities. Further details will be disclosed when determined.
2. Remuneration from Huijin for acting as director of the Bank during the reporting period.
3. Remuneration before tax paid for acting as employee representative supervisor of the Bank.

The Bank is committed to maintaining high-level corporate governance practice. In strict compliance with China's Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues, the Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices. During the reporting period, the Bank elected new executive directors, non-executive directors and independent non-executive directors, and amended the Articles of Association of the Bank. The Bank also formulated the diversity policy for the Board of Directors, management measures on capital adequacy ratio, and reporting procedure of significant risk events.

The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially complied with the recommended best practices therein.

During the reporting period, the Bank recorded and registered information of relevant insiders. Neither illegal insider trading nor abnormal fluctuations of stock price caused by leaks of insider information were found.

## SHAREHOLDERS' GENERAL MEETING

### Powers of shareholders' general meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following functions and powers:

- determining the operating guidelines and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;

- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain certified public accountants;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

### Details of shareholders' general meetings convened

On 6 June 2013, the Bank held the 2012 annual general meeting, which reviewed and approved the 2012 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2013 fixed assets investment budget, appointment of external auditors for 2013, election of directors and supervisors, issuance of eligible capital instruments with write-down feature up to RMB60 billion (or its equivalent) by the end of 2015, and amendments to the Articles of Association of the Bank. The executive directors Mr. Wang Hongzhang, Mr. Zhang Jianguo, the non-executive directors Mr. Wang Yong, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Ms. Chen Yuanling, Mr. Dong Shi, the independent non-executive directors Mr. Yam Chi Kwong, Joseph, Rt Hon Dame Jenny Shipley, Ms. Elaine La Roche, Mr. Zhao Xijun and Mr. Wong Kai-Man attended the meeting. The attendance rate of directors was 100%. The domestic and international auditors of the Bank also attended the meeting.

On 24 October 2013, the Bank held the first extraordinary general meeting of 2013, which reviewed and approved the 2012 remuneration distribution and settlement plan for directors and supervisors and the election of directors. The executive directors Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Zhu Hongbo and Mr. Hu Zheyi, the non-executive directors Mr. Zhu Zhenmin, Mr. Qi Shouyin, Ms. Chen Yuanling, Mr. Xu Tie, Mr. Dong Shi, the independent non-executive directors Rt Hon Dame Jenny Shipley, Ms. Elaine La Roche, Mr. Zhao Xijun and Mr. Wong Kai-Man attended the meeting.

The above shareholders' general meetings were held in compliance with relevant legal procedures, the resolutions of which were published on the website of Hong Kong Stock Exchange on 6 June 2013 and 24 October 2013, respectively, and on the website of the Shanghai Stock Exchange and the designated newspaper for information disclosure on 7 June 2013 and 25 October 2013, respectively.

## BOARD OF DIRECTORS

### Responsibilities of the Board

The Board is the executive body of the shareholders' general meeting, which is responsible to the general meeting of shareholders, and performs the following functions and duties in accordance with relevant laws:

- convening the general meeting of shareholders and reporting to the general meeting of shareholders;
- implementing the resolutions of the general meeting of shareholders;
- determining the Bank's development strategy, and supervising the implementation of the development strategy;
- deciding on operational plans, investment plans and risk capital allocation plans of the Bank;
- preparing annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans;
- preparing plans related to the increase or reduction of registered capital, the issuance and listing of convertible bonds, subordinated bonds, corporate bonds or other marketable securities; and plans related to merger, split, dissolution and liquidation of the Bank;
- preparing plans related to material acquisitions and repurchase of the Bank's shares;
- exercising other powers under the Articles of Association of the Bank and as authorised by the general meeting of shareholders.

### The Board's implementation of resolutions of the general meeting of shareholders

In 2013, the Board strictly implemented the resolutions of shareholders' general meeting and matters authorised by the shareholders' general meeting to the Board, earnestly implementing the proposals approved by the shareholders' general meeting, including the profit distribution plan for 2012, fixed assets investment budget for 2013, appointment of auditors for 2013, amendments to the Articles of Association of the Bank, and election of directors.

### Composition of the Board

Currently the Board comprises 17 directors, including four executive directors, namely, Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Zhu Hongbo and Mr. Hu Zheyi; six non-executive directors, namely, Mr. Qi Shouyin, Ms. Zhang Yanling, Ms. Chen Yuanling, Mr. Xu Tie, Mr. Guo Yanpeng and Mr. Dong Shi; and seven independent non-executive directors, namely, Mr. Zhang Long, Ms. Elaine La Roche, Mr. Zhao Xijun, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee.

The term of office of directors of the Bank is three years, and directors may be re-elected upon expiration of their term of office.

In order to promote sustainable development and diversify the composition of the Board, the Bank formulated the *Diversity Policy for the Board of Directors* in August 2013. For nomination of directors, the Board should consider both professional capabilities and working ethics of the candidates, and at the same time, take into account the requirements under the diversity policy. The candidates should be selected as complementary to each other, with diversified backgrounds in terms of gender, age, cultural and educational background, race, professional experience, specialty, knowledge and term of service. The final decision should be based on candidates' overall competence and possible contributions to the Board. Nomination and Remuneration Committee supervises the implementation of the *Diversity Policy for the Board of Directors*.

### Chairman and president

Mr. Wang Hongzhang is chairman of the Board and the legal representative of the Bank, and is responsible for the business strategy and overall development of the Bank.

Mr. Zhang Jianguo is president of the Bank, and is responsible for the daily management of the Bank's business operations. The president is appointed by the Board, responsible to the Board, and performs his duties in accordance with provisions of the Articles of Association and authorisation of the Board.

The roles of chairman of the Board and president are separate, each with clearly defined duties.

## Operation of the Board

The Board convenes regular meetings, generally no less than six times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings are scheduled upon consultation with each director. Board meeting papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of board meetings.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with board procedures and all applicable rules and regulations. Detailed minutes of board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors will provide suggestions for modifications after receipt of the minutes. Upon finalisation of the minutes, the secretary to the Board will circulate the minutes to all directors as soon as possible. Minutes of the board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

Communication and reporting mechanism has been established between the Board, directors and senior management. The president reports his work to the Board on a regular basis, and is supervised by the Board. Relevant senior executives are invited to attend board meetings from time to time to provide explanations or reply to enquiries.

At board meetings, directors can express their opinions freely, and major decisions shall only be made after thorough discussion. Directors may also follow certain procedures to engage external advisers, at the Bank's expense, for provision of independent professional advice if they deem necessary. If any director has material interests in a proposal to be considered by the Board, such director should abstain from discussion and voting of the relevant proposal, and will not be counted in the quorum of the relevant proposal.

The Bank effected directors' liability insurance policy for all directors in 2013.

## Board meetings

In 2013, the Board convened seven meetings in total on 30 January, 22 March, 26 April, 7 June, 23 August, 25 October, and 13 December respectively. Major resolutions reviewed and approved by the board meetings included the amendments to the corporate governance documents, fixed assets investment budget, financial reports, profit distribution, nomination of director candidates and appointment of senior executives, the diversity policy for the Board, issuance of eligible capital instruments with write-down feature, management measures on capital adequacy ratio, reporting procedure of significant risk events and donation to the earthquake-stricken areas in Ya'an, Sichuan Province. Relevant information was disclosed pursuant to the provisions under the relevant laws, regulations and listing rules of the listing venues. Individual attendance records of the directors in board meetings in 2013 are set out as follows:

| Board members                  | Number of meetings attended in person/Number of meetings during term of office | Number of meetings attended by proxy/Number of meetings during term of office | Attendance rate (%) |
|--------------------------------|--|---|---------------------|
| <b>Executive directors</b>     |  |   |                     |
| Mr. Wang Hongzhang             | 6/7  | 1/7   | 100                 |
| Mr. Zhang Jianguo              | 6/7  | 1/7   | 100                 |
| Mr. Zhu Hongbo                 | 3/3  | 0/3   | 100                 |
| Mr. Hu Zheyi                   | 3/3  | 0/3   | 100                 |
| <b>Non-executive directors</b> |  |   |                     |
| Mr. Qi Shouyin                 | 2/3  | 1/3   | 100                 |
| Ms. Zhang Yanling              | –  | –   | –                   |
| Ms. Chen Yuanling              | 7/7  | 0/7   | 100                 |
| Mr. Xu Tie                     | 2/2  | 0/2   | 100                 |
| Mr. Guo Yanpeng                | –  | –   | –                   |
| Mr. Dong Shi                   | 7/7  | 0/7   | 100                 |

| Board members                              | Number of meetings attended in person/Number of meetings during term of office | Number of meetings attended by proxy/Number of meetings during term of office | Attendance rate (%) |
|--|--|---|---------------------|
| <b>Independent non-executive directors</b> |  |   |                     |
| Mr. Zhang Long                             | –  | –   | –                   |
| Ms. Elaine La Roche                        | 5/7  | 2/7   | 100                 |
| Mr. Zhao Xijun                             | 7/7  | 0/7   | 100                 |
| Mr. Chung Shui Ming Timpson                | 1/1  | 0/1   | 100                 |
| Mr. Wim Kok                                | 1/1  | 0/1   | 100                 |
| Mr. Murray Horn                            | 1/1  | 0/1   | 100                 |
| Ms. Margaret Leung Ko May Yee              | 1/1  | 0/1   | 100                 |
| <b>Resigned directors</b>                  |  |   |                     |
| Mr. Wang Yong                              | 4/4  | 0/4   | 100                 |
| Mr. Zhu Zhenmin                            | 7/7  | 0/7   | 100                 |
| Ms. Li Xiaoling                            | 2/3  | 1/3   | 100                 |
| Mr. Yam Chi Kwong, Joseph                  | 3/5  | 2/5   | 100                 |
| Rt Hon Dame Jenny Shipley                  | 6/6  | 0/6   | 100                 |
| Mr. Wong Kai-Man                           | 6/6  | 0/6   | 100                 |

#### Performance of duties by independent directors

Currently the Bank has seven independent non-executive directors, exceeding one third of the total number of directors of the Bank, which is in compliance with the provisions of relevant laws, regulations and Articles of Association of the Bank. The audit committee, risk management committee, nomination and remuneration committee and related party transactions control committee under the Board are all chaired by independent non-executive directors.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, and neither do they assume any management positions in the Bank. The independence of the independent non-executive directors of the Bank was in compliance with the relevant regulatory requirements.

In 2013, the independent directors of the Bank actively attended the board meetings and relevant special committees, receiving reports on operational and management situations; conducting on-site investigations and research on overseas business development, internet finance and product innovation and management; providing forward-looking ideas and constructive suggestions on strategies-making, business innovation, comprehensive risk management framework, capital adequacy ratio, internal control formation, new generation core banking system construction and related party transactions control and management; and playing an important role in the decision-making of the Board. During the reporting period, the Bank's independent non-executive directors did not raise any objection to the relevant matters reviewed by the Board.

#### Special statement and independent opinion given by the independent directors regarding the external guarantees provided by the Bank

Pursuant to the relevant provisions and requirements under the circular of Zheng Jian Fa [2003] No. 56 issued by the CSRC and based on the principles of fairness, justice, and objectiveness, the independent directors of the Bank, including Mr. Zhang Long, Ms. Elaine La Roche, Mr. Zhao Xijun, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee made the following statements on external guarantees provided by the Bank:

The external guarantee business provided by the Bank has been approved by the PBOC and the CBRC, and is part of the ordinary business of the Bank. With respect to the risks arising from external guarantee business, the Bank formulated specific management measures, operational processes and approval procedures, and carried out the business accordingly. The external guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2013, the balance under the letters of guarantees issued by the Group was approximately RMB613,927 million.

### Accountability of the directors in relation to the financial report

The directors are responsible for overseeing the preparation of the financial report for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flow for that period. In preparing the financial report for the year ended 31 December 2013, the directors have selected appropriate accounting policies, applied them consistently, and made judgements and estimates that were prudent and reasonable.

During the reporting period, the Bank has released 2012 annual report, the report for the first quarter of 2013, half-year report 2013, and the report for the third quarter of 2013 within the prescribed time set out under the provisions of relevant laws, regulations and listing rules of the listing venues.

### Trainings of directors

The Bank holds regular trainings for the directors and encourages the directors to participate in professional development seminars and related courses organised by the relevant professional institutions in order to enrich their knowledge of the latest development or changes of laws and regulations relevant to performance of their duties.

In 2013, all directors of the Bank participated in trainings on corporate governance, regulatory policies, RMB internationalisation organised by the Bank; Mr. Zhu Hongbo, Mr. Hu Zheyi, Mr. Zhu Zhenmin, Mr. Qi Shouyin, Ms. Chen Yuanling, Mr. Xu Tie, Mr. Dong Shi and Mr. Zhao Xijun took part in the trainings organised by the China banking regulatory authorities; in addition, Mr. Qi Shouyin, Ms. Chen Yuanling and Mr. Dong Shi also attended the trainings organised by the China securities regulatory authorities.

### Trainings of company secretary

In 2013, Cheng Pui Ling, Cathy, company secretary of the Bank, participated in trainings on corporate governance, the International Financial Reporting Standards and regulatory changes organised by The Hong Kong Institute of Chartered Secretaries and PricewaterhouseCoopers.

### Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2013.

### Independent operating capability

The Bank is independent from its controlling shareholder, Huijin, with respect to business, personnel, assets, organisations and finance. The Bank has independent and complete operating assets and independent operating capability with ability to survive in the market on its own strength.

### Internal transactions

The internal transactions of the Bank include credit and guarantees, asset transfer, receivables and payables, service charges, and agency transactions between the Bank and subsidiaries as well as between the subsidiaries. The internal transactions of the Bank were in compliance with regulatory requirements, and did not give rise to negative impact on the Group's sound operation.

### COMMITTEES UNDER THE BOARD

There are five committees established under the Board: the strategy development committee, audit committee, risk management committee, nomination and remuneration committee and related party transactions control committee. Among these committees, more than half of the members of the audit committee, nomination and remuneration committee and related party transactions control committee are independent non-executive directors.

#### Strategy development committee

The strategy development committee consists of 14 directors. Mr. Wang Hongzhang, chairman of the Bank, currently serves as chairman of the strategy development committee. Members include Mr. Zhu Hongbo, Mr. Qi Shouyin, Mr. Zhang Jianguo, Ms. Zhang Yanling, Ms. Chen Yuanling, Ms. Elaine La Roche, Mr. Hu Zheyi, Mr. Wim Kok, Mr. Murray Horn, Mr. Xu Tie, Mr. Guo Yanpeng, Ms. Margaret Leung Ko May Yee and Mr. Dong Shi. Among them, four are executive directors, six are non-executive directors, and four are independent non-executive directors.

The primary responsibilities of the strategy development committee include:

- drafting strategic development plans, supervising and assessing implementation thereof;
- reviewing annual operational plans and fixed assets investment budgets;
- reviewing the implementation of the annual operational plans and fixed assets investment budgets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans; and
- reviewing significant investment and financing projects.

In 2013, the strategy development committee convened six meetings in total, and reviewed and discussed agenda items including: making in-depth analysis of macroeconomic situation, market tendencies and significant strategy issues; steadily pushing forward strategic transformation and evaluating the implementation of strategic plans; strengthening capital management and conducting research on effective channels for additional capital; expanding and adjusting the network of overseas institutions while grasping strategic investment and M&A opportunities; strengthening management of subsidiaries and improving platforms for comprehensive operation; and promoting risk management system reform and credit mechanism adjustment.

|  | Number of meetings attended in person/<br>Number of meetings during term of office | Number of meetings attended by proxy/<br>Number of meetings during term of office | Attendance rate (%) |
|--|--|---|---------------------|
| <b>Members of strategy development committee</b> |  |   |                     |
| Mr. Wang Hongzhang                               | 5/6  | 1/6   | 100                 |
| Mr. Zhu Hongbo                                   | 3/3  | 0/3   | 100                 |
| Mr. Qi Shouyin                                   | 2/3  | 1/3   | 100                 |
| Mr. Zhang Jianguo                                | 5/6  | 1/6   | 100                 |
| Ms. Zhang Yanling                                | –  | –   | –                   |
| Ms. Chen Yuanling                                | 6/6  | 0/6   | 100                 |
| Ms. Elaine La Roche                              | 5/6  | 1/6   | 100                 |
| Mr. Hu Zheyi                                     | 3/3  | 0/3   | 100                 |
| Mr. Wim Kok                                      | 1/1  | 0/1   | 100                 |
| Mr. Murray Horn                                  | 1/1  | 0/1   | 100                 |
| Mr. Xu Tie                                       | 2/2  | 0/2   | 100                 |
| Mr. Guo Yanpeng                                  | –  | –   | –                   |
| Ms. Margaret Leung Ko May Yee                    | 1/1  | 0/1   | 100                 |
| Mr. Dong Shi                                     | 6/6  | 0/6   | 100                 |
| <b>Resigned members</b>                          |  |   |                     |
| Mr. Wang Yong                                    | 3/3  | 0/3   | 100                 |
| Mr. Zhu Zhenmin                                  | 6/6  | 0/6   | 100                 |
| Mr. Yam Chi Kwong, Joseph                        | 2/4  | 2/4   | 100                 |
| Ms. Li Xiaoling                                  | 1/2  | 1/2   | 100                 |
| Rt Hon Dame Jenny Shipley                        | 5/5  | 0/5   | 100                 |

In 2014, the strategy development committee will continue to adhere to comprehensive, multi-functional and intensive development strategy, conduct in-depth analysis of macroeconomic and national financial reform situation, devise plans for transformation and development of the Bank, accelerate the transformation of operation and profit model, optimise resource allocation, support the development of real economy, adjust and improve relevant systems and mechanisms, enhance product innovation and financial services ability of the Bank, and consolidate its core competitiveness.

#### Audit committee

The audit committee consists of eight directors. Mr. Chung Shui Ming Timpson, independent non-executive director of the Bank, currently serves as chairman of the audit committee. Members include Mr. Zhang Long, Ms. Zhang Yanling, Ms. Elaine La Roche, Mr. Zhao Xijun, Mr. Murray Horn, Mr. Xu Tie and Mr. Dong Shi. Among them, three are non-executive directors and five are independent non-executive directors.

The primary responsibilities and authorities of the audit committee include:

- monitoring the financial report, reviewing the disclosure of accounting information and significant events;
- monitoring and assessing the internal controls;
- monitoring and assessing the internal auditing work;

- monitoring and assessing the external auditing work;
- paying attention to potential misconducts;
- reporting work to the Board;
- other duties and powers authorised by the Board.

In 2013, the audit committee convened seven meetings in total, and held two separate meetings with external auditors. The audit committee reviewed the financial reports for 2012, the first half of 2013, and the first and third quarter of 2013, selected and engaged external auditors, and supervised and evaluated the external audit work. The audit committee continuously made evaluation of internal control, reviewed the internal audit working plan, monitored and assessed the internal audit assignments regularly, and supervised the rectification of problems identified by the internal and external audits.

Pursuant to requirements by the CSRC and the annual report working rules of the audit committee, the audit committee reviewed the financial report of the Bank, and communicated and discussed with the management as to the major accounting policies and accounting estimates and formed written opinions. Based on the initial audit opinions given by the external auditors, the audit committee reviewed the Bank's financial report again; communicated and discussed with the management and external auditors, and procured the external auditors to submit the summary audit report to the Board. The audit committee reviewed and approved the 2013 financial report of the Bank, and submitted the same to the Board for consideration.

| Members of audit committee  | Number of meetings attended in person/<br>Number of meetings during term of office | Number of meetings attended by proxy/<br>Number of meetings during term of office | Attendance rate (%) |
|-----------------------------|--|---|---------------------|
| Mr. Chung Shui Ming Timpson | 1/1  | 0/1   | 100                 |
| Mr. Zhang Long              | -  | -   | -                   |
| Ms. Zhang Yanling           | -  | -   | -                   |
| Ms. Elaine La Roche         | 6/7  | 1/7   | 100                 |
| Mr. Zhao Xijun              | 7/7  | 0/7   | 100                 |
| Mr. Murray Horn             | 1/1  | 0/1   | 100                 |
| Mr. Xu Tie                  | 2/2  | 0/2   | 100                 |
| Mr. Dong Shi                | 7/7  | 0/7   | 100                 |
| <b>Resigned members</b>     |  |   |                     |
| Mr. Wong Kai-Man            | 6/6  | 0/6   | 100                 |
| Ms. Li Xiaoling             | 2/2  | 0/2   | 100                 |
| Rt Hon Dame Jenny Shipley   | 4/6  | 2/6   | 100                 |

In 2014, the audit committee will continue to monitor the regular financial reports, audit the disclosure of accounting information and major issues, supervise and evaluate the independence and effectiveness of the internal and external audits, and improve communication and coordination between internal and external auditors. The audit committee will push forward the rectification of problems identified in internal and external audits and strengthen the application of audit results, review and supervise the effectiveness of internal control, and further improve internal control system. The audit committee will further optimise the committee's operational patterns in accordance with the latest domestic and overseas regulatory requirements.

#### Risk management committee

The risk management committee consists of ten directors. Ms. Margaret Leung Ko May Yee, independent non-executive director of the Bank, currently serves as chairperson of the risk management committee. Members include Mr. Zhu Hongbo, Mr. Qi Shouyin, Mr. Zhang Long, Mr. Zhang Jianguo, Ms. Chen Yuanling, Mr. Zhao Xijun, Mr. Hu Zheyi, Mr. Chung Shui Ming Timpson, and Mr. Murray Horn. Among them, three are executive directors, two are non-executive directors, and five are independent non-executive directors.

The primary responsibilities of the risk management committee include:

- reviewing the risk management policies in accordance with the overall strategy of the Bank, monitoring and assessing their implementation and effectiveness;
- providing guidance on establishing the risk management system;

- monitoring and assessing the organisational structure, working procedures and effectiveness for risk management department, and proposing changes for improvement;
- reviewing the risk report, conducting periodic assessments of the risk management system, and providing opinions in relation to further improvements to the risk management;
- evaluating the performance of the Bank's senior management personnel responsible for risk management; and
- supervising the compliance of core businesses, management systems and major operation activities of the Bank, etc.

In 2013, the risk management committee convened four meetings in total. It expressed opinions and suggestions on various areas including optimising reporting system of significant risk events, improving the ability of comprehensive risk management, measuring and evaluating major risks, and pushing forward risk management system reform and credit mechanism adjustment. The risk management committee paid close attention to the impact of international and domestic economic and financial situations on the Bank, and assessed the overall risk conditions of the Bank regularly. It highly valued the risk management of shadow banking related business, loans to industries with excess capacity, loans to government financing vehicles, liquidity, key regions, overseas business and information technology, and actively promoted the implementation of the advanced method on capital management. It also enhanced the compliance risk management and strengthened control over non-compliance cases.

|   | Number of meetings attended in person/<br>Number of meetings during term of office | Number of meetings attended by proxy/<br>Number of meetings during term of office | Attendance rate (%) |
|---|--|---|---------------------|
| <b>Members of risk management committee</b> |  |   |                     |
| Ms. Margaret Leung Ko May Yee               | 1/1  | 0/1   | 100                 |
| Mr. Zhu Hongbo                              | 2/2  | 0/2   | 100                 |
| Mr. Qi Shouyin                              | 2/2  | 0/2   | 100                 |
| Mr. Zhang Long                              | –  | –   | –                   |
| Mr. Zhang Jianguo                           | 3/4  | 1/4   | 100                 |
| Ms. Chen Yuanling                           | 4/4  | 0/4   | 100                 |
| Mr. Zhao Xijun                              | 4/4  | 0/4   | 100                 |
| Mr. Hu Zheyi                                | 2/2  | 0/2   | 100                 |
| Mr. Chung Shui Ming Timpson                 | 1/1  | 0/1   | 100                 |
| Mr. Murray Horn                             | 1/1  | 0/1   | 100                 |
| <b>Resigned members</b>                     |  |   |                     |
| Mr. Yam Chi Kwong, Joseph                   | 2/3  | 1/3   | 100                 |
| Mr. Wang Yong                               | 2/2  | 0/2   | 100                 |
| Mr. Wong Kai-Man                            | 3/3  | 0/3   | 100                 |

In 2014, the risk management committee will continue to conscientiously perform their duties, promote the fulfilment of various regulatory requirements, further improve comprehensive risk management system, and continue to strengthen the management of credit risk, market risk, operational risk and compliance risk. It will also steadily promote the implementation of the advanced method on capital management to improve risk management.

#### Nomination and remuneration committee

The nomination and remuneration committee consists of seven directors. Ms. Elaine La Roche, independent non-executive director of the Bank, currently serves as chairperson of the nomination and remuneration committee. Members include Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn, Mr. Guo Yanpeng, Ms. Margaret Leung Ko May Yee and Mr. Dong Shi. Among them, two are non-executive directors, and five are independent non-executive directors.

The primary responsibilities of the nomination and remuneration committee include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, presidents, chief audit officer, secretary to the Board and board committee members to the Board;
- evaluating the structure, number of members and formation of the Board (including terms of expertise, knowledge and experience), and proposing suggestions on the adjustment of the Board to implement the corporate strategies;
- evaluating candidates for senior management nominated by the president;
- formulating development plans for senior management and back-up personnel for key positions;

- evaluating the remuneration management system submitted by the president;
- formulating performance evaluation measures for directors and senior management and submitting to the Board for deliberation;
- formulating remuneration plans for directors, supervisors and senior management and submitting to the Board for deliberation;
- proposing advice to the remuneration plan for supervisors in accordance with the performance assessment of the supervisors by the board of supervisors and submitting to the Board for deliberation; and
- monitoring the implementation of the Bank's performance assessment and remuneration systems.

In 2013, the nomination and remuneration committee convened seven meetings in total. Regarding nomination, the committee reviewed proposals in relation to newly elected director candidates and re-election of directors, to ensure the director nominees are eligible for the position, in compliance with laws, administrative regulations, rules and the Articles of Association of the Bank, and able to perform their duties in a diligent manner. The nomination and remuneration committee verified that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of the *Diversity Policy for the Board of Directors*. Regarding remuneration, the nomination and remuneration committee organised the settlement scheme of the remuneration for directors, supervisors and senior management for 2012, studied detailed implementation rules for the distribution of remuneration for directors, supervisors and senior management for 2013, and discussed relevant regulations and current status of allowances for independent directors.

| <b>Members of nomination and remuneration committee</b> | <b>Number of meetings attended in person/<br/>Number of meetings during term of office</b> | <b>Number of meetings attended by proxy/<br/>Number of meetings during term of office</b> | <b>Attendance rate (%)</b> |
|---|--|---|----------------------------|
| Ms. Elaine La Roche                                     | 6/7  | 1/7   | 100                        |
| Mr. Chung Shui Ming Timpson                             | 1/1  | 0/1   | 100                        |
| Mr. Wim Kok   | 1/1  | 0/1   | 100                        |
| Mr. Murray Horn   | 1/1  | 0/1   | 100                        |
| Mr. Guo Yanpeng   | –  | –   | –                          |
| Ms. Margaret Leung Ko May Yee                           | 1/1  | 0/1   | 100                        |
| Mr. Dong Shi  | 4/4  | 0/4   | 100                        |
| <b>Resigned members</b>                                 |  |   |                            |
| Rt Hon Dame Jenny Shipley                               | 6/6  | 0/6   | 100                        |
| Mr. Wang Yong   | 3/3  | 0/3   | 100                        |
| Mr. Zhu Zhenmin   | 7/7  | 0/7   | 100                        |
| Mr. Wong Kai-Man  | 6/6  | 0/6   | 100                        |

In 2014, the nomination and remuneration committee will strengthen self-improvement efforts, continue to accomplish the work in connection with nomination, and further advance the remuneration and appraisal measures in accordance with the national remuneration policies. The committee will propose the settlement of remuneration for 2013 according to the operation results of the Bank after comprehensive consideration of various factors, and pay attention to the remuneration system and the training for staff at all levels of the Bank.

#### **Related party transactions control committee**

The related party transactions control committee consists of five directors. Mr. Zhao Xijun, independent non-executive director of the Bank, currently serves as chairman of the related party transactions control committee. Members include Mr. Zhu Hongbo, Mr. Zhang Long, Mr. Hu Zheyi and Mr. Chung Shui Ming Timpson. Among them, two are executive directors, and three are independent non-executive directors.

The primary responsibilities of the related party transactions control committee include:

- formulating and proposing standards for material related party transactions and the system for management of related party transactions, as well as the internal approval and filing system of the Bank, and submitting the above standards for approval to the Board;
- identifying the related parties of the Bank;
- receiving filings on general related party transactions; and
- reviewing material related party transactions.

In 2013, the related party transactions control committee convened four meetings in total. The committee paid close attention to the development of domestic and overseas supervisory regulations and accounting standards, and debriefed reports on related party transaction and its management regularly; studied the variation of main related parties and related party transactions and enhanced the supervision and control of related party transactions; strengthened the related party transactions management functions of the new generation core banking system, and improved the application of information technology in the management of related party transactions.

| Members of related party transactions control committee | Number of meetings attended in person/<br>Number of meetings during term of office | Number of meetings attended by proxy/<br>Number of meetings during term of office | Attendance rate (%) |
|---|--|---|---------------------|
| Mr. Zhao Xijun  | 4/4  | 0/4   | 100                 |
| Mr. Zhu Hongbo  | 2/2  | 0/2   | 100                 |
| Mr. Zhang Long  | –  | –   | –                   |
| Mr. Hu Zheyi  | 2/2  | 0/2   | 100                 |
| Mr. Chung Shui Ming Timpson                             | 1/1  | 0/1   | 100                 |
| <b>Resigned members</b>                                 |  |   |                     |
| Rt Hon Dame Jenny Shipley                               | 3/3  | 0/3   | 100                 |
| Mr. Wong Kai-Man  | 2/3  | 1/3   | 100                 |

In 2014, the related party transactions control committee will continue to advance related party transactions system and optimise management process in line with the strategic development plan of the Bank; keep abreast of related parties and related party transaction situations and review major related party transactions to control the risks from the related party transactions; strengthen the application of information technology, and promote the construction and implementation of the related party transactions management functions of the new generation core banking system; response to the development of supervisory regulations and accounting standards, and optimise system tracking mechanism.

## BOARD OF SUPERVISORS

### Responsibilities of the board of supervisors

The board of supervisors, being the supervisory body of the Bank, is accountable to the shareholders' general meeting and performs the following functions and duties in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management personnel to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including the financial report, business report and profit distribution proposal that are proposed to the shareholders' general meeting by the Board;
- supervising business decisions, risk management, internal control etc. of the Bank, and providing guidance to the internal audit work of the Bank; and
- exercising other powers authorised by the shareholders' general meeting and the Articles of Association of the Bank.

### Composition of the board of supervisors

The board of supervisors of the Bank currently consists of nine supervisors, including three shareholder representative supervisors, namely Mr. Zhang Furong, Ms. Liu Jin and Ms. Li Xiaoling, four employee representative supervisors, namely Mr. Jin Panshi, Ms. Huang Shuping, Mr. Zhang Huajian and Mr. Wang Lin, and two external supervisors, namely Mr. Wang Xinmin and Mr. Bai Jianjun.

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their term of office. The shareholder representative supervisors and the external supervisors of the Bank are elected by the shareholders' general meeting, and the employee representative supervisors are elected by the employee representative organisation.

### Chairman of the board of supervisors

Mr. Zhang Furong is chairman of the board of supervisors of the Bank and is responsible for organisation and performance of duties of the board of supervisors.

## Operation of the board of supervisors

The board of supervisors convenes regular meetings, generally not less than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolutions. Supervisors are generally notified in written ten days prior to the convening of the board of supervisors' meeting. Matters concerning such meeting are specified in the written notice. During the meeting, the supervisors are free to express their opinions, and decisions on important matters are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors. At the end of each meeting, minutes will be circulated to all attending supervisors for review and comments. After finalising the minutes, the board of supervisors' office shall be responsible for distributing the final version of the minutes to all supervisors.

The board of supervisors may engage external legal advisors or certified public accountants when necessary to discharge its duties, and the Bank will bear all related expenses. The Bank takes necessary measures and methods to ensure supervisors' right to information, and provides relevant information and materials to them in accordance with related regulations.

Members of the board of supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, as it considers appropriate, assign supervisors to attend as non-voting attendees such meetings of the Bank as meetings of board committees, annual work conference, symposia of general managers of branches, analytic meetings on operating conditions, and president executive meetings. The board of supervisors of the Bank conducts supervisory work through measures such as inspection and review of information, off-site monitoring and analysis and on-site specific inspection, visits and symposia, and performance and due diligence evaluation.

The Bank effected supervisors' liability insurance policy for all the supervisors in 2013.

## Meetings of the board of supervisors

In 2013, the board of supervisors convened eight meetings in total on 25 January, 12 March, 22 March, 26 April, 6 June, 23 August, 25 October, and 25 December respectively. Major resolutions reviewed and approved by the board of supervisors meetings included report of the board of supervisors, supervisory working plan, periodic financial reports of the Bank, profit distribution plan, supervisor candidates nomination, etc.. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues. The following table sets forth the attendance records of each of the supervisors in the meetings of the board of supervisors in 2013:

|   | Number of meetings attended in person/<br>Number of meetings during term of office | Number of meetings attended by proxy/<br>Number of meetings during term of office | Attendance rate (%) |
|---|--|---|---------------------|
| <b>Members of the board of supervisors</b>    |  |   |                     |
| <b>Shareholder representative supervisors</b> |  |   |                     |
| Mr. Zhang Furong                              | 7/8  | 1/8   | 100                 |
| Ms. Liu Jin                                   | 6/8  | 2/8   | 100                 |
| Ms. Li Xiaoling                               | 4/4  | 0/4   | 100                 |
| <b>Employee representative supervisors</b>    |  |   |                     |
| Mr. Jin Panshi                                | 8/8  | 0/8   | 100                 |
| Mr. Zhang Huajian                             | 6/8  | 2/8   | 100                 |
| Ms. Huang Shuping                             | 7/8  | 1/8   | 100                 |
| <b>External supervisors</b>                   |  |   |                     |
| Mr. Wang Xinmin                               | 4/4  | 0/4   | 100                 |
| Mr. Bai Jianjun                               | 4/4  | 0/4   | 100                 |
| <b>Resigned Members</b>                       |  |   |                     |
| Mr. Song Fengming                             | 4/4  | 0/4   | 100                 |
| Mr. Li Weiping                                | 7/8  | 1/8   | 100                 |
| Mr. Guo Feng                                  | 3/4  | 1/4   | 100                 |
| Mr. Dai Deming                                | 4/4  | 0/4   | 100                 |

## COMMITTEES UNDER THE BOARD OF SUPERVISORS

The performance and due diligence supervision committee and the finance and internal control supervision committee are established under the board of supervisors.

### Performance and due diligence supervision committee

The performance and due diligence supervision committee consists of five supervisors. Mr. Zhang Furong, chairman of the board of supervisors, serves as chairman of the performance and due diligence supervision committee. Members include Ms. Liu Jin, Ms. Li Xiaoling, Mr. Wang Lin, and Mr. Wang Xinmin.

The primary responsibilities of the performance and due diligence supervision committee include:

- formulating the rules, work plans and proposals and implementation plans for supervision and examination in connection with the supervision of the performance and degree of diligence of the Board, senior management and their members; and implementing and organising the implementation of such rules, plans and proposals after the board of supervisors' approval;

- giving evaluation report on the performance of duties by the Board and senior management as well as their members; and
- formulating performance evaluation measures for the supervisors and organising the implementation of such measures.

In 2013, the performance and due diligence supervision committee convened five meetings in total, among which three were convened in the form of on-site meeting and two were convened in writing form. The performance and due diligence supervision committee reviewed the qualifications of supervisor candidates; reviewed evaluation reports on the performance of the Board and its special committees, senior management, directors and senior management personnel made by the board of supervisors, and self-evaluation reports on the performance of the board of supervisors and supervisors; studied and formulated the *Evaluation Measures on the Performance of Supervisors and the Board of Supervisors*; studied and formulated the work plan for performance supervision and evaluation.

| Members of the Performance and Due Diligence Supervision Committee | Number of meetings attended in person/<br>Number of meetings during term of office | Number of meetings attended by proxy/<br>Number of meetings during term of office | Attendance rate (%) |
|--|--|---|---------------------|
| Mr. Zhang Furong   | 5/5  | 0/5   | 100                 |
| Ms. Liu Jin  | 5/5  | 0/5   | 100                 |
| Ms. Li Xiaoling  | 1/1  | 0/1   | 100                 |
| Mr. Wang Xinmin  | 1/1  | 0/1   | 100                 |
| <b>Resigned Members</b>  |  |   |                     |
| Mr. Song Fengming  | 4/4  | 0/4   | 100                 |
| Mr. Jin Panshi   | 4/4  | 0/4   | 100                 |
| Mr. Li Weiping   | 5/5  | 0/5   | 100                 |
| Mr. Guo Feng   | 4/4  | 0/4   | 100                 |

In 2014, the performance and due diligence supervision committee will, in accordance with the new requirements of external regulations, further improve the mode and means of performance and due diligence supervision, and strengthen the performance and due diligence supervision and evaluation of the Board, senior management and their members.

### Finance and internal control supervision committee

The finance and internal control supervision committee consists of six supervisors. Ms. Li Xiaoling, shareholder representative supervisor, serves as chairperson of the finance and internal control supervision committee. Members include Ms. Liu Jin, Mr. Jin Panshi, Ms. Huang Shuping, Mr. Zhang Huajian and Mr. Bai Jianjun.

The primary functions and responsibilities of the finance and internal control supervision committee include:

- formulating the rules, work plans and proposals in connection with the finance and internal control; and implementing or organising the implementation of such rules, plans, and proposals upon the approval of the board of supervisors;
- examining the annual financial reports and the profit distribution proposals, and providing suggestions on such reports to the board of supervisors; and

- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance, risk management and internal control of the Bank, as required by circumstances.

In 2013, the finance and internal control supervision committee convened six on-site meetings in total, reviewed the periodic financial reports, profit distribution plans and internal control evaluation report; debriefed reports on internal audit findings, internal control evaluation, risk management and credit asset quality; conducted supervision on the internal control, acquisition and disposal of material assets, related party transactions and implementation of the registration management system of the insiders of insider information; strengthened the supervision of the Bank's finance, internal control and risk management by ways of materials analysis, interviews and discussion, debriefing specific reports, communicating with the headquarters departments and the external auditors, and investigation and research, etc..

| Members of the Finance and Internal Control Supervision Committee | Number of meetings attended in person/<br>Number of meetings during term of office | Number of meetings attended by proxy/<br>Number of meetings during term of office | Attendance rate (%) |
|---|--|---|---------------------|
| Ms. Li Xiaoling   | 3/3  | 0/3   | 100                 |
| Ms. Liu Jin   | 5/6  | 1/6   | 100                 |
| Mr. Zhang Huajian   | 4/6  | 2/6   | 100                 |
| Mr. Jin Panshi  | 6/6  | 0/6   | 100                 |
| Ms. Huang Shuping   | 6/6  | 0/6   | 100                 |
| Mr. Bai Jianjun   | 3/3  | 0/3   | 100                 |
| <b>Resigned Members</b>   |  |   |                     |
| Mr. Song Fengming   | 3/3  | 0/3   | 100                 |
| Mr. Dai Deming  | 3/3  | 0/3   | 100                 |

In 2014, the finance and internal control supervision committee will pay close attention to the key issues and areas of the Bank's finance, internal control and risk management, make more efforts in research and investigation as well as analysis, and continue to refine the supervisory work.

## SENIOR MANAGEMENT

### Responsibilities of senior management

The senior management, being the executive body of the Bank, is accountable to the Board, and is supervised by the board of supervisors. Authorisation to the senior management by the Board complies strictly with corporate governance documents such as the Articles of Association of the Bank. Pursuant to the Articles of Association of the Bank, president of the Bank exercises the following functions and powers:

- presiding over the operation and management of the Bank, and organising and implementing resolutions of the Board;
- submitting operation and investment plans of the Bank to the Board, and organising and implementing the plans upon approval of the Board;
- drafting basic management systems of the Bank;
- authorising persons in charge of internal functional departments and branches to conduct operation activities;
- establishing president accountability system, and conducting evaluation of business performance over managers of business departments, managers of functional departments and general managers of branches of the Bank;

- proposing the convening of interim Board meetings; and
- exercising other functions and powers that should be exercised by president according to laws, regulations, rules, the Articles of Association of the Bank, and decisions of the shareholders' general meeting and the Board.

Executive vice presidents and other senior management members of the Bank shall assist president with his/her work.

### Operation of senior management

Based upon the authorisation of the Articles of Association of the Bank and the Board, the senior management orderly organises operational and management activities of the Bank. According to the strategic directions and targets determined by the Board, it makes comprehensive operational plans and periodically reports to the Board on implementation and execution progress of strategies. The senior management analyses and researches on internal and external environment, works out operational strategies and management measures and makes timely adjustments in line with market changes. The senior management invites directors and supervisors to participate in important meetings, takes advice and suggestions, and keeps close communication with the Board and the board of supervisors, so as to enhance the operational and management capabilities and working efficiency of the Bank.

## INTERNAL CONTROL

In 2013, according to its development strategies, the Bank comprehensively organised and implemented internal control system formulation plan, integrated relevant functions, improved organisational structure, pushed forward standardised formulation of internal control, implemented compliance examination, internal control assessment and anti-money laundering business centralised operation, enhanced rectification management, strengthened business continuity management, and reinforced support to business lines. Outstanding progress was made on operational risk prevention and control, and internal control and compliance work was steadily propelled.

The Bank actively conducted on-site testing and off-site assessment of internal control, and the internal control assessment covered all management levels and departments, domestic institutions, overseas entities, subsidiaries and business products and lines. During the reporting period, the Bank has not discovered material and significant internal control deficiencies in the process of the internal control assessment; and the matters that need to be improved did not constitute material impact on the Bank's operations and management. The Bank has paid keen attention to such matters and will take further actions for continuing improvement.

According to the regulatory requirements, in order to propel the formulation of internal control system and improve internal control management level, the Bank formulated the *Three-year Development Plan for the Internal Control System of China Construction Bank (the Plan)*, specifying the targets, tasks and detailed working measures of internal control system formulation of the Bank in the next three years. Ever since the implementation of the Plan, the formulation work of internal control system had been carried out comprehensively. The headquarters departments amended 104 regulatory items relating to the improvement of internal control measures, and added mechanical control and other control measures in over 50 systems. Branches of the Bank amended 383 regulatory items relating to the improvement of internal control measures. The establishment of internal control standards was studied on the corporation level, business line level, and process level to cooperate in tandem with the development of core banking system.

The Bank established operating rules of internal control assessment, further clarified the requirements, measures and procedures of internal control assessment, regulated the implementation process of internal control assessment, and improved the work quality of internal control assessment. The Bank provided guidance on internal control of investment banking business and credit card business, pointing out key risk points and risk control requirements for business lines to enhance internal control management.

The Bank actively organised cultural activities with the theme on internal control and compliance, and promoted the building of compliance culture. The awareness on bottom line, responsibility and compliance of management personnel and staff on different levels were substantially raised through various cultural activities.

### Declaration of the board of directors on internal control responsibilities

According to the requirements regarding the standard system of enterprises internal control, the Board is responsible for establishing, improving and effectively implementing internal control, evaluating the effectiveness of the internal control and faithfully disclosing the report of internal control evaluation. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

The objectives of the internal control of the Bank are to reasonably ensure its operation and management in compliance with laws and regulations, assets safety, the accuracy and integrity of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Bank to achieve its development strategies. Due to its inherent limitations, internal control only provides reasonable assurance regarding the achievement of above objectives.

In accordance with the *Basic Standard for Enterprises Internal Control* and the guidelines ancillary thereto, the *Guidelines for Internal Control of Listed Companies* issued by the Shanghai Stock Exchange, *No. 21 Rules regarding the Preparation of Reports for Information Disclosure Purpose of Companies Which Publicly Offer Securities – General Provisions on the Annual Report of Internal Control Evaluation* jointly released by the CSRC and the MOF and other relevant regulatory requirements of the CBRC and the CSRC, the Board of the Bank actively promoted the building of internal control system, compiled the *Three-year Development Plan for the Internal Control System of China Construction Bank*, specifying the targets, tasks and measures of internal control system construction of the Bank in the future, formulated a series of internal control regulations, including the *Basic Rules for Internal Control of China Construction Bank Corporation*, *Measures for Internal Control Assessment of China Construction Bank (Trial)* and *Operating Instruction for Internal Control Assessment of China Construction Bank (Trial)*, and effectively conducted internal control assessment work.

The Bank publishes the internal control assessment report and internal control audit report at the same time as it publishes the annual report.

In accordance with the *Basic Standard for Enterprises Internal Control* and the guidelines ancillary thereto and other regulatory requirements on internal control, taking into account of the internal control system and evaluation methods, and based on the daily and specific supervisory work in internal control, the Board conducted assessment on the effectiveness of the Bank's internal control on 31 December 2013 (as the base date). Pursuant to the identification standards of material deficiencies of the Bank, at the base date of the internal control assessment report, there was no material deficiency in the internal control of financial report. The Board held that the Bank conducted effective internal control of financial report covering all the major aspects, in compliance with the requirements regarding the standard system of enterprises internal control and other relevant regulations. Pursuant to the identification standards of material deficiencies of the Bank, at the base date of the internal control assessment report, no material deficiency was detected in the internal control of non-financial report. Matters subject to improvement had no material impact on the operation and management of the Bank. The Bank pays high attention to these matters and will take further action to achieve constant improvement.

PricewaterhouseCoopers Zhong Tian LLP audited the effectiveness of internal control of financial report of the Bank, and presented an internal control audit report with unqualified opinion, stating that the Bank conducted effective internal control of financial report covering all the major aspects in accordance with the *Basic Standard for Enterprises Internal Control* and relevant regulatory requirements.

| (In millions of RMB)                           | 2013   | 2012   |
|--|--------|--------|
| Fees for the audit of the financial statements | 140.00 | 140.00 |
| Other service fees                             | 2.23   | 4.35   |

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have provided auditing services to the Bank for three consecutive years (for the years of 2011, 2012 and 2013).

## SHAREHOLDERS' RIGHTS

### Right to convene an extraordinary shareholders' general meeting

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, has the right to request the Board in writing to convene an extraordinary general meeting.

The Board shall reply in writing within ten days after receiving the request. In case the Board approves the holding of the meeting, it shall issue corresponding meeting notice within

### Establishment and implementation of accountability system of major mistakes in information disclosure of annual report

In August 2011, the Board approved the *Measures on Accountability of Major Mistakes in Information Disclosure of Annual Report*, and established the rules for the accountability of major mistakes. During the reporting period, the Bank did not have any major mistakes in information disclosure of annual report.

## AUDITORS' REMUNERATION

PricewaterhouseCoopers Zhong Tian LLP is appointed as the domestic auditor for the audit of the financial report of the Bank and its major domestic subsidiaries for the year of 2013 and PricewaterhouseCoopers is appointed as the international auditor for the audit of the financial report of the Bank and its overseas subsidiaries for the year of 2013. PricewaterhouseCoopers Zhong Tian LLP is appointed as the auditor for the audit of the internal control of the Bank for the year of 2013.

Auditors' fees for the audit of the financial report (including the audit of the internal control) of the Group and other services paid to PricewaterhouseCoopers Zhong Tian LLP, PricewaterhouseCoopers and other PricewaterhouseCoopers member firms by the Group for the year ended 31 December 2013 are set out as follows:

five days after the resolution is made. In case the Board refuses to hold the meeting or has no reply, the proposing shareholder may propose to the board of supervisors in writing. In case the board of supervisors approves the holding of the meeting, it shall issue corresponding meeting notice within five days after receiving the proposal. In case the board of supervisors fails to issue the meeting notice, the shareholder, individually or jointly holding more than 10% of the Bank's shares for more than consecutively 90 days, may convene and preside over an extraordinary general meeting on his own.

### Right to raise proposals to the shareholders' general meeting

Any shareholder, individually or jointly holding more than 3% of the shares of the Bank, has the right to raise proposals to the shareholders' general meeting. Any shareholder, individually or jointly holding more than 1% of the shares of the Bank, has the right to raise proposals regarding the nomination of the candidates for independent directors and external supervisors.

Proposals for the shareholders' general meetings shall be submitted to the convener of such meeting prior to the issuance of the notice of such meeting; after the issuance of the notice, any shareholder, individually or jointly holding more than 3% of shares of the Bank, has the right to bring up extraordinary proposals. Extraordinary proposals on the nomination shall be submitted to the convener of the meeting 35 days prior to the meeting and extraordinary proposals on other issues shall be submitted to the convener of the meeting in writing 20 days prior to the meeting.

### Right to raise proposals to the Board

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, may raise proposals to the Board.

### Right to raise enquiries to the Board

In accordance with the provisions of the Articles of Association of the Bank, the shareholders have the right to obtain relevant information, including the Articles of Association, status of the share capital, financial report, report of the board of directors and report of the board of supervisors.

## INVESTOR RELATIONS

### Effective Communication with Shareholders

The Bank exchanges opinions with the shareholders through many channels such as the shareholders' general meetings, results announcement conferences, road shows, receptions of visitors and telephone enquiries. In 2013, the Bank organised and arranged results announcement conferences and analysts' on-site briefings and conference calls during the period of annual and interim results publication. Relevant announcements of results are published on designated newspapers and websites for shareholders' review.

During the reporting period, the Bank amended the Articles of Association of the Bank. (The full text of the amended Articles of Association of the Bank has been posted on the website of Hong Kong Stock Exchange on 24 September 2013 and on the website of the Shanghai Stock Exchange on

23 September 2013 respectively. For details of amendments, please refer to Circular for 2012 Shareholders' General Meeting posted on the website of Hong Kong Stock Exchange on 23 April 2013 as well as the meeting materials for 2012 Shareholders' General Meeting posted on the website of the Shanghai Stock Exchange on 22 April 2013 respectively.)

### Shareholder Enquiries

Any enquiries related to your shareholding, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following addresses:

#### A-share:

China Securities Depository and Clearing Corporation Limited, Shanghai Branch  
36th Floor, China Insurance Building  
166 Lujiazui East Road, Pudong District, Shanghai, China  
Telephone: (8621) 5870-8888  
Facsimile: (8621) 5889-9400

#### H-share:

Computershare Hong Kong Investor Services Limited  
Rooms 1712-16, 17th Floor, Hopewell Centre  
183 Queen's Road East, Wan Chai, Hong Kong  
Telephone: (852) 2862-2863  
Facsimile: (852) 2865-0990/(852) 2529-6087

### Investor Enquiries

Enquiries to the Board may be directed to:  
Board of directors office  
China Construction Bank Corporation  
No. 25, Financial Street, Xicheng District, Beijing, China  
Telephone: (8610) 6621-5533  
Facsimile: (8610) 6621-8888  
Email: ir@ccb.com

Board of Directors Office-Hong Kong Office  
China Construction Bank Corporation  
29/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong  
Telephone: (852) 3918-6212  
Facsimile: (852) 2523-8185

This annual report is available on the following websites of the Bank ([www.ccb.com](http://www.ccb.com)), the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the "HKExnews" website of Hong Kong Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). If you have any queries on reading this annual report, please call our hotline at (8610) 6621-5533 or (852) 3918-6212. If you have any comment or advice on the annual report, please send email to [ir@ccb.com](mailto:ir@ccb.com).

# REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The Group is engaged in a range of banking services and related financial services.

## PROFIT AND DIVIDENDS

The profit of the Group for the year ended 31 December 2013 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report. The financial position and operating results as well as related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions passed at the annual general meeting 2012 held on 6 June 2013, the Bank paid an annual cash dividend for 2012 of RMB0.268 per share (including tax), totalling approximately RMB67,003 million, to all of its shareholders whose names appeared on the register of members on 20 June 2013.

The Board recommends a cash dividend for 2013 of RMB0.30 per share (including tax), subject to the approval of the annual general meeting 2013.

## FORMULATION AND IMPLEMENTATION OF CASH DIVIDEND POLICY

Pursuant to the amendment to the *Articles of Association* of the Bank reviewed and approved at the annual general meeting 2012, the Bank may distribute dividends in the form of cash, shares and a combination of cash and shares. Unless under special circumstances, the Bank shall distribute dividends in cash if it profits in that year and has positive accumulative undistributed profits. The profits distributed by the Bank in a year shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same year. When adjusting the profit distribution policy, the Board shall conduct a specific discussion to elaborate on and verify the reasons to make the adjustments and prepare a written report. Independent directors shall express their views, and the matter shall be approved in the form of special resolution by the shareholders' general meeting. The Bank shall provide the shareholders with online voting channels when discussing and approving the adjustments to the profit distribution policy.

The Bank has sound decision-making procedures and mechanism of profit distribution. During the process of drafting the profit distribution plan, the Board extensively collected the opinions and requests from the shareholders, protected the legitimate rights and interests of small and medium investors, and submitted the profit distribution plan to the general meeting for approval. The independent directors conducted due diligence and played their roles diligently in the decision-making process of the profit distribution plan. The Bank attaches great importance to the return of shareholders, and constantly pays cash dividends to the shareholders.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2011 to 2013 are as follows:

| (In millions of RMB, except percentages)           | 2011   | 2012   | 2013   |
|--|--------|--------|--------|
| Cash dividends                                     | 59,128 | 67,003 | 75,003 |
| Ratio of cash dividends to net profit <sup>1</sup> | 34.93% | 34.68% | 34.94% |

1. Net profit refers to the net profit attributable to equity shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distributions" in the "Financial Statements" of annual reports of the related years for details of cash dividends.

## SUMMARY OF FINANCIAL INFORMATION

Please refer to "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2013.

## RESERVES

Please refer to "Consolidated Statement of Changes in Equity" for details of the movements in the reserves of the Group for the year ended 31 December 2013.

## DONATIONS

Donations made by the Group for the year ended 31 December 2013 were RMB49 million.

## FIXED ASSETS

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in fixed assets of the Group for the year ended 31 December 2013.

## RETIREMENT BENEFITS

Please refer to Note “Accrued Staff Costs” in the “Financial Statements” of this annual report for details of the retirement benefits provided to employees of the Group.

## MAJOR CUSTOMERS

For the year ended 31 December 2013, the aggregate amount of interest income and other operating income generated from the five largest customers of the Group represented an amount not exceeding 30% of the total interest income and other operating income of the Group.

## ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

Please refer to “Changes in Share Capital and Particulars of Shareholders-Substantial Shareholders of the Bank” and Note “Investments in Subsidiaries” in the “Financial Statements” for details of the Bank’s ultimate parent company and its subsidiaries respectively as at 31 December 2013.

## SHARE CAPITAL AND PUBLIC FLOAT

As of 31 December 2013, the Bank issued 250,010,977,486 shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares) and had 768,168 registered shareholders. The Bank complied with the relevant requirements regarding public float under relevant laws and regulations as well as the listing rules of its listing venues.

## PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank during the reporting period.

## PRE-EMPTIVE RIGHTS

The *Articles of Association* of the Bank and the relevant PRC laws do not have such provisions under which the Bank’s shareholders have pre-emptive rights. The *Articles of Association* provides that if the Bank wishes to increase its capital, it may issue new shares to investors, may issue new shares to or by way of distribution to existing shareholders, may transfer its capital reserve to share capital, or by other means permitted by laws and regulations.

## USE OF PROCEEDS

The proceeds raised from the rights issue are used for the purpose as disclosed in the prospectus, to strengthen the capital base of the Bank and support the business development in the future.

## TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

Please refer to “Changes in Share Capital and Particulars of Shareholders” of this annual report for details of the top ten shareholders of the Bank and their shareholdings as at 31 December 2013.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to “Profiles of Directors, Supervisors and Senior Management” of this annual report for details of directors, supervisors and senior management of the Bank.

## INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received the annual confirmation on independence from all the independent non-executive directors in compliance with the Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Bank considered that all the independent non-executive directors of the Bank were independent, and their independence was in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

## MATERIAL INTERESTS AND SHORT POSITIONS

As at 31 December 2013, the interests and short positions of substantial shareholders and other persons in the shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

| Name                 | Type of shares | Interests in shares and short positions | Nature        | % of issued A-shares or H-shares | % of total issued shares |
|----------------------|----------------|---|---------------|----------------------------------|--------------------------|
| Huijin <sup>1</sup>  | A-share        | 492,631,014                             | Long position | 5.13                             | 0.20                     |
| Huijin <sup>2</sup>  | H-share        | 133,262,144,534                         | Long position | 59.31                            | 57.03                    |
| Temasek <sup>3</sup> | H-share        | 17,878,670,050                          | Long position | 7.44                             | 7.15                     |

- On 17 June 2013, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 492,631,014 A-shares of the Bank, accounting for 5.13% and 0.20% of the A-shares issued (9,593,657,606 shares) and total shares issued (250,010,977,486 shares) at that time respectively. As at 31 December 2013, according to the A-share register of members of the Bank, Huijin directly held 570,941,976 A-shares of the Bank, accounting for 5.95% and 0.23% of the A-shares issued (9,593,657,606 shares) and total shares issued (250,010,977,486 shares) at the end of the period respectively.
- On 26 May 2009, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (224,689,084,000 shares) and total shares issued (233,689,084,000 shares) at that time respectively. As at 31 December 2013, according to the H-share register of members of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (240,417,319,880 shares) and total shares issued (250,010,977,486 shares) at the end of the period respectively.
- This is pursuant to the declaration of Temasek to Hong Kong Stock Exchange on 4 May 2012.

## DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK

Mr. Zhang Long and Ms. Margaret Leung Ko May Yee, the directors of the Bank, held 235,400 A-shares and 100,000 H-shares of the Bank, respectively. Mr. Zhang Huajian, Ms. Huang Shuping and Mr. Wang Lin, the supervisors of the Bank, indirectly held 18,999 H-shares, 21,910 H-shares and 19,303 H-shares of the Bank, respectively, by participating in the employee stock incentive plan before they were appointed as supervisors. Apart from the above, as at 31 December 2013, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules.

As of 31 December 2013, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children below the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

## DIRECTORS' FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

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

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

For the year 2013, no director or supervisor of the Bank had any interest, whether directly or indirectly, in any contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of remuneration (other than statutory remuneration).

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

## CORPORATE GOVERNANCE

The Bank is committed to maintaining the highest level of corporate governance practice. Please refer to the “Corporate Governance Report” of this annual report for details of corporate governance practices adopted by the Bank and its compliance with the *Corporate Governance Code* and *Corporate Governance Report*.

## CONNECTED TRANSACTIONS

In 2013, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the conditions for exemption under Rule 14A.31 or Rule 14A.33 of the Listing Rules of Hong Kong Stock Exchange, and they were exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements.

Please refer to Note “Related Party Relationships and Transactions” in the “Financial Statements” of this annual report for details of the connected transactions as defined by domestic laws and regulations.

## REMUNERATION POLICY FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has endeavoured to improve its remuneration management measures and performance assessment systems for its directors, supervisors and senior management as guided by the relevant policies of China.

The Bank’s remuneration policy for directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment, and has defined a structured remuneration system comprising basic annual salary, performance annual salary, mid-term and long-term incentives, allowances and welfare income. The Bank participates in the relevant PRC mandatory retirement schemes for its directors, supervisors, senior management and other employees. Since the state has not issued relevant policies, the Bank does not implement mid-term and long-term incentive plan for directors, supervisors and senior management.

## REGISTRATION AND MANAGEMENT OF INSIDERS

The Bank formulated the *Management Measures on Insider of Insider Information* in 2010, and made an amendment in 2012. During the reporting period, pursuant to the *Management Measures on Insider of Insider Information*, relevant laws and regulations, and other rules and requirements of the Bank, the Bank strictly conducted the secrecy system regarding insider information, standardised the information transfer process, strengthened insider information management and controlled the scope of insiders of insider information.

The Bank was not aware of any insider trading of the shares of the Bank on the basis of insider information during the reporting period.

## COMPLIANCE WITH HONG KONG BANKING (DISCLOSURE) RULES

In preparing the financial report for 2013, the Bank has complied with the Banking (Disclosure) Rules, Chapter 155M of the Banking Ordinance of Hong Kong.



By order of the board of directors  
**Wang Hongzhang**  
Chairman

28 March 2014

# REPORT OF THE BOARD OF SUPERVISORS

In 2013, pursuant to the provisions of laws and regulations and the Articles of Association of the Bank, the board of supervisors earnestly performed its duties, proactively conducted supervision on duty performance, finance, internal control and risk management, and played a role in improving the corporate governance and promoting the sustainable and sound development of the Bank.

## PARTICULARS OF MAJOR WORK

- The board of supervisors convened meetings of the board of supervisors in pursuant to laws and regulations. During the year, the board of supervisors convened eight general meetings of the board of supervisors, in which 22 resolutions on the agenda were reviewed and approved, including but not limited to the measures on performance assessment of the board of supervisors and its members, the performance assessment reports, nominations for supervisor candidates; five special reports were debriefed, including but not limited to capital management, internal control and compliance; and major issues were studied and discussed, including but not limited to opinions on the implementation of *Guidance on the Work of the Board of Supervisors of Commercial Banks* and suggestions on the improvement of the work with regard to annual performance supervision and assessment. Five meetings of the performance and due diligence supervision committee and six meetings of the finance and internal control supervision committee were convened.
- The board of supervisors continued to improve performance supervision and assessment. The board of supervisors exercised its supervision of the performance of the Board, senior management and their members, by various means including attending meetings, inspecting analysis materials, reviewing performance reports, holding interviews and seminars, making performance assessment, and conducting questionnaire surveys. The board of supervisors organised and conducted annual performance assessment work, proposing the assessment reports of the annual performance of the Board and directors, and senior management and its members, respectively, as well as the self-assessment report of the work of board of supervisors and supervisors' annual performance.
- The board of supervisors endeavoured in conducting proper finance supervision. By focusing on the compilation, verification, and disclosure of periodic financial reports, the board of supervisors communicated with external auditors and relevant departments of the head office on a regular basis, strengthened analysis of major issues that may affect the truthfulness, accuracy and completeness of the financial reports, timely followed up and got knowledge of the changes of regulatory requirements, and presented opinions and suggestions. In accordance with relevant requirements, the board of supervisors conducted supervision on the selection and appointment of external auditors, capital management of the Bank, and the management of insiders of insider information.
- The board of supervisors substantially participated in internal control supervision. The focus was directed towards the implementation of the *Basic Standard for Enterprises Internal Control* by the Bank. The board of supervisors regularly debriefed special reports on the work of internal control and compliance, key findings and rectification in internal audit and prevention and control over non-compliance cases, and strengthened supervision on the internal control formulation and assessment work. The board of supervisors conducted specific study on the major issues with regard to the management of internal control, and specific survey on the internal control of such new businesses as internet merchant loans and domestic factoring.
- The board of supervisors strengthened risk management supervision. It paid particular attention to the major risks currently faced by the Bank, and debriefed special reports with regard to the work of risk management and liquidity risk management. The board of supervisors communicated with relevant departments of the head office on a regular basis on quality of credit assets, conducted specific analysis on assessment of major risks of the Bank, management of reputation risk and wealth management business, continuously monitored the application of risk regulatory indicators, and provided timely suggestions.
- The board of supervisors continuously paid attention to important matters with regard to the reform, development and transformation of the Bank. It actively offered advices and suggestions with regard to strategy execution, operation transformation, and risk management. The board of supervisors organised specific surveys covering such five areas as small enterprise business, management of corporate business collaterals, capital management, internal control of new businesses, and operation and management of overseas entities, and put forward opinions and suggestions. The board of supervisors also had in-depth understanding of the operation, management and internal control of risks of the branches and sub-branches through convening seminars, and put forward directive opinions.

## Corporate Governance

### Report of the Board of Supervisors

- The board of supervisors continuously strengthened self-improvement. It completed general election of the board of supervisors, studied and enacted the measures on performance assessment of the board of supervisors and its members, and improved the work of annual performance supervision and assessment, as well as the supervision working mechanism. All members of the board of supervisors performed their duties in a diligent manner, attended meetings on time, and participated in the discussion and deliberation with regard to relevant resolutions and motions. They proactively participated in trainings for supervisors, attended the meetings of the Board, the committees under the Board and the senior management as non-voting delegates, participated in the related work organised by the board of supervisors, the committees and the Bank, and diligently fulfilled their obligations.

#### INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

##### Operations in compliance with laws and regulations

During the reporting period, the Bank carried out its operation in compliance with the law and its decision making procedure was in compliance with the provisions of applicable laws and regulations as well as the Articles of Association of the Bank. Its directors and senior executives fulfilled their duties in a diligent manner. The board of supervisors did not discover any of their acts in the performance of their duties that were in breach of applicable laws and regulations as well as the Articles of Association of the Bank, or hampered the Bank's interest.

##### Financial reporting

The 2013 financial report of the Bank accurately and fairly reflected the financial position and operating results of the Bank.

##### Use of proceeds

During the reporting period, the Bank did not have any matters with regard to fund-raising.

##### Acquisition and sale of assets

During the reporting period, the board of supervisors was not aware of any insider trading or any acts in acquisition or sale of assets detrimental to the interests of shareholders or leading to a drain on the Bank's assets.

##### Connected transactions

The board of supervisors was not aware of any connected transactions that were detrimental to the interests of the Bank during the reporting period.

##### Internal control

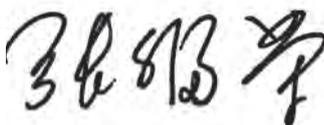
During the reporting period, the Bank consistently enhanced and improved its internal control. The board of supervisors had no objection to the *2013 Internal Control Assessment Report*.

##### Performance of social responsibilities

During the reporting period, the Bank performed its social responsibilities in a proactive manner. The board of supervisors had no objection to the *2013 Social Responsibility Report*.

##### Opinions on performance assessment of directors, supervisors and senior executives of the Bank

All directors, supervisors and senior executives were evaluated as qualified in the 2013 performance assessment process.



By order of the board of supervisors  
**Zhang Furong**  
*Chairman of the board of supervisors*

28 March 2014

# MAJOR ISSUES

## MATERIAL LITIGATIONS, ARBITRATIONS AND MATTERS QUESTIONED BY THE MAJOR MEDIA

During the reporting period, there were no material litigation or arbitration of the Bank, or matter in relation to the Bank that was questioned by the major media.

## CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDER OR OTHER RELATED PARTIES

During the reporting period, there was no non-operational capital occupation by the controlling shareholder or other related parties of the Bank.

## ACQUISITION AND SALE OF MAJOR ASSETS AND MERGER OF ENTERPRISES

On 1 November 2013, the Bank entered into a share purchase and sale agreement with the controlling shareholder of Banco Industrial e Comercial S.A. (BIC) in Brazil. According to the share purchase and sale agreement, the Bank agreed to acquire 157,394,932 ordinary shares and 24,702,582 preferred shares issued by BIC, directly or indirectly held by the controlling shareholder of BIC (such ordinary shares and preferred shares are collectively referred to as “Controlling Shares”, and the transaction of purchasing such Controlling Shares is abbreviated as the “Transaction”). Provided that the Transaction is approved by the relevant regulatory authorities and is closed successfully, the Bank will hold 72% of the total capital of BIC (being 73.96% of the total share capital, excluding treasury shares).

## PROGRESS OF IMPLEMENTATION OF EMPLOYEE STOCK INCENTIVE PLAN

During the reporting period, the Bank did not implement a new round of stock incentive plan pursuant to the relevant PRC policies.

## MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, there was no material related party transaction of the Bank. All related party transactions of the Bank were conducted on the basis of commercial principles and just, fair and open principles and at prices no more favourable than those offered to independent third parties in similar transactions.

## MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or lease of other companies’ assets, or allow its assets to be subject to such arrangements by other companies. The guarantee business is an off-balance sheet service in the ordinary course of the Bank’s business, and the Bank did not have any material guarantee that should be disclosed except for the financial guarantee services within its business scope

as approved by the regulators. The Bank did not entrust management of any material cash assets to others during the reporting period.

## PERFORMANCE OF UNDERTAKINGS GIVEN BY THE BANK OR SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES

On 10 October 2012, Huijin increased its shareholding of A-shares of the Bank by 2,814,057 shares through the trading system of the Shanghai Stock Exchange, and undertook to continue to increase its shareholdings of the Bank on the secondary market in its own name in the following six months. As of 9 April 2013, such shareholding increase plan by Huijin was implemented completely, and the shareholding of A-shares of the Bank increased through the trading system of the Shanghai Stock Exchange by Huijin totalled 169,082,550 shares, representing approximately 0.068% of the total shares issued by the Bank. Upon the completion of such shareholding increase plan, the shareholding of the Bank held by Huijin totalled 143,058,635,240 shares (including 468,140,589 A-shares and 142,590,494,651 H-shares), representing approximately 57.22% of the total shares issued by the Bank.

On 13 June 2013, Huijin increased its shareholding of A-shares of the Bank by 24,490,425 shares through the trading system of the Shanghai Stock Exchange, and undertook to continue to increase its shareholdings of the Bank on the secondary market in its own name in the following six months. As of 12 December 2013, such shareholding increase plan by Huijin was implemented completely, and the shareholding of A-shares of the Bank increased through the trading system of the Shanghai Stock Exchange by Huijin totalled 102,801,387 shares, representing approximately 0.04% of the total issued capital of the Bank. Upon the completion of such shareholding increase plan, the shareholding of the Bank held by Huijin totalled 143,161,436,627 shares (including 570,941,976 A-shares and 142,590,494,651 H-shares), representing approximately 57.26% of the total issued capital of the Bank.

Other than the above, the Bank’s shareholders did not give new undertaking during the reporting period. All undertakings given by the shareholders had been fulfilled by the end of the reporting period.

## PENALTIES

During the reporting period, the Bank, the directors, the supervisors, the senior management and the actual controller had no record of being subject to investigations by relevant authorities, coercive measures by judicial or disciplinary departments, transfer to judicial organs or criminal investigation and punishment. The Bank, the Board, the directors, the supervisors and the senior management had no record of being subject to inspections, administrative penalties and public censures by the CSRC or public censures by the stock exchanges of the Bank’s listing venues. The directors and supervisors of the Bank had no record of being subject to any civil judgements for conducting fraud, breach of responsibilities or other inappropriate behaviours against honesty.

## OTHER SHAREHOLDING OR SHARE PARTICIPATIONS

## Investments in securities

| Number  | Type of securities | Stock code | Stock abbreviation | Initial investment amount (RMB) | Number of shares held | Carrying amount at the end of the period (RMB) | % of total securities investments at the end of the period | Gain/Loss during the reporting period (RMB) |
|---|--------------------|------------|--------------------|---------------------------------|-----------------------|--|--|---|
| 1   | Listed stock       | 600537     | EGING PV           | 195,001,161                     | 48,936,822            | 425,640,861                                    | 6.53   | 149,266,087                                 |
| 2   | Listed stock       | 000906     | ZMD                | 178,747,408                     | 33,552,901            | 226,636,947                                    | 3.48   | 90,248,039                                  |
| 3   | Listed stock       | 1369.HK    | WUZHOU INT'L       | 174,271,352                     | 183,134,000           | 182,842,074                                    | 2.80   | 8,570,722                                   |
| 4   | Listed stock       | 1115.HK    | TIBET 5100         | 85,766,191                      | 74,800,000            | 177,950,259                                    | 2.73   | 28,098,887                                  |
| 5   | Listed stock       | 1303.HK    | HUILI RES          | 111,618,664                     | 116,348,589           | 172,429,635                                    | 2.64   | (28,878,627)                                |
| 6   | Listed stock       | 364.HK     | PINGSHAN TEA       | 23,580,590                      | 887,005,857           | 131,455,457                                    | 2.02   | 107,874,867                                 |
| 7   | Listed stock       | 633.HK     | CH ALL ACCESS      | 80,999,676                      | 39,816,000            | 102,486,994                                    | 1.57   | 21,487,318                                  |
| 8   | Listed stock       | 61.HK      | NORTH ASIA RES     | 44,134,022                      | 522,417,243           | 74,162,793                                     | 1.14   | 30,028,771                                  |
| 9   | Listed stock       | 8083.HK    | INNOVATIONPAY      | 74,880,446                      | 300,000,000           | 72,540,432                                     | 1.11   | 17,550,104                                  |
| 10  | Listed stock       | 3313.HK    | ARTGO MINING       | 74,412,443                      | 36,000,000            | 71,604,426                                     | 1.10   | (2,808,017)                                 |
| Other securities investments held at the end of the period                    |                    |            |                    | 5,609,111,903                   |                       | 4,882,103,702                                  | 74.88  | (195,090,629)                               |
| Gain/Loss from disposal of securities investments during the reporting period |                    |            |                    |                                 |                       |  |  | 132,132,609                                 |
| Total   |                    |            |                    | 6,652,523,856                   |                       | 6,519,853,580                                  | 100.00   | 358,480,131                                 |

- The top ten listed securities held by the Group at the end of the period are arranged according to the percentage of the carrying amount in total securities investments of the Group at the end of the period.
- Investments in securities in this table refer to stocks, warrants, convertible bonds and other investments, in which the investments in stocks represent those classified as financial assets at fair value through profit or loss of the Group.
- Other securities investments refer to the securities investments other than the top ten securities.

## Interests of the Bank in shares of other listed companies

| Stock code | Stock abbreviation | Initial investment amount (RMB) | numbers of shareholding at the beginning of the period | % of shareholding at the beginning of the period | numbers of shareholding at the end of the period | % of shareholding at the end of the period | Carrying amount at the end of the period (RMB) | Gain/Loss during the reporting period (RMB) | Changes in equity during the reporting period (RMB) | Accounting item                     | Sources of shares                        |
|------------|--------------------|---------------------------------|--|--|--|--|--|---|---|-------------------------------------|--|
| 601600     | CHALCO             | 712,861,043                     | 609,146,645  | 4.50   | 572,543,371                                      | 4.23                                       | 1,946,647,461                                  | 101,345,435                                 | (1,132,707,925)                                     | Available-for-sale financial assets | Investment held through debt equity swap |
| 000792     | QINGHAI SALT LAKE  | 135,653,599                     | 62,004,881   | 3.90   | 62,004,881                                       | 3.90                                       | 1,037,341,659                                  | 19,841,562                                  | (624,389,152)                                       | Available-for-sale financial assets | Investment held through debt equity swap |
| 600068     | G.C.L              | 307,222,950                     | 198,321,051  | 5.69   | 198,321,051                                      | 5.69                                       | 785,351,362                                    | 26,773,342                                  | (303,431,208)                                       | Available-for-sale financial assets | Investment held through debt equity swap |
| 3698.HK    | HUIZHANG BANK      | 228,835,900                     | 225,548,176  | 2.76   | 225,548,176                                      | 2.04                                       | 472,072,332                                    | 22,554,818                                  | 243,236,432   | Available-for-sale financial assets | Establishment of investment              |
| Total      |                    | 1,384,573,492                   | 1,095,020,753  |  | 1,058,417,479                                    |  | 4,241,412,814                                  | 170,515,157                                 | (1,817,291,853)                                     |                                     |  |

- The table sets forth the shares of other listed companies which are 1% or more than 1% held by the Group and classified as available-for-sale financial assets.
- Gain/Loss during the reporting period refers to the effect of the investment on the consolidated net profit of the Group for the reporting period.

## Interests in non-listed financial institutions

| Name of the company                          | Initial investment amount (RMB) | numbers of shareholding at the beginning of the period | % of shareholding at the beginning of the period | numbers of shareholding at the end of the period | % of shareholding at the end of the period | Carrying amount at the end of the period (RMB) | Gain/Loss during the reporting period (RMB) | Changes in equity during the reporting period (RMB) | Accounting item   | Sources of shares                        |
|--|---------------------------------|--|--|--|--|--|---|---|---|--|
| Xiamen International Bank                    | 300,000,000                     | 50,000,000   | 2.49   | 50,000,000                                       | 2.49                                       | 300,000,000                                    | 9,978,546                                   | -   | Available-for-sale financial assets                     | Equity Investment                        |
| China UnionPay Co., Ltd.                     | 221,250,000                     | 142,500,000  | 4.87   | 142,500,000                                      | 4.87                                       | 220,492,292                                    | 5,689,991                                   | -   | Available-for-sale financial assets                     | Establishment, increase in share capital |
| QBE Hongkong and Shanghai Insurance Limited  | 98,758,409                      | 19,939,016   | 25.50  | 19,939,016                                       | 25.50                                      | 155,517,590                                    | 19,309,765                                  | -   | Interests in associates and jointly controlled entities | Purchase                                 |
| Shaanxi Yanchang Petroleum Finance Co., Ltd. | 80,000,000                      | -  | -  | 80,000,000                                       | 8.00                                       | 80,000,000                                     | -   | -   | Available-for-sale financial assets                     | Equity Investment                        |
| China Guangfa Bank Co., Ltd.                 | 48,558,031                      | 13,423,847   | 0.09   | 13,423,847                                       | 0.09                                       | 48,558,031                                     | -   | -   | Available-for-sale financial assets                     | Establishment of investment              |
| Evergrowing Bank Co., Ltd. <sup>3</sup>      | 41,125,000                      | 111,154,680  | 1.58   | 128,939,428                                      | 1.58                                       | 41,125,000                                     | -   | -   | Available-for-sale financial assets                     | Establishment of investment              |
| Huarong Xiangjiang Bank                      | 4,693,500                       | 3,536,400  | 0.07   | 4,420,500  | 0.07                                       | 2,173,535                                      | 403,150                                     | -   | Available-for-sale financial assets                     | Establishment of investment              |

1. These do not include subsidiaries contained in the consolidated statements.
2. Allowances for impairment losses have been deducted from the carrying amount at the end of the period.
3. Evergrowing Bank Co., Ltd. distributed 1.6 bonus shares for every existing ten shares during the reporting period.

## Purchase and disposal of shares of other listed companies

| Stock name | Number of shares at the beginning of the period | Number of shares purchased during the reporting period | Number of shares disposed during the reporting period | Number of shares at the end of the period | Amount of funds used (RMB) | Investment gain (RMB) |
|------------|---|--|---|---|----------------------------|-----------------------|
| Total      | 1,525,845,034                                   | 79,323,953,796   | (1,405,766,447)                                       | 79,444,032,383                            | 8,010,829,466              | 134,322,120           |

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## To the shareholders of China Construction Bank Corporation

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

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") set out on pages 117 to 250, which comprise the consolidated and Bank statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated and Bank statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2013, and of the Group's financial performance 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.

## PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 March 2014

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*  
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

(Expressed in millions of RMB, unless otherwise stated)

|   | Note | 2013             | 2012<br>(Restated) |
|---|------|------------------|--------------------|
| Interest income   |      | 646,253          | 603,241            |
| Interest expense  |      | (256,709)        | (250,039)          |
| <b>Net interest income</b>  | 6    | <b>389,544</b>   | 353,202            |
| Fee and commission income   |      | 107,432          | 96,218             |
| Fee and commission expense  |      | (3,149)          | (2,711)            |
| <b>Net fee and commission income</b>                                    | 7    | <b>104,283</b>   | 93,507             |
| Net trading gain  | 8    | 3,092            | 1,863              |
| Dividend income   | 9    | 446              | 239                |
| Net gain arising from investment securities                             | 10   | 1,395            | 3,536              |
| Other operating income, net   | 11   | 12,380           | 10,186             |
| <b>Operating income</b>   |      | <b>511,140</b>   | 462,533            |
| <b>Operating expenses</b>   | 12   | <b>(188,185)</b> | (171,081)          |
|   |      | <b>322,955</b>   | 291,452            |
| Impairment losses on:   |      |                  |                    |
| – Loans and advances to customers                                       |      | (42,666)         | (38,330)           |
| – Others  |      | (543)            | (1,711)            |
| <b>Impairment losses</b>  | 13   | <b>(43,209)</b>  | (40,041)           |
| <b>Share of profits less losses of associates and joint ventures</b>    |      | <b>60</b>        | 28                 |
| <b>Profit before tax</b>  |      | <b>279,806</b>   | 251,439            |
| Income tax expense  | 16   | (64,684)         | (57,837)           |
| <b>Net profit</b>   |      | <b>215,122</b>   | 193,602            |
| <b>Other comprehensive income:</b>                                      |      |                  |                    |
| Items that will not be reclassified to profit or loss                   |      |                  |                    |
| Remeasurements of post employment benefit obligations                   |      | 443              | (63)               |
| Others  |      | 11               | 32                 |
| Subtotal  |      | 454              | (31)               |
| Items that may be reclassified subsequently to profit or loss           |      |                  |                    |
| Losses of available-for-sale financial assets arising during the period |      | (28,354)         | (2,597)            |
| Less: Income tax relating to available-for-sale financial assets        |      | 7,175            | 636                |
| Reclassification adjustments for losses included in profit or loss      |      | (1,188)          | (1,381)            |
| Net loss on cash flow hedges  |      | (148)            | –                  |
| Exchange difference on translating foreign operations                   |      | (1,361)          | (201)              |
| Subtotal  |      | (23,876)         | (3,543)            |
| <b>Other comprehensive income for the year, net of tax</b>              |      | <b>(23,422)</b>  | (3,574)            |
| <b>Total comprehensive income for the year</b>                          |      | <b>191,700</b>   | 190,028            |
| Net profit attributable to:   |      |                  |                    |
| Equity shareholders of the Bank   |      | 214,657          | 193,179            |
| Non-controlling interests   |      | 465              | 423                |
|   |      | <b>215,122</b>   | 193,602            |
| Total comprehensive income attributable to:                             |      |                  |                    |
| Equity shareholders of the Bank   |      | 191,286          | 189,585            |
| Non-controlling interests   |      | 414              | 443                |
|   |      | <b>191,700</b>   | 190,028            |
| <b>Basic and diluted earnings per share (in RMB Yuan)</b>               | 17   | <b>0.86</b>      | 0.77               |

The notes on pages 124 to 250 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

(Expressed in millions of RMB, unless otherwise stated)

|   | Note | 2013              | 2012<br>(Restated) |
|---|------|-------------------|--------------------|
| <b>Assets:</b>  |      |                   |                    |
| Cash and deposits with central banks                                | 18   | 2,475,001         | 2,458,069          |
| Deposits with banks and non-bank financial institutions             | 19   | 321,286           | 585,898            |
| Precious metals   |      | 35,637            | 38,419             |
| Placements with banks and non-bank financial institutions           | 20   | 152,065           | 129,653            |
| Financial assets at fair value through profit or loss               | 21   | 364,050           | 27,572             |
| Positive fair value of derivatives                                  | 22   | 18,910            | 12,671             |
| Financial assets held under resale agreements                       | 23   | 281,447           | 316,685            |
| Interest receivable   | 24   | 80,731            | 68,264             |
| Loans and advances to customers                                     | 25   | 8,361,361         | 7,309,879          |
| Available-for-sale financial assets                                 | 26   | 760,292           | 701,041            |
| Held-to-maturity investments  | 27   | 2,100,538         | 1,918,322          |
| Debt securities classified as receivables                           | 28   | 189,737           | 219,713            |
| Interests in associates and jointly controlled entities             | 30   | 2,624             | 2,366              |
| Fixed assets  | 32   | 135,678           | 113,946            |
| Land use rights   | 33   | 15,731            | 16,232             |
| Intangible assets   | 34   | 2,053             | 2,061              |
| Goodwill  | 35   | 1,610             | 1,651              |
| Deferred tax assets   | 36   | 38,448            | 27,051             |
| Other assets  | 37   | 26,011            | 23,335             |
| <b>Total assets</b>   |      | <b>15,363,210</b> | <b>13,972,828</b>  |
| <b>Liabilities:</b>   |      |                   |                    |
| Borrowings from central banks                                       | 40   | 79,157            | 6,281              |
| Deposits from banks and non-bank financial institutions             | 41   | 692,095           | 977,487            |
| Placements from banks and non-bank financial institutions           | 42   | 155,917           | 120,256            |
| Financial liabilities at fair value through profit or loss          | 43   | 380,380           | 37,251             |
| Negative fair value of derivatives                                  | 22   | 19,872            | 11,541             |
| Financial assets sold under repurchase agreements                   | 44   | 61,873            | 2,360              |
| Deposits from customers   | 45   | 12,223,037        | 11,343,079         |
| Accrued staff costs   | 46   | 34,080            | 32,772             |
| Taxes payable   | 47   | 60,209            | 53,271             |
| Interest payable  | 48   | 153,627           | 123,215            |
| Provisions  | 49   | 5,014             | 5,058              |
| Debt securities issued  | 50   | 357,540           | 262,991            |
| Deferred tax liabilities  | 36   | 138               | 332                |
| Other liabilities   | 51   | 65,942            | 47,389             |
| <b>Total liabilities</b>  |      | <b>14,288,881</b> | <b>13,023,283</b>  |
| <b>Equity:</b>  |      |                   |                    |
| Share capital   | 52   | 250,011           | 250,011            |
| Capital reserve   | 53   | 135,523           | 135,217            |
| Investment revaluation reserve                                      | 54   | (19,290)          | 3,023              |
| Surplus reserve   | 55   | 107,970           | 86,718             |
| General reserve   | 56   | 153,835           | 80,483             |
| Retained earnings   | 57   | 444,084           | 391,034            |
| Exchange reserve  |      | (6,182)           | (4,818)            |
| <b>Total equity attributable to equity shareholders of the Bank</b> |      | <b>1,065,951</b>  | <b>941,668</b>     |
| Non-controlling interests   |      | 8,378             | 7,877              |
| <b>Total equity</b>   |      | <b>1,074,329</b>  | <b>949,545</b>     |
| <b>Total liabilities and equity</b>                                 |      | <b>15,363,210</b> | <b>13,972,828</b>  |

Approved and authorised for issue by the Board of Directors on 28 March 2014.

**Zhang Jianguo***Vice chairman, executive director and president***Chung Shui Ming Timpson***Independent non-executive director***Elaine La Roche***Independent non-executive director*

The notes on pages 124 to 250 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

(Expressed in millions of RMB, unless otherwise stated)

|  | Note | 2013              | 2012<br>(Restated) |
|--|------|-------------------|--------------------|
| <b>Assets:</b>   |      |                   |                    |
| Cash and deposits with central banks                       | 18   | 2,469,497         | 2,443,276          |
| Deposits with banks and non-bank financial institutions    | 19   | 328,640           | 584,538            |
| Precious metals  |      | 35,637            | 38,419             |
| Placements with banks and non-bank financial institutions  | 20   | 233,574           | 138,015            |
| Financial assets at fair value through profit or loss      | 21   | 356,854           | 16,206             |
| Positive fair value of derivatives                         | 22   | 16,503            | 11,667             |
| Financial assets held under resale agreements              | 23   | 280,959           | 316,624            |
| Interest receivable  | 24   | 79,025            | 67,581             |
| Loans and advances to customers                            | 25   | 8,025,415         | 7,142,317          |
| Available-for-sale financial assets                        | 26   | 714,745           | 681,416            |
| Held-to-maturity investments                               | 27   | 2,095,741         | 1,915,811          |
| Debt securities classified as receivables                  | 28   | 182,252           | 217,741            |
| Investments in subsidiaries                                | 29   | 22,004            | 16,676             |
| Fixed assets   | 32   | 127,810           | 110,343            |
| Land use rights  | 33   | 15,682            | 16,181             |
| Intangible assets  | 34   | 1,549             | 1,564              |
| Deferred tax assets  | 36   | 39,093            | 27,517             |
| Other assets   | 37   | 58,417            | 40,858             |
| <b>Total assets</b>  |      | <b>15,083,397</b> | <b>13,786,750</b>  |
| <b>Liabilities:</b>  |      |                   |                    |
| Borrowings from central banks                              | 40   | 78,733            | 6,169              |
| Deposits from banks and non-bank financial institutions    | 41   | 704,487           | 980,497            |
| Placements from banks and non-bank financial institutions  | 42   | 122,479           | 77,640             |
| Financial liabilities at fair value through profit or loss | 43   | 377,731           | 34,533             |
| Negative fair value of derivatives                         | 22   | 16,796            | 10,045             |
| Financial assets sold under repurchase agreements          | 44   | 55,457            | 891                |
| Deposits from customers                                    | 45   | 12,055,777        | 11,250,000         |
| Accrued staff costs  | 46   | 32,938            | 31,886             |
| Taxes payable  | 47   | 59,693            | 52,862             |
| Interest payable   | 48   | 152,946           | 122,804            |
| Provisions   | 49   | 5,014             | 5,058              |
| Debt securities issued                                     | 50   | 322,406           | 245,024            |
| Other liabilities  | 51   | 40,339            | 33,884             |
| <b>Total liabilities</b>                                   |      | <b>14,024,796</b> | <b>12,851,293</b>  |
| <b>Equity:</b>   |      |                   |                    |
| Share capital  | 52   | 250,011           | 250,011            |
| Capital reserve  | 53   | 135,508           | 135,140            |
| Investment revaluation reserve                             | 54   | (19,275)          | 3,078              |
| Surplus reserve  | 55   | 107,970           | 86,718             |
| General reserve  | 56   | 150,675           | 79,444             |
| Retained earnings  | 57   | 434,877           | 381,844            |
| Exchange reserve   |      | (1,165)           | (778)              |
| <b>Total equity</b>  |      | <b>1,058,601</b>  | <b>935,457</b>     |
| <b>Total liabilities and equity</b>                        |      | <b>15,083,397</b> | <b>13,786,750</b>  |

Approved and authorised for issue by the Board of Directors on 28 March 2014.

**Zhang Jianguo***Vice chairman, executive director and president***Chung Shui Ming Timpson***Independent non-executive director***Elaine La Roche***Independent non-executive director*

The notes on pages 124 to 250 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(Expressed in millions of RMB, unless otherwise stated)

|  | Attributable to equity shareholders of the Bank |                 |                                |                 |                 |                   |                  |                           | Total equity |
|--|---|-----------------|--------------------------------|-----------------|-----------------|-------------------|------------------|---------------------------|--------------|
|  | Share capital                                   | Capital reserve | Investment revaluation reserve | Surplus reserve | General reserve | Retained earnings | Exchange reserve | Non-controlling interests |              |
| <b>As at 31 December 2012</b>                      | 250,011   | 135,281         | 3,023                          | 86,718          | 80,483          | 391,034           | (4,818)          | 7,877                     | 949,609      |
| Change in accounting policy                        | -   | (64)            | -                              | -               | -               | -                 | -                | -                         | (64)         |
| <b>31 December 2012 (Restated)</b>                 | 250,011   | 135,217         | 3,023                          | 86,718          | 80,483          | 391,034           | (4,818)          | 7,877                     | 949,545      |
| <b>Movements during the year</b>                   | -   | 306             | (22,313)                       | 21,252          | 73,352          | 53,050            | (1,364)          | 501                       | 124,784      |
| <b>(1) Total comprehensive income for the year</b> | -   | 306             | (22,313)                       | -               | -               | 214,657           | (1,364)          | 414                       | 191,700      |
| <b>(2) Changes in share capital</b>                | -   | -               | -                              | -               | -               | -                 | -                | 105                       | 105          |
| i Non-controlling interests of new subsidiaries    | -   | -               | -                              | -               | -               | -                 | -                | 51                        | 51           |
| ii Change in shareholdings in Subsidiaries         | -   | -               | -                              | -               | -               | -                 | -                | 54                        | 54           |
| <b>(3) Profit distribution</b>                     | -   | -               | -                              | 21,252          | 73,352          | (161,607)         | -                | (18)                      | (67,021)     |
| i Appropriation to surplus reserve                 | -   | -               | -                              | 21,252          | -               | (21,252)          | -                | -                         | -            |
| ii Appropriation to general reserve                | -   | -               | -                              | -               | 73,352          | (73,352)          | -                | -                         | -            |
| iii Appropriation to equity shareholders           | -   | -               | -                              | -               | -               | (67,003)          | -                | (18)                      | (67,021)     |
| <b>As at 31 December 2013</b>                      | 250,011   | 135,523         | (19,290)                       | 107,970         | 153,835         | 444,084           | (6,182)          | 8,378                     | 1,074,329    |
| <b>As at 31 December 2011</b>                      | 250,011   | 135,178         | 6,383                          | 67,576          | 67,342          | 289,266           | (4,615)          | 5,520                     | 816,661      |
| Change in accounting policy                        | -   | (1)             | -                              | -               | -               | -                 | -                | -                         | (1)          |
| <b>31 December 2011 (Restated)</b>                 | 250,011   | 135,177         | 6,383                          | 67,576          | 67,342          | 289,266           | (4,615)          | 5,520                     | 816,660      |
| <b>Movements during the year</b>                   | -   | 40              | (3,360)                        | 19,142          | 13,141          | 101,768           | (203)            | 2,357                     | 132,885      |
| <b>(1) Total comprehensive income for the year</b> | -   | (31)            | (3,360)                        | -               | -               | 193,179           | (203)            | 443                       | 190,028      |
| <b>(2) Changes in share capital</b>                | -   | 71              | -                              | -               | -               | -                 | -                | 1,999                     | 2,070        |
| i Capital injection by non-controlling interests   | -   | 26              | -                              | -               | -               | -                 | -                | 2,803                     | 2,829        |
| ii Non-controlling interests of new subsidiaries   | -   | -               | -                              | -               | -               | -                 | -                | 529                       | 529          |
| iii Change in shareholdings in Subsidiaries        | -   | 45              | -                              | -               | -               | -                 | -                | (1,333)                   | (1,288)      |
| <b>(3) Profit distribution</b>                     | -   | -               | -                              | 19,142          | 13,141          | (91,411)          | -                | (85)                      | (59,213)     |
| i Appropriation to surplus reserve                 | -   | -               | -                              | 19,142          | -               | (19,142)          | -                | -                         | -            |
| ii Appropriation to general reserve                | -   | -               | -                              | -               | 13,141          | (13,141)          | -                | -                         | -            |
| iii Appropriation to equity shareholders           | -   | -               | -                              | -               | -               | (59,128)          | -                | (85)                      | (59,213)     |
| <b>As at 31 December 2012 (Restated)</b>           | 250,011   | 135,217         | 3,023                          | 86,718          | 80,483          | 391,034           | (4,818)          | 7,877                     | 949,545      |

The notes on pages 124 to 250 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(Expressed in millions of RMB, unless otherwise stated)

|  | Share capital | Capital reserve | Investment revaluation reserve | Surplus reserve | General reserve | Retained earnings | Exchange reserve | Total equity |
|--|---------------|-----------------|--------------------------------|-----------------|-----------------|-------------------|------------------|--------------|
| <b>As at 31 December 2012</b>                      | 250,011       | 135,204         | 3,078                          | 86,718          | 79,444          | 381,844           | (778)            | 935,521      |
| Change in accounting policy                        | -             | (64)            | -                              | -               | -               | -                 | -                | (64)         |
| <b>31 December 2012 (Restated)</b>                 | 250,011       | 135,140         | 3,078                          | 86,718          | 79,444          | 381,844           | (778)            | 935,457      |
| <b>Movements during the year</b>                   | -             | 368             | (22,353)                       | 21,252          | 71,231          | 53,033            | (387)            | 123,144      |
| <b>(1) Total comprehensive income for the year</b> | -             | 306             | (22,353)                       | -               | -               | 212,519           | (387)            | 190,085      |
| <b>(2) Changes in share capital</b>                | -             | 62              | -                              | -               | -               | -                 | -                | 62           |
| i Acquisition of subsidiaries                      | -             | 62              | -                              | -               | -               | -                 | -                | 62           |
| <b>(3) Profit distribution</b>                     | -             | -               | -                              | 21,252          | 71,231          | (159,486)         | -                | (67,003)     |
| i Appropriation to surplus reserve                 | -             | -               | -                              | 21,252          | -               | (21,252)          | -                | -            |
| ii Appropriation to general reserve                | -             | -               | -                              | -               | 71,231          | (71,231)          | -                | -            |
| iii Appropriation to equity shareholders           | -             | -               | -                              | -               | -               | (67,003)          | -                | (67,003)     |
| <b>As at 31 December 2013</b>                      | 250,011       | 135,508         | (19,275)                       | 107,970         | 150,675         | 434,877           | (1,165)          | 1,058,601    |
| <b>As at 31 December 2011</b>                      | 250,011       | 135,178         | 6,472                          | 67,576          | 66,645          | 281,491           | (796)            | 806,577      |
| Change in accounting policy                        | -             | (1)             | -                              | -               | -               | -                 | -                | (1)          |
| <b>31 December 2011 (Restated)</b>                 | 250,011       | 135,177         | 6,472                          | 67,576          | 66,645          | 281,491           | (796)            | 806,576      |
| <b>Movements during the year</b>                   | -             | (37)            | (3,394)                        | 19,142          | 12,799          | 100,353           | 18               | 128,881      |
| <b>(1) Total comprehensive income for the year</b> | -             | (37)            | (3,394)                        | -               | -               | 191,422           | 18               | 188,009      |
| <b>(2) Profit distribution</b>                     | -             | -               | -                              | 19,142          | 12,799          | (91,069)          | -                | (59,128)     |
| i Appropriation to surplus reserve                 | -             | -               | -                              | 19,142          | -               | (19,142)          | -                | -            |
| ii Appropriation to general reserve                | -             | -               | -                              | -               | 12,799          | (12,799)          | -                | -            |
| iii Appropriation to equity shareholders           | -             | -               | -                              | -               | -               | (59,128)          | -                | (59,128)     |
| <b>As at 31 December 2012 (Restated)</b>           | 250,011       | 135,140         | 3,078                          | 86,718          | 79,444          | 381,844           | (778)            | 935,457      |

The notes on pages 124 to 250 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

(Expressed in millions of RMB, unless otherwise stated)

|  | Note | 2013        | 2012        |
|--|------|-------------|-------------|
| <b>Cash flows from operating activities</b>  |      |             |             |
| Profit before tax  |      | 279,806     | 251,439     |
| <i>Adjustments for:</i>  |      |             |             |
| – Impairment losses  | 13   | 43,209      | 40,041      |
| – Depreciation and amortisation  | 12   | 15,416      | 13,889      |
| – Unwinding of discount  |      | (1,446)     | (1,612)     |
| – Revaluation loss on financial instruments at fair value through profit or loss               |      | 1,325       | 661         |
| – Share of profit less losses of associates and joint ventures                                 |      | (60)        | (28)        |
| – Dividend income  | 9    | (446)       | (239)       |
| – Unrealised foreign exchange loss   |      | 3,095       | 322         |
| – Interest expense on subordinated bonds issued  |      | 7,557       | 5,734       |
| – Net gain on disposal of investment securities  | 10   | (1,395)     | (3,536)     |
| – Net gain on disposal of fixed assets and other long-term assets                              |      | (169)       | (67)        |
|  |      | 346,892     | 306,604     |
| <i>Changes in operating assets:</i>  |      |             |             |
| Net increase in deposits with central banks and with banks and non-bank financial institutions |      | (33,915)    | (212,062)   |
| Net increase in placements with banks and non-bank financial institutions                      |      | (51,108)    | (6,186)     |
| Net increase in loans and advances to customers  |      | (1,116,433) | (1,028,588) |
| Net decrease/(increase) in financial assets held under resale agreements                       |      | 35,238      | (116,642)   |
| Increase in other operating assets   |      | (347,722)   | (37,491)    |
|  |      | (1,513,940) | (1,400,969) |
| <i>Changes in operating liabilities:</i>   |      |             |             |
| Net increase in borrowings from central banks  |      | 73,116      | 4,090       |
| Net increase in placements from banks and non-bank financial institutions                      |      | 38,816      | 42,278      |
| Net increase in deposits from customers and from banks and non-bank financial institutions     |      | 613,017     | 1,373,562   |
| Net increase/(decrease) in financial assets sold under repurchase agreements                   |      | 59,603      | (8,101)     |
| Net increase in certificates of deposit issued   |      | 96,865      | 53,554      |
| Income tax paid  |      | (62,114)    | (56,946)    |
| Increase in other operating liabilities  |      | 393,674     | 54,741      |
|  |      | 1,212,977   | 1,463,178   |
| <b>Net cash from operating activities</b>  |      | 45,929      | 368,813     |

The notes on pages 124 to 250 form part of these financial statements.

|   | Note | 2013             | 2012             |
|---|------|------------------|------------------|
| <b>Cash flows from investing activities</b>                         |      |                  |                  |
| Proceeds from sale and redemption of investments                    |      | 730,160          | 608,345          |
| Dividends received  |      | 461              | 250              |
| Proceeds from disposal of fixed assets and other long-term assets   |      | 1,851            | 1,200            |
| Purchase of investment securities                                   |      | (971,998)        | (730,417)        |
| Purchase of fixed assets and other long-term assets                 |      | (38,406)         | (34,939)         |
| Acquisition of subsidiaries, associates and joint ventures          |      | (250)            | (294)            |
| <b>Net cash used in investing activities</b>                        |      | <b>(278,182)</b> | <b>(155,855)</b> |
| <b>Cash flows from financing activities</b>                         |      |                  |                  |
| Issue of bonds  |      | 1,997            | 41,951           |
| Capital contribution by non-controlling interests                   |      | 51               | 3,332            |
| Dividends paid  |      | (67,044)         | (59,220)         |
| Interest paid on bonds issued                                       |      | (7,545)          | (5,562)          |
| Cash paid relating to other financing activities                    |      | -                | (1,288)          |
| <b>Net cash used in financing activities</b>                        |      | <b>(72,541)</b>  | <b>(20,787)</b>  |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> |      | <b>(3,353)</b>   | <b>(1,714)</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>         |      | <b>(308,147)</b> | <b>190,457</b>   |
| <b>Cash and cash equivalents as at 1 January</b>                    | 58   | <b>748,920</b>   | 558,463          |
| <b>Cash and cash equivalents as at 31 December</b>                  | 58   | <b>440,773</b>   | 748,920          |
| <b>Cash flows from operating activities include:</b>                |      |                  |                  |
| Interest received   |      | 632,076          | 588,972          |
| Interest paid, excluding interest expense on bonds issued           |      | (218,715)        | (201,861)        |

The notes on pages 124 to 250 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of RMB, unless otherwise stated)

## 1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the “Bank”) dates back to 1954, which was previously known as the People’s Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People’s Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People’s Construction Bank of China changed its name to China Construction Bank (“CCB”). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People’s Republic of China (the “PRC”) as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank’s H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (the “CBRC”) of the PRC. The Bank obtained its business license No.100000000039122 from the State Administration for Industry and Commerce of the PRC. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

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, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has several overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the “State Council”). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investments Ltd. (“Huijin”), a wholly owned subsidiary of China Investment Corporation (“CIC”), exercises its rights and obligations as an investor on behalf of the PRC government.

These financial statements were authorised for issue by the board of directors of the Bank on 28 March 2014.

## 2 BASIS OF PREPARATION

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements for the year ended 31 December 2013 comprise the Bank and its subsidiaries and the Group’s interests in associates and joint ventures.

### (1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) available-for-sale financial assets are measured at fair value; and (iv) certain non-financial assets are measured at designated cost. The measurement basis of major assets and liabilities are further explained in Note 4.

### (2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

### (3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(22).

### 3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“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 Group has adopted the following new or revised IFRSs effective for the current year. There is no early adoption of any new IFRSs not yet effective for the year ended 31 December 2013.

Amendments to IAS 1 “Presentation of Financial Statement: Other Comprehensive Income”

Amendments to IAS 19 “Employee Benefits”

Amendments to IAS 27 “Separate Financial Statements”

IAS 28 (revised) “Investments in Associates and Joint Ventures”

Amendments to IFRS 7 “Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities”

IFRS 10 “Consolidated Financial Statements”

IFRS 11 “Joint Arrangements”

IFRS 12 “Disclosure of Interests in Other Entities”

Amendments to IFRS 10, IFRS 11 and IFRS 12 “Transition Guidance”

IFRS 13 “Fair Value Measurement”

The main change resulting from the Amendments to IAS 1 is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The consolidated statement of comprehensive income of the Group has been presented in accordance with the revised accounting standard.

Amendments to IAS 19 eliminates the option of recognition for “actuarial gains and losses” using the corridor method. Such gains and losses are now included in “remeasurements” and are recognised in other comprehensive income in the period in which they occur. A retrospective adjustment has been made. In the consolidated statement of financial position, the 2013 beginning balances of “capital reserve” was decreased by RMB64 million, and that of “accrued staff costs” was increased by RMB64 million accordingly; in the consolidated statement of comprehensive income, “other comprehensive income” for the year ended 31 December 2012 was decreased by RMB63 million.

Amendments to IFRS 7 introduces additional disclosure for recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. Please refer to disclosures in note 65(6).

IFRS 12 introduces the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements and associates and unconsolidated structured entities. Please refer to disclosures in note 29, 30 and 31.

IFRS 13 defines and sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurement. Please refer to disclosures in note 65(5).

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### (1) Consolidated financial statements

##### (a) *Business combinations*

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the cost of a business combination exceeds the Group’s interest in the fair value of the acquiree’s identifiable net assets, the difference is recognised as goodwill in accordance with the accounting policies set out in Note 4(9); where the cost of a business combination is less than the Group’s interest in the fair value of the acquiree’s identifiable net assets, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (1) Consolidated financial statements (continued)

#### *(b) Subsidiaries and non-controlling interests*

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has the rights to the variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(11).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Significant intragroup balances and transactions, and any significant profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

#### *(c) Associates and joint arrangements*

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associate or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's interest in the associate or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associate and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associate or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associate or joint venture make net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (2) Translation of foreign currencies

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

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

#### (b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as “exchange reserve” in the shareholders’ equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

### (3) Financial instruments

#### (a) Categorisation

The Group classifies financial instruments into different categories at inception, depending on the purposes for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

##### *Financial assets and financial liabilities at fair value through profit or loss*

Financial assets and financial liabilities at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee).

Financial assets or financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

##### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (ii) those that meet the definition of loans and receivables.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (3) Financial instruments (continued)

#### (a) *Categorisation (continued)*

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near future, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, and debt securities classified as receivables.

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

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

##### *Other financial liabilities*

Other financial liabilities are financial liabilities other than those designated as at fair value through profit or loss and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Investment securities in the financial statements comprise the securities classified as held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables.

#### (b) *Derivatives and hedge accounting*

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in the fair value of these derivatives are recognised in “net trading gain” of the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

##### (i) *Fair value hedge*

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (3) Financial instruments (continued)

#### *(b) Derivatives and hedge accounting (continued)*

##### *(ii) Cash flow hedge*

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the “capital reserve”. The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss.

#### *(c) Embedded derivatives*

Certain derivatives are embedded into non-derivative hybrid instruments (the host contracts). The embedded derivatives are separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative is separated, the host contract is accounted for as a financial instrument in accordance with the accounting policies as set out in Note 4(3).

#### *(d) Recognition and derecognition*

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

The difference between the carrying amount of the financial asset derecognised and the consideration received and the cumulative changes in fair value previously recognised in equity are recognised in profit or loss.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

##### (3) Financial instruments (continued)

###### (e) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses, if any.

Gains and losses from changes in the fair value of financial instruments at fair value through profit or loss are recognised in profit or loss.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income and reclassified into the profit or loss.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised, impaired or through the amortisation process.

###### (f) Impairment

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following evidence:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of significant financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of the financial asset.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (3) Financial instruments (continued)

#### (f) *Impairment (continued)*

##### *Loans and receivables and held-to-maturity investments*

###### Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

###### Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed and loans and receivables and held-to-maturity investments with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a roll rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables and held-to-maturity investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual losses level is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience.

Impairment losses recognised on a collective basis represent a transitional step which identifies the impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

At the end of each reporting period, collective assessment covers those loans and receivables and held-to-maturity investments that were impaired but were not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

###### Impairment reversal and loan write-offs

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

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

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

##### (3) Financial instruments (continued)

###### (f) *Impairment (continued)*

###### *Loans and receivables and held-to-maturity investments (continued)*

###### Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

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

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed.

###### (g) *Fair value measurement*

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

###### (h) *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (3) Financial instruments (continued)

#### (i) *Securitisations*

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests (“retained interests”). Retained interests are carried at fair value on inception date on the Group’s statement of financial position. Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

#### (j) *Financial assets held under resale agreements and financial assets sold under repurchase agreements*

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

### (4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

### (5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

#### (a) *Cost*

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

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

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

**4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(5) Fixed assets (continued)***(b) Depreciation and impairment*

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values and annual depreciation rates of respective fixed assets are as follows:

| Types of assets | Estimated useful lives | Estimated net residual values | Annual depreciation rates |
|-----------------|------------------------|-------------------------------|---------------------------|
| Bank premises   | 30-35 years            | 3%                            | 2.8%-3.2%                 |
| Equipment       | 3-8 years              | 3%                            | 12.1%-32.3%               |
| Others          | 4-11 years             | 3%                            | 8.8%-24.3%                |

The Group reviews the estimated useful life and estimated residual value of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

*(c) Disposal*

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

**(6) Lease**

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

*(a) Finance lease*

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receivables and initial direct costs at the commencement of the lease term, is included in "loans and advances to customers" on statement of financial position as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies as set out in Note 4(3)(f).

*(b) Operating lease*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

**(7) Land use rights**

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(11).

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (8) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

### (9) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(11).

### (10) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognised and reported in "other assets" in the statement of financial position when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivable, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses (Note 4(11)).

### (11) Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

#### (a) *Testing CGU with goodwill for impairment*

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

##### (11) Allowances for impairment losses on non-financial assets (continued)

###### (a) *Testing CGU with goodwill for impairment (continued)*

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

###### (b) *Impairment loss*

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

###### (c) *Reversing an impairment loss*

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

##### (12) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

###### (a) *Defined contribution retirement schemes*

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

In addition to the statutory provision schemes, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

###### (b) *Housing fund and other social insurance*

In accordance with the related laws, regulations and policies of the PRC, the Group participates in mandatory social insurance programmes, including housing fund, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance etc. The Group makes housing fund and social insurance contributions to government agencies in proportion to each employee's salary and expenses monthly and recognises them in profit or loss on an accrual basis.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (12) Employee benefits (continued)

#### (c) *Supplementary retirement benefits*

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplemental retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

#### (d) *Early retirement expenses*

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

#### (e) *Termination benefits*

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period, when both of the following conditions are satisfied: (i) the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy, which will be implemented immediately; (ii) the Group cannot unilaterally withdraw from the termination plan or the redundancy offer.

#### (f) *Staff incentive plan*

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

### (13) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or nonoccurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (14) Financial guarantees

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

### (15) Fiduciary activities

The Group’s fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

### (16) Income recognition

Provided it is probable that economic benefits will flow to the Group and the amount, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

#### *(a) Interest income*

Interest income for interest bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

#### *(b) Fee and commission income*

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

#### *(c) Finance income from finance leases and hire purchase contracts*

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (16) Income recognition (continued)

#### *(d) Dividend income*

Dividend income from unlisted equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

### (17) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

### (18) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### (19) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

##### (20) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

- (a) the Bank's parents;
- (b) the Bank's subsidiaries;
- (c) other entities which are controlled by the Bank's parents;
- (d) an investor who has joint control over the Group;
- (e) an investor who can exercise significant influence over the Group;
- (f) an associate of the Group;
- (g) a jointly controlled entity of the Group;
- (h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);
- (i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);
- (j) key management personnel of the Bank's parents and close family members of such individuals;
- (k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals; and
- (l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

##### (21) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (22) Significant accounting estimates and judgements

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

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and advance, an available-for-sale or a held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. The same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net off any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

#### *(b) Impairment of available-for-sale equity instruments*

For available-for-sale equity instruments, a significant or other-than-temporary decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or other-than-temporary, the Group considers if the fair value of an available-for-sale equity instrument as at the balance sheet date is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than a year (including one year) together with other relevant considerations.

#### *(c) Fair value of financial instruments*

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transactions.

#### *(d) Reclassification of held-to-maturity investments*

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

##### (22) Significant accounting estimates and judgements (continued)

###### *(e) Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

###### *(f) Employee retirement benefit obligations*

The Group has established liabilities in connection with benefits payable to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's capital reserve and liability related to its employee retirement benefit obligations.

###### *(g) Scope of consolidation*

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

#### 5 TAXATION

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

##### **Business tax**

Business tax is charged at 5% on taxable income.

##### **City construction tax**

City construction tax is calculated as 1% – 7% of business tax.

##### **Education surcharge**

Education surcharge is calculated as 3% of business tax.

##### **Income tax**

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

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

## 6 NET INTEREST INCOME

|  | 2013             | 2012             |
|--|------------------|------------------|
| <b>Interest income arising from:</b>                       |                  |                  |
| Deposits with central banks                                | 37,589           | 34,694           |
| Deposits with banks and non-bank financial institutions    | 19,907           | 17,664           |
| Placements with banks and non-bank financial institutions  | 4,982            | 3,196            |
| Financial assets at fair value through profit or loss      | 1,061            | 825              |
| Financial assets held under resale agreements              | 5,150            | 5,552            |
| Investment securities                                      | 108,515          | 99,619           |
| Loans and advances to customers                            |                  |                  |
| – Corporate loans and advances                             | 330,799          | 318,950          |
| – Personal loans and advances                              | 130,730          | 114,041          |
| – Discounted bills   | 7,520            | 8,700            |
| <b>Total</b>   | <b>646,253</b>   | <b>603,241</b>   |
| <b>Interest expense arising from:</b>                      |                  |                  |
| Borrowings from central banks                              | (3,810)          | (21)             |
| Deposits from banks and non-bank financial institutions    | (18,176)         | (28,867)         |
| Placements from banks and non-bank financial institutions  | (2,826)          | (2,941)          |
| Financial liabilities at fair value through profit or loss | (5)              | (1)              |
| Financial assets sold under repurchase agreements          | (1,097)          | (2,254)          |
| Debt securities issued                                     | (10,207)         | (7,364)          |
| Deposits from customers                                    |                  |                  |
| – Corporate deposits                                       | (109,735)        | (102,804)        |
| – Personal deposits  | (110,853)        | (105,787)        |
| <b>Total</b>   | <b>(256,709)</b> | <b>(250,039)</b> |
| <b>Net interest income</b>                                 | <b>389,544</b>   | <b>353,202</b>   |

### Notes:

- (1) Interest income from impaired financial assets is listed as follows:

|                                 | 2013         | 2012         |
|---------------------------------|--------------|--------------|
| Impaired loans and advances     | 1,446        | 1,612        |
| Other impaired financial assets | 205          | 377          |
| <b>Total</b>                    | <b>1,651</b> | <b>1,989</b> |

- (2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

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## 7 NET FEE AND COMMISSION INCOME

|  | 2013           | 2012           |
|--|----------------|----------------|
| <b>Fee and commission income</b>             |                |                |
| Bank card fees                               | 25,783         | 20,137         |
| Consultancy and advisory fees                | 21,130         | 19,722         |
| Settlement and clearing fees                 | 12,422         | 11,423         |
| Agency service fees                          | 12,395         | 12,772         |
| Wealth management service fees               | 10,680         | 9,381          |
| Commission on trust and fiduciary activities | 9,135          | 8,380          |
| Electronic banking service fees              | 5,740          | 4,760          |
| Credit commitment fees                       | 2,741          | 2,636          |
| Guarantee fees                               | 1,886          | 1,931          |
| Others                                       | 5,520          | 5,076          |
| <b>Total</b>                                 | <b>107,432</b> | <b>96,218</b>  |
| <b>Fee and commission expense</b>            |                |                |
| Bank card transaction fees                   | (2,060)        | (1,757)        |
| Inter-bank transaction fees                  | (481)          | (378)          |
| Others                                       | (608)          | (576)          |
| <b>Total</b>                                 | <b>(3,149)</b> | <b>(2,711)</b> |
| <b>Net fee and commission income</b>         | <b>104,283</b> | <b>93,507</b>  |

## 8 NET TRADING GAIN

|                    | 2013         | 2012         |
|--------------------|--------------|--------------|
| Debt securities    | (488)        | 226          |
| Derivatives        | 2,229        | 1,299        |
| Equity investments | 341          | (421)        |
| Others             | 1,010        | 759          |
| <b>Total</b>       | <b>3,092</b> | <b>1,863</b> |

For the year ended 31 December 2013, trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB4,461 million (2012: loss RMB203 million). Trading gain related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB3,630 million (2012: gain RMB1,680 million).

## 9 DIVIDEND INCOME

|  | 2013       | 2012       |
|--|------------|------------|
| Dividend income from listed trading equity investments     | 22         | 16         |
| Dividend income from available-for-sale equity investments |            |            |
| – Listed   | 104        | 146        |
| – Unlisted   | 320        | 77         |
| <b>Total</b>   | <b>446</b> | <b>239</b> |

## 10 NET GAIN ARISING FROM INVESTMENT SECURITIES

|   | 2013         | 2012         |
|---|--------------|--------------|
| Net gain on sale of available-for-sale financial assets                       | 565          | 1,885        |
| Net revaluation gain reclassified from other comprehensive income on disposal | 595          | 1,546        |
| Net gain on sale of held-to-maturity investments                              | 222          | 103          |
| Net gain on sale of receivables   | 13           | 2            |
| <b>Total</b>  | <b>1,395</b> | <b>3,536</b> |

## 11 OTHER OPERATING INCOME, NET

|  | 2013          | 2012          |
|--|---------------|---------------|
| Insurance related income                   | 6,897         | 5,868         |
| Net foreign exchange gain                  | 1,810         | 1,504         |
| Net gain on disposal of fixed assets       | 169           | 67            |
| Net gain on disposal of repossessed assets | 158           | 72            |
| Others                                     | 3,346         | 2,675         |
| <b>Total</b>                               | <b>12,380</b> | <b>10,186</b> |

Net foreign exchange gain or loss includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and currency swaps entered into in order to economically hedge long positions in foreign currency assets).

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## 12 OPERATING EXPENSES

|  | 2013    | 2012    |
|--|---------|---------|
| Staff costs  |         |         |
| – Salaries, bonuses, allowances and subsidies                          | 58,154  | 54,352  |
| – Defined contribution retirement schemes                              | 11,552  | 10,214  |
| – Other social insurance and welfare                                   | 8,853   | 7,807   |
| – Housing funds  | 5,433   | 4,685   |
| – Union running costs and employee education costs                     | 2,391   | 2,205   |
| – Supplementary retirement benefits                                    | 339     | 366     |
| – Early retirement expenses  | 100     | 73      |
| – Compensation to employees for termination of employment relationship | 8       | 8       |
|  | 86,830  | 79,710  |
| Premises and equipment expenses  |         |         |
| – Depreciation charges   | 13,027  | 11,685  |
| – Rent and property management expenses                                | 7,133   | 6,070   |
| – Maintenance  | 3,016   | 2,516   |
| – Utilities  | 2,049   | 1,872   |
| – Others   | 1,525   | 1,341   |
|  | 26,750  | 23,484  |
| Business taxes and surcharges  | 31,648  | 30,233  |
| Amortisation expenses  | 2,389   | 2,204   |
| Audit fees   | 150     | 144     |
| Other general and administrative expenses                              | 40,418  | 35,306  |
| Total  | 188,185 | 171,081 |

## 13 IMPAIRMENT LOSSES

|   | 2013     | 2012    |
|---|----------|---------|
| Loans and advances to customers           |          |         |
| – Additions                               | 53,498   | 47,273  |
| – Releases                                | (10,832) | (8,943) |
| Available-for-sale debt securities        | (1,144)  | (337)   |
| Available-for-sale equity investments     | 195      | 101     |
| Held-to-maturity investments              | 1,056    | 1,126   |
| Debt securities classified as receivables | (237)    | 406     |
| Fixed assets                              | 58       | 5       |
| Others                                    | 615      | 410     |
| Total                                     | 43,209   | 40,041  |

## 14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

|  | 2013    |                   |  |                                  |                 |
|--|---------|-------------------|--|----------------------------------|-----------------|
|  | Fees    | Remuneration paid | Contributions to defined contribution retirement schemes | Other benefits in kind (note(v)) | Total (note(f)) |
|  | RMB'000 | RMB'000           | RMB'000  | RMB'000                          | RMB'000         |
| <b>Executive directors</b>                 |         |                   |  |                                  |                 |
| Wang Hongzhang (note(vi))                  | -       | 799               | 37   | 293                              | 1,129           |
| Zhang Jianguo (note(vi))                   | -       | 761               | 37   | 311                              | 1,109           |
| Zhu Hongbo (note(ii) & (vi))               | -       | 680               | 37   | 265                              | 982             |
| Hu Zheyi (note(ii) & (vi))                 | -       | 680               | 37   | 265                              | 982             |
| <b>Non-executive directors</b>             |         |                   |  |                                  |                 |
| Qi Shouyin (note(ii) & (iii))              | -       | -                 | -  | -                                | -               |
| Zhang Yanling (note(ii) & (iii))           | -       | -                 | -  | -                                | -               |
| Chen Yuanling (note(iii))                  | -       | -                 | -  | -                                | -               |
| Xu Tie (note(ii) & (iii))                  | -       | -                 | -  | -                                | -               |
| Guo Yanpeng (note(ii) & (iii))             | -       | -                 | -  | -                                | -               |
| Dong Shi (note(iii))                       | -       | -                 | -  | -                                | -               |
| <b>Independent non-executive directors</b> |         |                   |  |                                  |                 |
| Zhang Long (note(ii))                      | -       | -                 | -  | -                                | -               |
| Elaine La Roche                            | 392     | -                 | -  | -                                | 392             |
| Zhao Xijun                                 | 410     | -                 | -  | -                                | 410             |
| Chung Shui Ming Timpson (note(ii))         | 72      | -                 | -  | -                                | 72              |
| Wim Kok (note(ii))                         | 60      | -                 | -  | -                                | 60              |
| Murray Horn (note(ii))                     | 35      | -                 | -  | -                                | 35              |
| Margaret LEUNG KO May Yee (note(ii))       | 34      | -                 | -  | -                                | 34              |
| <b>Supervisors</b>                         |         |                   |  |                                  |                 |
| Zhang Furong (note(vi))                    | -       | 734               | 37   | 312                              | 1,083           |
| Liu Jin (note(vi))                         | -       | 518               | 37   | 228                              | 783             |
| Li Xiaoling (note(ii) & (vi))              | -       | 259               | 19   | 115                              | 393             |
| Jin Panshi (note(iv))                      | 50      | -                 | -  | -                                | 50              |
| Huang Shuping (note(iv))                   | 50      | -                 | -  | -                                | 50              |
| Zhang Huajian (note(ii) & (iv))            | 50      | -                 | -  | -                                | 50              |
| Wang Lin (note(ii) & (iv))                 | -       | -                 | -  | -                                | -               |
| Wang Xinmin (note(ii))                     | 146     | -                 | -  | -                                | 146             |
| Bai Jianjun (note(ii))                     | 146     | -                 | -  | -                                | 146             |

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14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

|   | 2013         |                   |  |                                  |                 |
|---|--------------|-------------------|--|----------------------------------|-----------------|
|   |              | Remuneration paid | Contributions to defined contribution retirement schemes | Other benefits in kind (note(v)) | Total (note(i)) |
|   | Fees         |                   |  |                                  |                 |
|   | RMB'000      | RMB'000           | RMB'000  | RMB'000                          | RMB'000         |
| <b>Former non-executive director</b>              |              |                   |  |                                  |                 |
| Wang Yong (note(ii) & (iii))                      | -            | -                 | -  | -                                | -               |
| Zhu Zhenmin (note(ii) & (iii))                    | -            | -                 | -  | -                                | -               |
| Li Xiaoling (note(ii) & (iii))                    | -            | -                 | -  | -                                | -               |
| <b>Former independent non-executive directors</b> |              |                   |  |                                  |                 |
| Yam Chi Kwong, Joseph (note(ii))                  | 317          | -                 | -  | -                                | 317             |
| Dame Jenny Shipley (note(ii))                     | 440          | -                 | -  | -                                | 440             |
| Wong Kai-Man (note(ii))                           | 440          | -                 | -  | -                                | 440             |
| <b>Former supervisors</b>                         |              |                   |  |                                  |                 |
| Song Fengming (note(ii))                          | 135          | -                 | -  | -                                | 135             |
| Li Weiping (note(ii))                             | 50           | -                 | -  | -                                | 50              |
| Guo Feng (note(ii))                               | 125          | -                 | -  | -                                | 125             |
| Dai Deming (note(ii))                             | 135          | -                 | -  | -                                | 135             |
|   | <b>3,087</b> | <b>4,431</b>      | <b>241</b>   | <b>1,789</b>                     | <b>9,548</b>    |

|  | 2012                  |                          |           |         |                                |                            |   |
|--|-----------------------|--------------------------|-----------|---------|--------------------------------|----------------------------|---|
|  | Basic annual salaries | Annual performance bonus | Allowance | Welfare | Total (before tax) (note(vii)) | Including deferral payment | The actual payment in 2012 (before tax) |
|  | RMB'000               | RMB'000                  | RMB'000   | RMB'000 | RMB'000                        | RMB'000                    | RMB'000                                 |
| <b>Executive directors</b>                 |                       |                          |           |         |                                |                            |   |
| Wang Hongzhang                             | 495                   | 1,164                    | -         | 323     | 1,982                          | 582                        | 1,400                                   |
| Zhang Jianguo                              | 445                   | 1,173                    | -         | 340     | 1,958                          | 586                        | 1,372                                   |
| <b>Non-executive directors</b>             |                       |                          |           |         |                                |                            |   |
| Wang Yong (note(iii))                      | -                     | -                        | -         | -       | -                              | -                          | -                                       |
| Zhu Zhenmin (note(iii))                    | -                     | -                        | -         | -       | -                              | -                          | -                                       |
| Li Xiaoling (note(iii))                    | -                     | -                        | -         | -       | -                              | -                          | -                                       |
| Chen Yuanling (note(iii))                  | -                     | -                        | -         | -       | -                              | -                          | -                                       |
| Dong Shi (note(iii))                       | -                     | -                        | -         | -       | -                              | -                          | -                                       |
| <b>Independent non-executive directors</b> |                       |                          |           |         |                                |                            |   |
| Yam Chi Kwong, Joseph (note(ii))           | -                     | -                        | 380       | -       | 380                            | -                          | 380                                     |
| Dame Jenny Shipley (note(ii))              | -                     | -                        | 440       | -       | 440                            | -                          | 440                                     |
| Elaine La Roche                            | -                     | -                        | 130       | -       | 130                            | -                          | 130                                     |
| Zhao Xijun                                 | -                     | -                        | 410       | -       | 410                            | -                          | 410                                     |
| Wong Kai-Man (note(ii))                    | -                     | -                        | 440       | -       | 440                            | -                          | 440                                     |

## 14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

|   | 2012                  |                          |           |         |                                |                            |   |
|---|-----------------------|--------------------------|-----------|---------|--------------------------------|----------------------------|---|
|   | Basic annual salaries | Annual performance bonus | Allowance | Welfare | Total (before tax) (note(vii)) | Including deferral payment | The actual payment in 2012 (before tax) |
|   | RMB'000               | RMB'000                  | RMB'000   | RMB'000 | RMB'000                        | RMB'000                    | RMB'000                                 |
| <b>Supervisors</b>                                |                       |                          |           |         |                                |                            |   |
| Zhang Furong                                      | 435                   | 1,147                    | –         | 340     | 1,922                          | 573                        | 1,349                                   |
| Liu Jin   | 322                   | 846                      | –         | 255     | 1,423                          | 423                        | 1,000                                   |
| Song Fengming                                     | –                     | –                        | 270       | –       | 270                            | –                          | 270                                     |
| Zhang Huajian (note(iv))                          | –                     | –                        | 50        | –       | 50                             | –                          | 50                                      |
| Jin Panshi (note(iv))                             | –                     | –                        | 50        | –       | 50                             | –                          | 50                                      |
| Li Weiping (note(iv))                             | –                     | –                        | 50        | –       | 50                             | –                          | 50                                      |
| Huang Shuping (note(iv))                          | –                     | –                        | 50        | –       | 50                             | –                          | 50                                      |
| Guo Feng  | –                     | –                        | 250       | –       | 250                            | –                          | 250                                     |
| Dai Deming (note(iii))                            | –                     | –                        | 270       | –       | 270                            | –                          | 270                                     |
| <b>Former executive director</b>                  |                       |                          |           |         |                                |                            |   |
| Chen Zuofu  | 421                   | 1,106                    | –         | 293     | 1,820                          | 553                        | 1,267                                   |
| Zhu Xiaohuang                                     | 281                   | 737                      | –         | 195     | 1,213                          | 369                        | 844                                     |
| <b>Former non-executive directors</b>             |                       |                          |           |         |                                |                            |   |
| Lu Xiaoma (note(iii))                             | –                     | –                        | –         | –       | –                              | –                          | –                                       |
| <b>Former independent non-executive directors</b> |                       |                          |           |         |                                |                            |   |
| Lord Peter Levene                                 | –                     | –                        | 180       | –       | 180                            | –                          | 180                                     |
|   | 2,399                 | 6,173                    | 2,970     | 1,746   | 13,288                         | 3,086                      | 10,202                                  |

### Notes:

- (i) The amounts of emoluments for the year ended 31 December 2013 in respect of the services rendered by the directors and supervisors are subject to the approval of the Bank's shareholders in 2013 Annual General Meeting.
- (ii) In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Zhu Hongbo and Mr. Hu Zheyi commenced their positions as executive directors of the Bank from July 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Qi Shouyin commenced his position as non-executive director of the Bank from July 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Xu Tie commenced his position as non-executive director of the Bank from September 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Chung Shui Ming Timpson and Mr. Wim Kok commenced their positions as independent non-executive directors of the Bank from October 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank and upon approval of the CBRC, Mr. Murray Horn and Ms. Margaret LEUNG KO May Yee commenced their positions as independent non-executive directors of the Bank from December 2013.

In accordance with the resolution at the first extraordinary general meeting of the Bank in 2013 and upon approval of the CBRC, Ms. Zhang Yanling and Mr. Guo Yanpeng commenced their positions as non-executive directors of the Bank from January 2014, and Mr. Zhang Long commenced his position as independent non-executive directors of the Bank from January 2014.

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#### 14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes: (continued)

(ii) (continued)

Upon the conclusion of the 2012 annual general meeting of the Bank, Ms Li Xiaoling ceased to serve as non-executive director of the Bank due to the expiration of her term of office. From 7 June 2013, Mr. Wang Yong ceased to serve as non-executive director of the Bank due to his personal variation of work. In accordance with the arrangement on terms of office of directors approved by the 2012 annual general meeting of the Bank, Mr. Yam Chi Kwong, Joseph ceased to serve as independent non-executive director of the Bank from 23 October 2013, Dame Jenny Shipley and Mr. Wong Kai-Man ceased to serve as independent non-executive director of the Bank from 12 December 2013, and Mr. Zhu Zhenmin ceased to serve as non-executive director of the Bank from 31 December 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank, Ms. Li Xiaoling commenced her position as shareholder representative supervisor of the Bank from June 2013.

In accordance with the resolution at the 2012 annual general meeting of the Bank, Mr. Wang Xinmin and Mr. Bai Jianjun commenced their positions as external supervisors of the Bank from June 2013.

From May 2013, Mr Zhang Huajian resigned as a shareholder representative supervisor of the Bank due to work arrangement. In accordance with the resolution at the second joint meeting of the third employee representatives meeting of the Bank, Mr Zhang Huajian commenced his position as employee representative supervisor of the Bank from June 2013.

In accordance with the resolution at the third meeting of the third employee representatives meeting of the Bank, Mr. Wang Lin commenced his position as employee representative supervisor of the Bank from January 2014.

Upon the conclusion of the 2012 annual general meeting of the Bank, Mr. Song Fengming ceased to serve as shareholder representative supervisor of the Bank, and Mr. Guo Feng and Mr. Dai Deming ceased to serve as external supervisors of the Bank due to the expiration of their terms of office.

From January 2014, Mr. Li Weiping resigned as employee representative supervisor of the Bank due to work arrangement.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2013 and 2012.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2012 and 2013.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2013 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2013. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2012 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2012 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2012 was the final amount.

## 15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

|  | 2013          | 2012          |
|--|---------------|---------------|
|  | RMB'000       | RMB'000       |
| Salaries and allowance                                   | 11,139        | 15,068        |
| Variable compensation                                    | 11,117        | 16,560        |
| Contributions to defined contribution retirement schemes | 1,007         | 1,564         |
| Other benefit in kind                                    | 197           | 215           |
|  | <b>23,460</b> | <b>33,407</b> |

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

|                             | 2013 | 2012 |
|-----------------------------|------|------|
| RMB4,500,001 – RMB5,000,000 | 5    | –    |
| RMB5,000,001 – RMB5,500,000 | –    | 1    |
| RMB5,500,001 – RMB6,000,000 | –    | 1    |
| RMB6,000,001 – RMB6,500,000 | –    | 1    |
| RMB6,500,001 – RMB7,000,000 | –    | 1    |
| RMB9,000,001 – RMB9,500,000 | –    | 1    |

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the year ended 31 December 2013 and 2012.

## 16 INCOME TAX EXPENSE

### (1) Income tax expense

|                               | 2013          | 2012          |
|-------------------------------|---------------|---------------|
| Current tax                   | 68,696        | 61,802        |
| – Mainland China              | 67,803        | 60,939        |
| – Hong Kong                   | 624           | 614           |
| – Other countries and regions | 269           | 249           |
| Adjustments for prior years   | 7             | 606           |
| Deferred tax                  | (4,019)       | (4,571)       |
| Total                         | <b>64,684</b> | <b>57,837</b> |

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the year respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

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## 16 INCOME TAX EXPENSE (CONTINUED)

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

|   | Note | 2013    | 2012    |
|---|------|---------|---------|
| Profit before tax   |      | 279,806 | 251,439 |
| Income tax calculated at statutory tax rate                           |      | 69,952  | 62,860  |
| Non-deductible expenses   | (i)  | 3,626   | 2,116   |
| Non-taxable income  | (ii) | (8,901) | (7,745) |
| Adjustments on income tax for prior years which affect profit or loss |      | 7       | 606     |
| Income tax expense  |      | 64,684  | 57,837  |

- (i) Non-deductible expenses primarily include losses resulting from write-off of loans, staff costs and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.
- (ii) Non-taxable income primarily includes interest income from PRC government bonds.

## 17 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2013 and 2012 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years. 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   | 214,657 | 193,179 |
| Weighted average number of shares (in millions of shares)                                   | 250,011 | 250,011 |
| Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan) | 0.86    | 0.77    |

## 18 CASH AND DEPOSITS WITH CENTRAL BANKS

|                              | Note | Group     |           | Bank      |           |
|------------------------------|------|-----------|-----------|-----------|-----------|
|                              |      | 2013      | 2012      | 2013      | 2012      |
| Cash                         |      | 71,756    | 72,653    | 71,457    | 72,393    |
| Deposits with central banks  |      |           |           |           |           |
| – Statutory deposit reserves | (1)  | 2,254,478 | 2,140,099 | 2,252,239 | 2,138,410 |
| – Surplus deposit reserves   | (2)  | 129,443   | 231,318   | 126,477   | 218,474   |
| – Fiscal deposits            |      | 19,324    | 13,999    | 19,324    | 13,999    |
| Subtotal                     |      | 2,403,245 | 2,385,416 | 2,398,040 | 2,370,883 |
| Total                        |      | 2,475,001 | 2,458,069 | 2,469,497 | 2,443,276 |

- (1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China of the Bank were as follows:

|  | 2013  | 2012  |
|--|-------|-------|
| Reserve rate for RMB deposits              | 20.0% | 20.0% |
| Reserve rate for foreign currency deposits | 5.0%  | 5.0%  |

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

- (2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

## 19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

- (1) Analysed by type of counterparties

|  | Group   |         | Bank    |         |
|--|---------|---------|---------|---------|
|  | 2013    | 2012    | 2013    | 2012    |
| Banks                                      | 317,864 | 583,014 | 325,353 | 581,716 |
| Non-bank financial institutions            | 3,429   | 2,891   | 3,291   | 2,829   |
| Gross balances                             | 321,293 | 585,905 | 328,644 | 584,545 |
| Allowances for impairment losses (Note 38) | (7)     | (7)     | (4)     | (7)     |
| Net balances                               | 321,286 | 585,898 | 328,640 | 584,538 |

- (2) Analysed by geographical sectors

|  | Group   |         | Bank    |         |
|--|---------|---------|---------|---------|
|  | 2013    | 2012    | 2013    | 2012    |
| Mainland China                             | 301,221 | 557,348 | 301,079 | 557,048 |
| Overseas                                   | 20,072  | 28,557  | 27,565  | 27,497  |
| Gross balances                             | 321,293 | 585,905 | 328,644 | 584,545 |
| Allowances for impairment losses (Note 38) | (7)     | (7)     | (4)     | (7)     |
| Net balances                               | 321,286 | 585,898 | 328,640 | 584,538 |

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## 20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

### (1) Analysed by type of counterparties

|  | Group   |         | Bank    |         |
|--|---------|---------|---------|---------|
|  | 2013    | 2012    | 2013    | 2012    |
| Banks                                      | 49,419  | 65,340  | 121,551 | 68,620  |
| Non-bank financial institutions            | 102,673 | 64,362  | 112,050 | 69,444  |
| Gross balances                             | 152,092 | 129,702 | 233,601 | 138,064 |
| Allowances for impairment losses (Note 38) | (27)    | (49)    | (27)    | (49)    |
| Net balances                               | 152,065 | 129,653 | 233,574 | 138,015 |

### (2) Analysed by geographical sectors

|  | Group   |         | Bank    |         |
|--|---------|---------|---------|---------|
|  | 2013    | 2012    | 2013    | 2012    |
| Mainland China                             | 120,157 | 112,441 | 116,641 | 114,655 |
| Overseas                                   | 31,935  | 17,261  | 116,960 | 23,409  |
| Gross balances                             | 152,092 | 129,702 | 233,601 | 138,064 |
| Allowances for impairment losses (Note 38) | (27)    | (49)    | (27)    | (49)    |
| Net balances                               | 152,065 | 129,653 | 233,574 | 138,015 |

## 21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Analysed by nature

|   | Note | Group   |        | Bank    |        |
|---|------|---------|--------|---------|--------|
|   |      | 2013    | 2012   | 2013    | 2012   |
| Held for trading purpose                        | (1)  |         |        |         |        |
| – Debt securities                               |      | 76,532  | 16,404 | 76,288  | 16,206 |
| – Equity instruments                            |      | 355     | 378    | –       | –      |
| – Funds   |      | 262     | 443    | –       | –      |
|   |      | 77,149  | 17,225 | 76,288  | 16,206 |
| Designated at fair value through profit or loss | (2)  |         |        |         |        |
| – Debt securities                               |      | 2,432   | 4,188  | –       | –      |
| – Equity instruments                            |      | 5,903   | 6,159  | –       | –      |
| – Other debt instruments                        |      | 278,566 | –      | 280,566 | –      |
|   |      | 286,901 | 10,347 | 280,566 | –      |
| Total   |      | 364,050 | 27,572 | 356,854 | 16,206 |

### Analysed by types of issuers

#### (1) Held for trading purpose

##### (a) Debt securities

|   | Note | Group  |        | Bank   |        |
|---|------|--------|--------|--------|--------|
|   |      | 2013   | 2012   | 2013   | 2012   |
| Government                                |      | 1,810  | 818    | 1,802  | 814    |
| Central banks                             |      | –      | 80     | –      | 80     |
| Policy banks                              |      | 3,153  | 904    | 3,153  | 904    |
| Banks and non-bank financial institutions |      | 17,766 | 3,149  | 17,749 | 3,149  |
| Others                                    |      | 53,803 | 11,453 | 53,584 | 11,259 |
| Total                                     |      | 76,532 | 16,404 | 76,288 | 16,206 |
| Listed                                    | (i)  | 76,532 | 16,404 | 76,288 | 16,206 |
| – of which in Hong Kong                   |      | 68     | 23     | –      | –      |
| Total                                     |      | 76,532 | 16,404 | 76,288 | 16,206 |

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

##### (b) Equity instruments and funds

|   | Group |      |
|---|-------|------|
|   | 2013  | 2012 |
| Banks and non-bank financial institutions | 206   | 404  |
| Others                                    | 411   | 417  |
| Total                                     | 617   | 821  |
| Listed                                    | 406   | 416  |
| – of which in Hong Kong                   | 270   | 240  |
| Unlisted                                  | 211   | 405  |
| Total                                     | 617   | 821  |

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**21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

Analysed by types of issuers (continued)

(2) Designated at fair value through profit or loss

(a) *Debt securities*

|   | Note | Group        |              |
|---|------|--------------|--------------|
|   |      | 2013         | 2012         |
| Policy banks                              |      | 241          | 258          |
| Banks and non-bank financial institutions |      | 516          | 548          |
| Others                                    |      | 1,675        | 3,382        |
| <b>Total</b>                              |      | <b>2,432</b> | <b>4,188</b> |
| Listed                                    | (i)  | 789          | 1,047        |
| – of which in Hong Kong                   |      | 789          | 965          |
| Unlisted                                  |      | 1,643        | 3,141        |
| <b>Total</b>                              |      | <b>2,432</b> | <b>4,188</b> |

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(b) *Equity instruments*

|   | Group        |              |
|---|--------------|--------------|
|   | 2013         | 2012         |
| Banks and non-bank financial institutions | 591          | 804          |
| Others                                    | 5,312        | 5,355        |
| <b>Total</b>                              | <b>5,903</b> | <b>6,159</b> |
| Listed                                    | 1,958        | 1,399        |
| – of which in Hong Kong                   | 1,305        | 1,046        |
| Unlisted                                  | 3,945        | 4,760        |
| <b>Total</b>                              | <b>5,903</b> | <b>6,159</b> |

(c) *Other debt instruments*

|   | Group          |          | Bank           |          |
|---|----------------|----------|----------------|----------|
|   | 2013           | 2012     | 2013           | 2012     |
| Banks and non-bank financial institutions | 278,506        | –        | 280,506        | –        |
| Other corporate entities                  | 60             | –        | 60             | –        |
| <b>Total</b>                              | <b>278,566</b> | <b>–</b> | <b>280,566</b> | <b>–</b> |

Other debt instruments were mainly the deposits with banks invested by principal guaranteed wealth management products.

There was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss.

## 22 DERIVATIVES AND HEDGE ACCOUNTING

### (1) Analysed by type of contract

#### Group

|                         | 2013             |               |               | 2012             |               |               |
|-------------------------|------------------|---------------|---------------|------------------|---------------|---------------|
|                         | Notional amounts | Assets        | Liabilities   | Notional amounts | Assets        | Liabilities   |
| Interest rate contracts | 262,454          | 1,415         | 1,302         | 368,207          | 3,143         | 2,870         |
| Exchange rate contracts | 1,739,985        | 16,272        | 16,890        | 1,017,303        | 9,059         | 7,832         |
| Other contracts         | 15,774           | 1,223         | 1,680         | 12,153           | 469           | 839           |
| <b>Total</b>            | <b>2,018,213</b> | <b>18,910</b> | <b>19,872</b> | <b>1,397,663</b> | <b>12,671</b> | <b>11,541</b> |

#### Bank

|                         | 2013             |               |               | 2012             |               |               |
|-------------------------|------------------|---------------|---------------|------------------|---------------|---------------|
|                         | Notional amounts | Assets        | Liabilities   | Notional amounts | Assets        | Liabilities   |
| Interest rate contracts | 254,779          | 1,402         | 1,284         | 360,165          | 3,127         | 2,831         |
| Exchange rate contracts | 1,501,564        | 14,272        | 14,879        | 905,066          | 8,382         | 7,155         |
| Other contracts         | 13,659           | 829           | 633           | 10,667           | 158           | 59            |
| <b>Total</b>            | <b>1,770,002</b> | <b>16,503</b> | <b>16,796</b> | <b>1,275,898</b> | <b>11,667</b> | <b>10,045</b> |

### (2) Analysed by credit risk-weighted assets

|  | 2013          |               |
|--|---------------|---------------|
|  | Group         | Bank          |
| Counterparty credit default risk-weighted assets |               |               |
| – Interest rate contracts                        | 1,387         | 1,381         |
| – Exchange rate contracts                        | 17,739        | 15,276        |
| – Other contracts                                | 1,238         | 808           |
| <b>Subtotal</b>                                  | <b>20,364</b> | <b>17,465</b> |
| Credit value adjustment                          | 8,688         | 7,962         |
| <b>Total</b>                                     | <b>29,052</b> | <b>25,427</b> |

The notional amounts of derivatives only represent the unsettled transactions volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013 the Group has adopted Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other related policies. According to the new rules set out by the CBRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of counterparties, maturity and back-to-back client-driven transactions.

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## 22 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

### (3) Hedge accounting

The following designated hedging instruments are included in the derivatives financial instruments disclosed above.

#### Group

|  | 2013             |        |             | 2012             |        |             |
|--|------------------|--------|-------------|------------------|--------|-------------|
|  | Notional amounts | Assets | Liabilities | Notional amounts | Assets | Liabilities |
| Fair value hedges                          |                  |        |             |                  |        |             |
| Interest rate swaps                        | 10,020           | 58     | (100)       | 6,786            | 126    | (174)       |
| Cash flow hedges Foreign exchange forwards | 51,093           | -      | (1,862)     | -                | -      | -           |
| Total                                      | 61,113           | 58     | (1,962)     | 6,786            | 126    | (174)       |

#### Bank

|  | 2013             |        |             | 2012             |        |             |
|--|------------------|--------|-------------|------------------|--------|-------------|
|  | Notional amounts | Assets | Liabilities | Notional amounts | Assets | Liabilities |
| Fair value hedges                          |                  |        |             |                  |        |             |
| Interest rate swaps                        | 10,020           | 58     | (100)       | 6,786            | 126    | (174)       |
| Cash flow hedges Foreign exchange forwards | 50,805           | -      | (1,860)     | -                | -      | -           |
| Total                                      | 60,825           | 58     | (1,960)     | 6,786            | 126    | (174)       |

#### (a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value of available-for-sale financial assets, certificates of deposit issued, placements with banks and non-bank financial institutions and loans and advances to customers arising from changes in interest rates.

Gains or losses on fair value hedges are as follows:

|                       | 2013 | 2012  |
|-----------------------|------|-------|
| Net (losses)/gains on |      |       |
| - hedging instruments | (5)  | 103   |
| - hedged items        | 5    | (103) |

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2012 and 2013.

#### (b) Cash flow hedge

The Group uses foreign exchange forwards to hedge against exposures to cash flow variability primarily from foreign exchange risks of loans and advances to customers. The maturities of hedging instruments and hedged items are both within one year.

For the year ended 31 December 2013, a net loss from the cash flow hedge of RMB148 million was recognised in other comprehensive income and accumulated in "capital reserve", and the gain and loss arising from ineffective portion of cash flow hedge was immaterial for the year ended 31 December 2013.

There were no transactions for which cash flow hedge accounting had to be ceased for the year ended 31 December 2013, as a result of the highly probable cash flows no longer being expected to occur.

## 23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements by underlying assets are shown as follows:

|   | Group   |         | Bank    |         |
|---|---------|---------|---------|---------|
|   | 2013    | 2012    | 2013    | 2012    |
| Securities  |         |         |         |         |
| – Government bonds  | 120,156 | 67,125  | 119,891 | 67,125  |
| – Bills issued by the PBOC  | 10,109  | 3,733   | 10,109  | 3,733   |
| – Debt securities issued by banks and non-bank financial institutions | 129,706 | 144,215 | 129,483 | 144,154 |
| Subtotal  | 259,971 | 215,073 | 259,483 | 215,012 |
| Discounted bills  | 19,876  | 94,612  | 19,876  | 94,612  |
| Loans and advances to customers                                       | 1,600   | 7,000   | 1,600   | 7,000   |
| Total and net balances  | 281,447 | 316,685 | 280,959 | 316,624 |

## 24 INTEREST RECEIVABLE

|   | Group  |        | Bank   |        |
|---|--------|--------|--------|--------|
|   | 2013   | 2012   | 2013   | 2012   |
| Deposits with central banks                             | 1,040  | 988    | 1,039  | 987    |
| Deposits with banks and non-bank financial institutions | 5,035  | 3,346  | 4,879  | 3,220  |
| Financial assets held under resale agreements           | 153    | 807    | 150    | 807    |
| Loans and advances to customers                         | 23,408 | 20,408 | 21,579 | 20,006 |
| Debt securities   | 50,551 | 42,398 | 50,234 | 42,218 |
| Others  | 545    | 318    | 1,145  | 344    |
| Gross balances  | 80,732 | 68,265 | 79,026 | 67,582 |
| Allowances for impairment losses (Note 38)              | (1)    | (1)    | (1)    | (1)    |
| Net balances  | 80,731 | 68,264 | 79,025 | 67,581 |

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**25 LOANS AND ADVANCES TO CUSTOMERS**

(1) Analysed by nature

|  | Group     |           | Bank      |           |
|--|-----------|-----------|-----------|-----------|
|  | 2013      | 2012      | 2013      | 2012      |
| Corporate loans and advances               |           |           |           |           |
| – Loans                                    | 5,897,249 | 5,230,891 | 5,644,616 | 5,134,038 |
| – Finance leases                           | 44,956    | 38,630    | –         | –         |
|  | 5,942,205 | 5,269,521 | 5,644,616 | 5,134,038 |
| Personal loans and advances                |           |           |           |           |
| – Residential mortgages                    | 1,896,203 | 1,543,966 | 1,880,227 | 1,528,757 |
| – Personal business loans                  | 95,342    | 104,096   | 91,655    | 101,776   |
| – Personal consumer loans                  | 76,174    | 84,631    | 71,490    | 80,556    |
| – Credit cards                             | 273,228   | 182,507   | 268,663   | 177,936   |
| – Others                                   | 163,891   | 135,894   | 152,627   | 128,801   |
|  | 2,504,838 | 2,051,094 | 2,464,662 | 2,017,826 |
| Discounted bills                           | 143,014   | 191,697   | 142,842   | 191,540   |
| Gross loans and advances to customers      | 8,590,057 | 7,512,312 | 8,252,120 | 7,343,404 |
| Allowances for impairment losses (Note 38) | (228,696) | (202,433) | (226,705) | (201,087) |
| – Individual assessment                    | (52,137)  | (45,814)  | (51,885)  | (45,678)  |
| – Collective assessment                    | (176,559) | (156,619) | (174,820) | (155,409) |
| Net loans and advances to customers        | 8,361,361 | 7,309,879 | 8,025,415 | 7,142,317 |

## 25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (2) Analysed by assessment method of allowances for impairment losses

| Group                                      | (note(a))<br>Loans and<br>advances<br>for which<br>allowances<br>are collectively<br>assessed | (note(b))<br>Impaired loans and advances                |   | Total            |
|--|---|---|---|------------------|
|  |   | for which<br>allowances<br>are collectively<br>assessed | for which<br>allowances<br>are individually<br>assessed |                  |
| <b>Group</b>                               |   |   |   |                  |
| As at 31 December 2013                     |   |   |   |                  |
| Gross loans and advances to customers      | 8,504,793   | 8,112   | 77,152  | 8,590,057        |
| Allowances for impairment losses           | (171,027)   | (5,532)   | (52,137)  | (228,696)        |
| <b>Net loans and advances to customers</b> | <b>8,333,766</b>  | <b>2,580</b>  | <b>25,015</b>   | <b>8,361,361</b> |
| As at 31 December 2012                     |   |   |   |                  |
| Gross loans and advances to customers      | 7,437,694   | 5,991   | 68,627  | 7,512,312        |
| Allowances for impairment losses           | (152,710)   | (3,909)   | (45,814)  | (202,433)        |
| <b>Net loans and advances to customers</b> | <b>7,284,984</b>  | <b>2,082</b>  | <b>22,813</b>   | <b>7,309,879</b> |
| <b>Bank</b>                                |   |   |   |                  |
| As at 31 December 2013                     |   |   |   |                  |
| Gross loans and advances to customers      | 8,167,339   | 8,002   | 76,779  | 8,252,120        |
| Allowances for impairment losses           | (169,308)   | (5,512)   | (51,885)  | (226,705)        |
| <b>Net loans and advances to customers</b> | <b>7,998,031</b>  | <b>2,490</b>  | <b>24,894</b>   | <b>8,025,415</b> |
| As at 31 December 2012                     |   |   |   |                  |
| Gross loans and advances to customers      | 7,269,057   | 5,895   | 68,452  | 7,343,404        |
| Allowances for impairment losses           | (151,510)   | (3,899)   | (45,678)  | (201,087)        |
| <b>Net loans and advances to customers</b> | <b>7,117,547</b>  | <b>1,996</b>  | <b>22,774</b>   | <b>7,142,317</b> |

- (a) Loans and advances assessed on a collective basis for impairment are those graded normal or special mention.
- (b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:
- individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
  - collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2013 is 0.99% (2012: 0.99 %).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 31 December 2013 is 1.03% (2012: 1.01 %).

- (c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 65(1).

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**25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**

(3) Movements of allowances for impairment losses

**Group**

|                         | Note | 2013  |  |                                 | Total    |
|-------------------------|------|---|--|---------------------------------|----------|
|                         |      | Allowances for loans and advances which are collectively assessed | Allowances for impaired loans and advances |                                 |          |
|                         |      |   | which are collectively assessed            | which are individually assessed |          |
| As at 1 January         |      | 152,710   | 3,909                                      | 45,814                          | 202,433  |
| Charge for the year     |      | 18,317  | 2,941                                      | 32,240                          | 53,498   |
| Release during the year |      | –   | –  | (10,832)                        | (10,832) |
| Unwinding of discount   |      | –   | –  | (1,446)                         | (1,446)  |
| Transfers out           | (a)  | –   | (3)  | (4,858)                         | (4,861)  |
| Write-offs              |      | –   | (1,427)                                    | (10,441)                        | (11,868) |
| Recoveries              |      | –   | 112  | 1,660                           | 1,772    |
| As at 31 December       |      | 171,027   | 5,532                                      | 52,137                          | 228,696  |

|                         | Note | 2012  |  |                                 | Total   |
|-------------------------|------|---|--|---------------------------------|---------|
|                         |      | Allowances for loans and advances which are collectively assessed | Allowances for impaired loans and advances |                                 |         |
|                         |      |   | which are collectively assessed            | which are individually assessed |         |
| As at 1 January         |      | 129,832   | 3,276                                      | 38,109                          | 171,217 |
| Charge for the year     |      | 22,878  | 1,371                                      | 23,024                          | 47,273  |
| Release during the year |      | –   | –  | (8,943)                         | (8,943) |
| Unwinding of discount   |      | –   | –  | (1,612)                         | (1,612) |
| Transfers out           |      | –   | (5)  | (232)                           | (237)   |
| Write-offs              | (a)  | –   | (832)                                      | (5,821)                         | (6,653) |
| Recoveries              |      | –   | 99   | 1,289                           | 1,388   |
| As at 31 December       |      | 152,710   | 3,909                                      | 45,814                          | 202,433 |

**Bank**

|                         | Note | 2013  |  |                                 | Total    |
|-------------------------|------|---|--|---------------------------------|----------|
|                         |      | Allowances for loans and advances which are collectively assessed | Allowances for impaired loans and advances |                                 |          |
|                         |      |   | which are collectively assessed            | which are individually assessed |          |
| As at 1 January         |      | 151,510   | 3,899                                      | 45,678                          | 201,087  |
| Charge for the year     |      | 17,848  | 2,846                                      | 32,086                          | 52,780   |
| Release during the year |      | –   | –  | (10,821)                        | (10,821) |
| Unwinding of discount   |      | –   | –  | (1,446)                         | (1,446)  |
| Transfers out           | (a)  | (50)  | (1)  | (4,844)                         | (4,895)  |
| Write-offs              |      | –   | (1,317)                                    | (10,424)                        | (11,741) |
| Recoveries              |      | –   | 85   | 1,656                           | 1,741    |
| As at 31 December       |      | 169,308   | 5,512                                      | 51,885                          | 226,705  |

## 25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (3) Movements of allowances for impairment losses (continued)

#### Bank (continued)

|                         | Note | 2012  |  |                                 | Total   |
|-------------------------|------|---|--|---------------------------------|---------|
|                         |      | Allowances for loans and advances which are collectively assessed | Allowances for impaired loans and advances |                                 |         |
|                         |      |   | which are collectively assessed            | which are individually assessed |         |
| As at 1 January         |      | 128,898   | 3,265                                      | 38,020                          | 170,183 |
| Charge for the year     |      | 22,612  | 1,292                                      | 22,954                          | 46,858  |
| Release during the year |      | –   | –  | (8,921)                         | (8,921) |
| Unwinding of discount   |      | –   | –  | (1,612)                         | (1,612) |
| Transfers out           | (a)  | –   | (2)  | (231)                           | (233)   |
| Write-offs              |      | –   | (731)                                      | (5,820)                         | (6,551) |
| Recoveries              |      | –   | 75   | 1,288                           | 1,363   |
| As at 31 December       |      | 151,510   | 3,899                                      | 45,678                          | 201,087 |

(a) Transfers out include the transfer of allowances for impairment losses upon disposal of non-performing loans and repossession of assets.

### (4) Overdue loans analysed by overdue period

#### 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   | 5,521                       | 2,684                                     | 1,316                                    | 984                      | 10,505 |
| Guaranteed loans  | 6,873                       | 11,769                                    | 10,544                                   | 2,478                    | 31,664 |
| Loans secured by tangible assets other than monetary assets | 12,274                      | 9,849                                     | 12,471                                   | 5,138                    | 39,732 |
| Loans secured by monetary assets                            | 409                         | 1,801                                     | 2,221                                    | 372                      | 4,803  |
| Total   | 25,077                      | 26,103                                    | 26,552                                   | 8,972                    | 86,704 |
| As a percentage of gross loans and advances to customers    | 0.30%                       | 0.30%                                     | 0.31%                                    | 0.10%                    | 1.01%  |

|   | 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   | 3,630                       | 1,310                                     | 897                                      | 1,151                    | 6,988  |
| Guaranteed loans  | 5,384                       | 9,740                                     | 4,405                                    | 4,112                    | 23,641 |
| Loans secured by tangible assets other than monetary assets | 14,550                      | 12,328                                    | 7,717                                    | 6,664                    | 41,259 |
| Loans secured by monetary assets                            | 1,151                       | 2,462                                     | 909                                      | 666                      | 5,188  |
| Total   | 24,715                      | 25,840                                    | 13,928                                   | 12,593                   | 77,076 |
| As a percentage of gross loans and advances to customers    | 0.33%                       | 0.34%                                     | 0.19%                                    | 0.17%                    | 1.03%  |

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**25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**

(4) Overdue loans analysed by overdue period (continued)

**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   | 5,440                       | 2,559                                     | 1,316                                    | 944                      |  | 10,259        |
| Guaranteed loans  | 6,806                       | 11,714                                    | 10,427                                   | 2,478                    |  | 31,425        |
| Loans secured by tangible assets other than monetary assets | 11,872                      | 9,787                                     | 12,464                                   | 5,138                    |  | 39,261        |
| Loans secured by monetary assets                            | 402                         | 1,801                                     | 2,221                                    | 372                      |  | 4,796         |
| <b>Total</b>  | <b>24,520</b>               | <b>25,861</b>                             | <b>26,428</b>                            | <b>8,932</b>             |  | <b>85,741</b> |
| As a percentage of gross loans and advances to customers    | 0.30%                       | 0.31%                                     | 0.32%                                    | 0.11%                    |  | 1.04%         |

|   | 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   | 3,536                       | 1,299                                     | 894                                      | 1,104                    |  | 6,833         |
| Guaranteed loans  | 5,371                       | 9,686                                     | 4,336                                    | 4,112                    |  | 23,505        |
| Loans secured by tangible assets other than monetary assets | 14,212                      | 12,322                                    | 7,717                                    | 6,662                    |  | 40,913        |
| Loans secured by monetary assets                            | 1,151                       | 2,462                                     | 909                                      | 666                      |  | 5,188         |
| <b>Total</b>  | <b>24,270</b>               | <b>25,769</b>                             | <b>13,856</b>                            | <b>12,544</b>            |  | <b>76,439</b> |
| As a percentage of gross loans and advances to customers    | 0.33%                       | 0.35%                                     | 0.19%                                    | 0.17%                    |  | 1.04%         |

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

## 26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

### Analysed by nature

|                    | Note | Group          |                | Bank           |                |
|--------------------|------|----------------|----------------|----------------|----------------|
|                    |      | 2013           | 2012           | 2013           | 2012           |
| Debt securities    | (1)  | 746,626        | 688,814        | 708,413        | 672,073        |
| Equity instruments | (2)  | 12,991         | 11,430         | 6,332          | 9,343          |
| Funds              | (2)  | 675            | 797            | –              | –              |
| <b>Total</b>       | (3)  | <b>760,292</b> | <b>701,041</b> | <b>714,745</b> | <b>681,416</b> |

### (1) Debt securities

#### Analysed by type of issuers

|   | Note | Group          |                | Bank           |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2013           | 2012           | 2013           | 2012           |
| Government                                |      | 157,824        | 92,364         | 139,426        | 91,450         |
| Central banks                             |      | 9,690          | 100,176        | 6,059          | 95,473         |
| Policy banks                              |      | 107,059        | 76,655         | 106,835        | 76,655         |
| Banks and non-bank financial institutions |      | 236,105        | 192,276        | 224,925        | 184,917        |
| Public sector entities                    |      | 98             | 341            | 79             | 341            |
| Other enterprises                         |      | 235,850        | 227,002        | 231,089        | 223,237        |
| <b>Total</b>                              |      | <b>746,626</b> | <b>688,814</b> | <b>708,413</b> | <b>672,073</b> |
| Listed                                    | (i)  | 696,600        | 641,715        | 687,769        | 637,694        |
| – of which in Hong Kong                   |      | 1,482          | 1,284          | 1,317          | 1,117          |
| Unlisted                                  |      | 50,026         | 47,099         | 20,644         | 34,379         |
| <b>Total</b>                              |      | <b>746,626</b> | <b>688,814</b> | <b>708,413</b> | <b>672,073</b> |

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

### (2) Equity instruments and funds

|                                      | Group         |               | Bank         |              |
|--------------------------------------|---------------|---------------|--------------|--------------|
|                                      | 2013          | 2012          | 2013         | 2012         |
| Debt equity swap (“DES”) Investments | 4,978         | 7,931         | 4,978        | 7,931        |
| Other equity instruments             | 8,013         | 3,499         | 1,354        | 1,412        |
| Funds                                | 675           | 797           | –            | –            |
| <b>Total</b>                         | <b>13,666</b> | <b>12,227</b> | <b>6,332</b> | <b>9,343</b> |
| Listed                               | 7,397         | 8,489         | 5,338        | 7,848        |
| – of which in Hong Kong              | 554           | 623           | 554          | 623          |
| Unlisted                             | 6,269         | 3,738         | 994          | 1,495        |
| <b>Total</b>                         | <b>13,666</b> | <b>12,227</b> | <b>6,332</b> | <b>9,343</b> |

Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control, joint control or significant influence over these entities.

- (3) As at 31 December 2013, the Group’s and the Bank’s cost of available for sale debt securities was RMB778,733 million and RMB740,117 million respectively (2012: RMB694,686 million and RMB677,889 million respectively). The Group’s and the Bank’s cost of available for sale equity instruments and funds was RMB14,249 million and RMB7,343 million respectively (2012: RMB10,740 million and RMB8,648 million respectively).

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## 27 HELD-TO-MATURITY INVESTMENTS

### Analysed by types of issuers

|  | Note | Group     |           | Bank      |           |
|--|------|-----------|-----------|-----------|-----------|
|  |      | 2013      | 2012      | 2013      | 2012      |
| Government                                 |      | 865,879   | 796,075   | 865,226   | 795,422   |
| Central banks                              |      | 188,220   | 235,053   | 188,220   | 235,053   |
| Policy banks                               |      | 335,397   | 273,270   | 335,397   | 273,270   |
| Banks and non-bank financial institutions  |      | 557,732   | 526,376   | 555,965   | 525,879   |
| Other enterprises                          |      | 157,831   | 91,626    | 155,394   | 90,265    |
| Gross balances                             |      | 2,105,059 | 1,922,400 | 2,100,202 | 1,919,889 |
| Allowances for impairment losses (Note 38) |      | (4,521)   | (4,078)   | (4,461)   | (4,078)   |
| Net balances                               |      | 2,100,538 | 1,918,322 | 2,095,741 | 1,915,811 |
| Listed                                     | (1)  | 2,087,353 | 1,895,728 | 2,084,990 | 1,893,618 |
| – of which in Hong Kong                    |      | 240       | –         | 240       | –         |
| Unlisted                                   |      | 13,185    | 22,594    | 10,751    | 22,193    |
| Total                                      |      | 2,100,538 | 1,918,322 | 2,095,741 | 1,915,811 |
| Market value of listed securities          |      | 1,985,172 | 1,894,253 | 1,982,856 | 1,892,131 |

(1) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

## 28 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

|   | Note | Group   |         | Bank    |         |
|---|------|---------|---------|---------|---------|
|   |      | 2013    | 2012    | 2013    | 2012    |
| Government                                |      |         |         |         |         |
| – Special government bond                 | (1)  | 49,200  | 49,200  | 49,200  | 49,200  |
| – Others                                  |      | 768     | 755     | 530     | 530     |
| Banks and non-bank financial institutions |      | 85,206  | 79,707  | 82,494  | 77,960  |
| China Cinda Assets Management Co., Ltd.   | (2)  | 18,852  | 57,622  | 18,852  | 57,622  |
| Other enterprises                         |      | 36,495  | 33,450  | 31,949  | 33,450  |
| Gross balances                            |      | 190,521 | 220,734 | 183,025 | 218,762 |
| Allowance for impairment losses (Note 38) |      | (784)   | (1,021) | (773)   | (1,021) |
| Net balances                              |      | 189,737 | 219,713 | 182,252 | 217,741 |
| Listed outside Hong Kong                  | (3)  | 52,599  | 31,537  | 52,361  | 31,537  |
| Unlisted                                  |      | 137,138 | 188,176 | 129,891 | 186,204 |
| Total                                     |      | 189,737 | 219,713 | 182,252 | 217,741 |

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance (“MOF”) in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank’s use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) China Cinda Assets Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation) (“Cinda”) issued a bond (“Cinda Bond”) with a nominal value of RMB247 billion specifically to CCB in 1999 with a fixed coupon rate of 2.25%. Cinda Bond has been extended for 10 years upon its expiry and the interest rate remained unchanged from 2009. Cinda has repaid RMB228.2 billion of the principal amount of the bond as at 31 December 2013.

(3) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed outside Hong Kong.

## 29 INVESTMENTS IN SUBSIDIARIES

### (1) Investment cost

|   | 2013          | 2012          |
|---|---------------|---------------|
| CCB Financial Leasing Corporation Limited (“CCBFLCL”)                     | 4,663         | 4,663         |
| CCB Life Insurance Company Limited (“CCB Life”)                           | 3,902         | 3,902         |
| Jianxin Trust Corporation Limited (“Jianxin Trust”)                       | 3,409         | 3,409         |
| China Construction Bank (London) Limited (“CCB London”)                   | 2,861         | 1,361         |
| China Construction Bank (Europe) S.A. (“CCB Europe”)                      | 1,629         | –             |
| Sino-German Bausparkasse Corporation Limited (“Sino-German”)              | 1,502         | 1,502         |
| China Construction Bank (Russia) Limited Liability Company (“CCB Russia”) | 851           | –             |
| Golden Fountain Finance Limited (“Golden Fountain”)                       | 676           | –             |
| China Construction Bank (Dubai) Limited (“CCB Dubai”)                     | 620           | –             |
| Sing Jian Development Company Limited (“SJDCL”)                           | 383           | 383           |
| CCB Principal Asset Management Corporation Limited (“CCB Principal”)      | 130           | 130           |
| CCB International Group Holdings Limited (“CCBIG”)                        | –             | –             |
| Rural Banks   | 1,378         | 1,326         |
| <b>Total</b>  | <b>22,004</b> | <b>16,676</b> |

The total investment amount of rural banks consists of investment costs of 27 rural banks in total, which are established and controlled by the Bank in substance (2012: 26 rural banks).

### (2) Major subsidiaries of the Group are unlisted enterprises; details of the investments in subsidiaries are as follows:

| Name of company   | Place of incorporation      | Particulars of issued and paid up capital | Principal activities     | % of ownership directly held by the Bank | % of ownership indirectly held by the Bank | % of voting rights held by the Bank |
|---|-----------------------------|---|--------------------------|--|--|-------------------------------------|
| CCBFLCL   | Beijing, the PRC            | RMB4,500 million                          | Financial leasing        | 100%                                     | –  | 100%                                |
| CCB Life  | Shanghai, the PRC           | RMB4,496 million                          | Insurance                | 51%                                      | –  | 51%                                 |
| Jianxin Trust   | Anhui, the PRC              | RMB1,527 million                          | Trust business           | 67%                                      | –  | 67%                                 |
| CCB London  | London, United Kingdom      | US\$200 million<br>RMB1,500 million       | Commercial banking       | 100%                                     | –  | 100%                                |
| CCB Europe  | Luxembourg                  | Euro 200 million                          | Commercial banking       | 100%                                     | –  | 100%                                |
| Sino-German   | Tianjin, the PRC            | RMB2,000 million                          | House savings bank       | 75.1%                                    | –  | 75.1%                               |
| CCB Russia  | Moscow, Russia              | RUB 4,200 million                         | Commercial banking       | 100%                                     | –  | 100%                                |
| Golden Fountain   | British Virgin Islands      | US\$50,000                                | Investment               | 100%                                     | –  | 100%                                |
| CCB Dubai   | Dubai, United Arab Emirates | US\$100 million                           | Commercial banking       | 100%                                     | –  | 100%                                |
| SJDCL   | Hong Kong, the PRC          | HK\$300 million                           | Investment               | 100%                                     | –  | 100%                                |
| CCB Principal   | Beijing, the PRC            | RMB200 million                            | Fund management services | 65%                                      | –  | 65%                                 |
| CCBIG   | Hong Kong, the PRC          | HK\$1                                     | Investment               | 100%                                     | –  | 100%                                |
| CCB International (Holdings) Limited (“CCBI”)                   | Hong Kong, the PRC          | US\$601 million                           | Investment               | –  | 100%                                       | 100%                                |
| China Construction Bank (Asia) Corporation Limited (“CCB Asia”) | Hong Kong, the PRC          | HK\$6,511 million<br>RMB17,600 million    | Commercial banking       | –  | 100%                                       | 100%                                |

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## 29 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (3) As at 31 December 2013, the amount of the non-controlling interests of the subsidiaries is immaterial to the Group.

## 30 INTERESTS IN ASSOCIATES AND JOINT VENTURES

- (1) The movement of the Group's interests in associates and joint ventures is as follows:

|  | 2013  | 2012  |
|--|-------|-------|
| As at 1 January                          | 2,366 | 2,069 |
| Acquisition during the year              | 304   | 294   |
| Disposal during the year                 | (27)  | (4)   |
| Share of profits less losses             | 60    | 28    |
| Cash dividend receivable                 | (10)  | (11)  |
| Effect of exchange difference and others | (69)  | (10)  |
| Total                                    | 2,624 | 2,366 |

- (2) Details of the interests in major associates and joint ventures are as follows:

| Name of Company   | Place of incorporation | Particulars of issued and paid up capital | Principal activities                  | % of ownership held | % of voting held | Total assets at year end | Total liabilities at year end | Revenue for the year | Net profit for the year |
|---|------------------------|---|---------------------------------------|---------------------|------------------|--------------------------|-------------------------------|----------------------|-------------------------|
| QBE Hong Kong and Shanghai Insurance Limited                      | Hong Kong, the PRC     | HK\$78,192,220                            | Insurance                             | 25.50%              | 25.50%           | 2,621                    | 1,989                         | 806                  | 79                      |
| Diamond String Limited  | Hong Kong, the PRC     | HK\$10,000                                | Property investment                   | 50.00%              | 50.00%           | 1,644                    | 1,633                         | 106                  | 13                      |
| CCBT Private Equity Fund  | Beijing, the PRC       | RMB365 million                            | Investment management and consultancy | 45.70%              | 50.00%           | 543                      | 13                            | 2                    | (13)                    |
| Shandong Peninsula Ocean Blue Economic Investment Company Limited | Cayman Islands         | US\$110 million                           | Investment Holding                    | 27.18%              | 27.18%           | 817                      | 78                            | 46                   | 27                      |
| CCBT Fortune Private Equity Fund                                  | Beijing, the PRC       | RMB510 million                            | Investment management and consultancy | 32.83%              | 33.33%           | 527                      | 2                             | 38                   | 22                      |

### 31 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities of the Group include trust investment, fund investment, asset-backed securities and wealth management products held for investment purpose, as well as non-principal guaranteed wealth management products, trust scheme and fund, etc. which were issued or established for providing a wide range of wealth management services and collecting management fees, fee income and custodian fees.

As at 31 December 2013, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission fee and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

|  | 2013          |
|--|---------------|
| Financial assets at fair value through profit or loss  | 880           |
| Interest receivables                                   | 66            |
| Available-for-sale financial assets                    | 6,498         |
| Held-to-maturity investments                           | 2,549         |
| Debt securities classified as receivables              | 7,247         |
| Interest in associates and jointly controlled entities | 1,026         |
| Other assets   | 1,893         |
| <b>Total</b>   | <b>20,159</b> |

For the year ended 31 December 2013, the income from these unconsolidated structured entities held by the Group was as follows:

|   | 2013          |
|---|---------------|
| Interest income   | 429           |
| Fee and commission income                                     | 10,162        |
| Net trading gain  | 2             |
| Dividend income   | 252           |
| Net gain arising from investment securities                   | 85            |
| Other operating income  | 4             |
| Share of profits less losses of associates and joint ventures | 33            |
| <b>Total</b>  | <b>10,967</b> |

For the year ended 31 December 2013, there was no related loss from these unconsolidated structured entities held by the Group.

As at 31 December 2013, the size of the non-principal guaranteed wealth management products set up by the Group amounted to RMB718,829 million. For the year ended 31 December 2013, there were certain debt securities transactions between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions were not material to the Group.

As at 31 December 2013, there was no plan of providing financial or other support by the Group to these unconsolidated structured entities.

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## 32 FIXED ASSETS

### Group

|   | Bank premises | Construction in progress | Equipment | Others   | Total    |
|---|---------------|--------------------------|-----------|----------|----------|
| <b>Cost/deemed cost</b>                           |               |                          |           |          |          |
| As at 1 January 2013                              | 79,525        | 22,891                   | 35,985    | 27,752   | 166,153  |
| Additions   | 3,713         | 15,390                   | 8,436     | 8,852    | 36,391   |
| Transfer in/(out)                                 | 6,970         | (8,830)                  | 81        | 1,779    | –        |
| Disposals   | (331)         | (1,026)                  | (2,058)   | (1,526)  | (4,941)  |
| As at 31 December 2013                            | 89,877        | 28,425                   | 42,444    | 36,857   | 197,603  |
| <b>Accumulated depreciation</b>                   |               |                          |           |          |          |
| As at 1 January 2013                              | (16,296)      | –                        | (21,842)  | (13,631) | (51,769) |
| Charge for the year                               | (2,976)       | –                        | (5,192)   | (4,859)  | (13,027) |
| Disposals   | 84            | –                        | 1,976     | 1,299    | 3,359    |
| As at 31 December 2013                            | (19,188)      | –                        | (25,058)  | (17,191) | (61,437) |
| <b>Allowances for impairment losses (Note 38)</b> |               |                          |           |          |          |
| As at 1 January 2013                              | (427)         | –                        | (1)       | (10)     | (438)    |
| Charge for the year                               | –             | –                        | –         | (58)     | (58)     |
| Disposals   | 2             | –                        | –         | 6        | 8        |
| As at 31 December 2013                            | (425)         | –                        | (1)       | (62)     | (488)    |
| <b>Net carrying value</b>                         |               |                          |           |          |          |
| As at 1 January 2013                              | 62,802        | 22,891                   | 14,142    | 14,111   | 113,946  |
| As at 31 December 2013                            | 70,264        | 28,425                   | 17,385    | 19,604   | 135,678  |
| <b>Cost/deemed cost</b>                           |               |                          |           |          |          |
| As at 1 January 2012                              | 65,691        | 18,933                   | 30,075    | 23,233   | 137,932  |
| Additions   | 8,001         | 13,316                   | 7,759     | 3,883    | 32,959   |
| Transfer in/(out)                                 | 6,090         | (8,109)                  | 51        | 1,968    | –        |
| Disposals   | (257)         | (1,249)                  | (1,900)   | (1,332)  | (4,738)  |
| As at 31 December 2012                            | 79,525        | 22,891                   | 35,985    | 27,752   | 166,153  |
| <b>Accumulated depreciation</b>                   |               |                          |           |          |          |
| As at 1 January 2012                              | (13,761)      | –                        | (18,965)  | (10,517) | (43,243) |
| Charge for the year                               | (2,585)       | –                        | (4,717)   | (4,383)  | (11,685) |
| Disposals   | 50            | –                        | 1,840     | 1,269    | 3,159    |
| As at 31 December 2012                            | (16,296)      | –                        | (21,842)  | (13,631) | (51,769) |
| <b>Allowances for impairment losses (Note 38)</b> |               |                          |           |          |          |
| As at 1 January 2012                              | (459)         | –                        | (1)       | (7)      | (467)    |
| Charge for the year                               | –             | –                        | –         | (5)      | (5)      |
| Disposals   | 32            | –                        | –         | 2        | 34       |
| As at 31 December 2012                            | (427)         | –                        | (1)       | (10)     | (438)    |
| <b>Net carrying value</b>                         |               |                          |           |          |          |
| As at 1 January 2012                              | 51,471        | 18,933                   | 11,109    | 12,709   | 94,222   |
| As at 31 December 2012                            | 62,802        | 22,891                   | 14,142    | 14,111   | 113,946  |

## 32 FIXED ASSETS (CONTINUED)

### Bank

|   | Bank premises | Construction in progress | Equipment | Others   | Total    |
|---|---------------|--------------------------|-----------|----------|----------|
| <b>Cost/deemed cost</b>                           |               |                          |           |          |          |
| As at 1 January 2013                              | 76,226        | 22,819                   | 35,574    | 27,242   | 161,861  |
| Additions   | 3,655         | 15,265                   | 8,341     | 4,333    | 31,594   |
| Transfer in/(out)                                 | 6,952         | (8,810)                  | 81        | 1,777    | –        |
| Disposals   | (252)         | (1,014)                  | (2,031)   | (1,398)  | (4,695)  |
| As at 31 December 2013                            | 86,581        | 28,260                   | 41,965    | 31,954   | 188,760  |
| <b>Accumulated depreciation</b>                   |               |                          |           |          |          |
| As at 1 January 2013                              | (16,150)      | –                        | (21,555)  | (13,381) | (51,086) |
| Charge for the year                               | (2,882)       | –                        | (5,129)   | (4,788)  | (12,799) |
| Disposals   | 80            | –                        | 1,960     | 1,324    | 3,364    |
| As at 31 December 2013                            | (18,952)      | –                        | (24,724)  | (16,845) | (60,521) |
| <b>Allowances for impairment losses (Note 38)</b> |               |                          |           |          |          |
| As at 1 January 2013                              | (427)         | –                        | (1)       | (4)      | (432)    |
| Disposals   | 2             | –                        | –         | 1        | 3        |
| As at 31 December 2013                            | (425)         | –                        | (1)       | (3)      | (429)    |
| <b>Net carrying value</b>                         |               |                          |           |          |          |
| As at 1 January 2013                              | 59,649        | 22,819                   | 14,018    | 13,857   | 110,343  |
| As at 31 December 2013                            | 67,204        | 28,260                   | 17,240    | 15,106   | 127,810  |
| <b>Cost/deemed cost</b>                           |               |                          |           |          |          |
| As at 1 January 2012                              | 65,140        | 18,928                   | 29,765    | 22,716   | 136,549  |
| Additions   | 5,247         | 13,236                   | 7,650     | 3,814    | 29,947   |
| Transfer in/(out)                                 | 6,090         | (8,109)                  | 51        | 1,968    | –        |
| Disposals   | (251)         | (1,236)                  | (1,892)   | (1,256)  | (4,635)  |
| As at 31 December 2012                            | 76,226        | 22,819                   | 35,574    | 27,242   | 161,861  |
| <b>Accumulated depreciation</b>                   |               |                          |           |          |          |
| As at 1 January 2012                              | (13,680)      | –                        | (18,762)  | (10,272) | (42,714) |
| Charge for the year                               | (2,518)       | –                        | (4,629)   | (4,352)  | (11,499) |
| Disposals   | 48            | –                        | 1,836     | 1,243    | 3,127    |
| As at 31 December 2012                            | (16,150)      | –                        | (21,555)  | (13,381) | (51,086) |
| <b>Allowances for impairment losses (Note 38)</b> |               |                          |           |          |          |
| As at 1 January 2012                              | (459)         | –                        | (1)       | (6)      | (466)    |
| Disposals   | 32            | –                        | –         | 2        | 34       |
| As at 31 December 2012                            | (427)         | –                        | (1)       | (4)      | (432)    |
| <b>Net carrying value</b>                         |               |                          |           |          |          |
| As at 1 January 2012                              | 51,001        | 18,928                   | 11,002    | 12,438   | 93,369   |
| As at 31 December 2012                            | 59,649        | 22,819                   | 14,018    | 13,857   | 110,343  |

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### 32 FIXED ASSETS (CONTINUED)

Notes:

- (1) As at 31 December 2013, the ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB18,179 million (2012: RMB16,492 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group and the Bank to these assets nor have any significant impact on the business operation of the Group and the Bank.
- (2) Analysed by remaining terms of the leases

The net carrying values of bank premises of the Group and the Bank as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

|   | Group         |               | Bank          |               |
|---|---------------|---------------|---------------|---------------|
|   | 2013          | 2012          | 2013          | 2012          |
| Long term leases (over 50 years) held overseas                | 651           | 686           | –             | –             |
| Medium term leases (10-50 years) held overseas                | 1,944         | 2,082         | 77            | 102           |
| Short term leases (less than 10 years) held overseas          | 13            | 20            | 13            | 20            |
| Long term leases (over 50 years) held in Mainland China       | 4,046         | 4,045         | 4,046         | 4,045         |
| Medium term leases (10-50 years) held in Mainland China       | 60,907        | 54,047        | 60,365        | 53,563        |
| Short term leases (less than 10 years) held in Mainland China | 2,703         | 1,922         | 2,703         | 1,919         |
| <b>Total</b>  | <b>70,264</b> | <b>62,802</b> | <b>67,204</b> | <b>59,649</b> |

### 33 LAND USE RIGHTS

Group

|   | 2013    | 2012    |
|---|---------|---------|
| <b>Cost/deemed cost</b>                           |         |         |
| As at 1 January                                   | 20,758  | 20,475  |
| Additions   | 70      | 327     |
| Disposals   | (76)    | (44)    |
| As at 31 December                                 | 20,752  | 20,758  |
| <b>Amortisation</b>                               |         |         |
| As at 1 January                                   | (4,384) | (3,872) |
| Charge for the year                               | (513)   | (522)   |
| Disposals   | 18      | 10      |
| As at 31 December                                 | (4,879) | (4,384) |
| <b>Allowances for impairment losses (Note 38)</b> |         |         |
| As at 1 January                                   | (142)   | (146)   |
| Disposals   | –       | 4       |
| As at 31 December                                 | (142)   | (142)   |
| <b>Net carrying value</b>                         |         |         |
| As at 1 January                                   | 16,232  | 16,457  |
| As at 31 December                                 | 15,731  | 16,232  |

### 33 LAND USE RIGHTS (CONTINUED)

#### Bank

|   | 2013    | 2012    |
|---|---------|---------|
| <b>Cost/deemed cost</b>                           |         |         |
| As at 1 January                                   | 20,688  | 20,417  |
| Additions   | 70      | 314     |
| Disposals   | (74)    | (43)    |
| As at 31 December                                 | 20,684  | 20,688  |
| <b>Amortisation</b>                               |         |         |
| As at 1 January                                   | (4,365) | (3,867) |
| Charge for the year                               | (513)   | (508)   |
| Disposals   | 18      | 10      |
| As at 31 December                                 | (4,860) | (4,365) |
| <b>Allowances for impairment losses (Note 38)</b> |         |         |
| As at 1 January                                   | (142)   | (146)   |
| Disposals   | -       | 4       |
| As at 31 December                                 | (142)   | (142)   |
| <b>Net carrying value</b>                         |         |         |
| As at 1 January                                   | 16,181  | 16,404  |
| As at 31 December                                 | 15,682  | 16,181  |

### 34 INTANGIBLE ASSETS

#### Group

|   | Software | Others | Total   |
|---|----------|--------|---------|
| <b>Cost/deemed cost</b>                           |          |        |         |
| As at 1 January 2013                              | 5,098    | 545    | 5,643   |
| Additions   | 575      | 73     | 648     |
| Disposals   | (90)     | (16)   | (106)   |
| As at 31 December 2013                            | 5,583    | 602    | 6,185   |
| <b>Amortisation</b>                               |          |        |         |
| As at 1 January 2013                              | (3,483)  | (91)   | (3,574) |
| Charge for the year                               | (539)    | (67)   | (606)   |
| Disposals   | 41       | 15     | 56      |
| As at 31 December 2013                            | (3,981)  | (143)  | (4,124) |
| <b>Allowances for impairment losses (Note 38)</b> |          |        |         |
| As at 1 January 2013                              | (1)      | (7)    | (8)     |
| As at 31 December 2013                            | (1)      | (7)    | (8)     |
| <b>Net carrying value</b>                         |          |        |         |
| As at 1 January 2013                              | 1,614    | 447    | 2,061   |
| As at 31 December 2013                            | 1,601    | 452    | 2,053   |

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### 34 INTANGIBLE ASSETS (CONTINUED)

#### Group (continued)

|   | Software | Others | Total   |
|---|----------|--------|---------|
| <b>Cost/deemed cost</b>                           |          |        |         |
| As at 1 January 2012                              | 4,245    | 539    | 4,784   |
| Additions   | 899      | 23     | 922     |
| Disposals   | (46)     | (17)   | (63)    |
| As at 31 December 2012                            | 5,098    | 545    | 5,643   |
| <b>Amortisation</b>                               |          |        |         |
| As at 1 January 2012                              | (3,033)  | (83)   | (3,116) |
| Charge for the year                               | (494)    | (24)   | (518)   |
| Disposals   | 44       | 16     | 60      |
| As at 31 December 2012                            | (3,483)  | (91)   | (3,574) |
| <b>Allowances for impairment losses (Note 38)</b> |          |        |         |
| As at 1 January 2012                              | (1)      | (7)    | (8)     |
| As at 31 December 2012                            | (1)      | (7)    | (8)     |
| <b>Net carrying value</b>                         |          |        |         |
| As at 1 January 2012                              | 1,211    | 449    | 1,660   |
| As at 31 December 2012                            | 1,614    | 447    | 2,061   |

#### Bank

|   | Software | Others | Total   |
|---|----------|--------|---------|
| <b>Cost/deemed cost</b>                           |          |        |         |
| As at 1 January 2013                              | 4,933    | 108    | 5,041   |
| Additions   | 527      | 71     | 598     |
| Disposals   | (89)     | (16)   | (105)   |
| As at 31 December 2013                            | 5,371    | 163    | 5,534   |
| <b>Amortisation</b>                               |          |        |         |
| As at 1 January 2013                              | (3,403)  | (66)   | (3,469) |
| Charge for the year                               | (515)    | (48)   | (563)   |
| Disposals   | 40       | 15     | 55      |
| As at 31 December 2013                            | (3,878)  | (99)   | (3,977) |
| <b>Allowances for impairment losses (Note 38)</b> |          |        |         |
| As at 1 January 2013                              | (1)      | (7)    | (8)     |
| As at 31 December 2013                            | (1)      | (7)    | (8)     |
| <b>Net carrying value</b>                         |          |        |         |
| As at 1 January 2013                              | 1,529    | 35     | 1,564   |
| As at 31 December 2013                            | 1,492    | 57     | 1,549   |

## 34 INTANGIBLE ASSETS (CONTINUED)

### Bank (continued)

|   | Software | Others | Total   |
|---|----------|--------|---------|
| <b>Cost/deemed cost</b>                           |          |        |         |
| As at 1 January 2012                              | 4,127    | 102    | 4,229   |
| Additions   | 849      | 23     | 872     |
| Disposals   | (43)     | (17)   | (60)    |
| As at 31 December 2012                            | 4,933    | 108    | 5,041   |
| <b>Amortisation</b>                               |          |        |         |
| As at 1 January 2012                              | (2,970)  | (75)   | (3,045) |
| Charge for the year                               | (475)    | (7)    | (482)   |
| Disposals   | 42       | 16     | 58      |
| As at 31 December 2012                            | (3,403)  | (66)   | (3,469) |
| <b>Allowances for impairment losses (Note 38)</b> |          |        |         |
| As at 1 January 2012                              | (1)      | (7)    | (8)     |
| As at 31 December 2012                            | (1)      | (7)    | (8)     |
| <b>Net carrying value</b>                         |          |        |         |
| As at 1 January 2012                              | 1,156    | 20     | 1,176   |
| As at 31 December 2012                            | 1,529    | 35     | 1,564   |

## 35 GOODWILL

- (1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006, Jianxin Trust on 29 July 2009 and CCB Life on 29 June 2011. The movement of the goodwill is as follows:

|                               | 2013  | 2012  |
|-------------------------------|-------|-------|
| As at 1 January               | 1,651 | 1,662 |
| Effect of exchange difference | (41)  | (11)  |
| As at 31 December             | 1,610 | 1,651 |

- (2) **Impairment test for CGU containing goodwill**

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment test, no impairment losses on goodwill were recognised as at 31 December 2013 (2012: nil).

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**36 DEFERRED TAX**

|                          | Group  |        | Bank   |        |
|--------------------------|--------|--------|--------|--------|
|                          | 2013   | 2012   | 2013   | 2012   |
| Deferred tax assets      | 38,448 | 27,051 | 39,093 | 27,517 |
| Deferred tax liabilities | (138)  | (332)  | –      | –      |
| Total                    | 38,310 | 26,719 | 39,093 | 27,517 |

(1) Analysed by nature

**Group**

|  | 2013   |  | 2012   |  |
|--|--|--|--|--|
|  | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) |
| Deferred tax assets                              |  |  |  |  |
| – Fair value adjustments                         | 24,698   | 6,168                                    | (5,938)  | (1,488)                                  |
| – Allowances for impairment losses               | 121,540  | 30,329                                   | 105,164  | 26,208                                   |
| – Early retirement benefits and accrued salaries | 25,463   | 6,366                                    | 25,318   | 6,321                                    |
| – Others   | (16,781)   | (4,415)                                  | (15,056)   | (3,990)                                  |
| Total  | 154,920  | 38,448                                   | 109,488  | 27,051                                   |
| Deferred tax liabilities                         |  |  |  |  |
| – Fair value adjustments                         | (569)  | (129)                                    | (1,235)  | (297)                                    |
| – Allowances for impairment losses               | –  | –  | 17   | 4  |
| – Others   | (36)   | (9)                                      | (176)  | (39)                                     |
| Total  | (605)  | (138)                                    | (1,394)  | (332)                                    |

**Bank**

|  | 2013   |  | 2012   |  |
|--|--|--|--|--|
|  | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) |
| Deferred tax assets                              |  |  |  |  |
| – Fair value adjustments                         | 24,887   | 6,212                                    | (5,926)  | (1,487)                                  |
| – Allowances for impairment losses               | 120,714  | 30,151                                   | 104,587  | 26,093                                   |
| – Early retirement benefits and accrued salaries | 25,317   | 6,329                                    | 25,069   | 6,267                                    |
| – Others   | (10,217)   | (3,599)                                  | (9,979)  | (3,356)                                  |
| Total  | 160,701  | 39,093                                   | 113,751  | 27,517                                   |

## 36 DEFERRED TAX (CONTINUED)

### (2) Movements of deferred tax

#### Group

|  | Fair value adjustments | Allowances for impairment losses | Early retirement benefits and accrued salaries | Others  | Total  |
|--|------------------------|----------------------------------|--|---------|--------|
| As at 1 January 2013                     | (1,785)                | 26,212                           | 6,321  | (4,029) | 26,719 |
| Recognised in profit or loss             | 252                    | 4,117                            | 45   | (395)   | 4,019  |
| Recognised in other comprehensive income | 7,572                  | –                                | –  | –       | 7,572  |
| As at 31 December 2013                   | 6,039                  | 30,329                           | 6,366  | (4,424) | 38,310 |
| As at 1 January 2012                     | (2,580)                | 21,375                           | 5,689  | (3,432) | 21,052 |
| Recognised in profit or loss             | (301)                  | 4,837                            | 632  | (597)   | 4,571  |
| Recognised in other comprehensive income | 1,096                  | –                                | –  | –       | 1,096  |
| As at 31 December 2012                   | (1,785)                | 26,212                           | 6,321  | (4,029) | 26,719 |

#### Bank

|  | Fair value adjustments | Allowances for impairment losses | Early retirement benefits and accrued salaries | Others  | Total  |
|--|------------------------|----------------------------------|--|---------|--------|
| As at 1 January 2013                     | (1,487)                | 26,093                           | 6,267  | (3,356) | 27,517 |
| Recognised in profit or loss             | 240                    | 4,058                            | 62   | (243)   | 4,117  |
| Recognised in other comprehensive income | 7,459                  | –                                | –  | –       | 7,459  |
| As at 31 December 2013                   | 6,212                  | 30,151                           | 6,329  | (3,599) | 39,093 |
| As at 1 January 2012                     | (2,294)                | 21,309                           | 5,651  | (2,686) | 21,980 |
| Recognised in profit or loss             | (293)                  | 4,784                            | 616  | (670)   | 4,437  |
| Recognised in other comprehensive income | 1,100                  | –                                | –  | –       | 1,100  |
| As at 31 December 2012                   | (1,487)                | 26,093                           | 6,267  | (3,356) | 27,517 |

The Group and the Bank did not have significant unrecognised deferred tax as at the end of the reporting period.

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### 37 OTHER ASSETS

|  | Note | Group   |         | Bank    |         |
|--|------|---------|---------|---------|---------|
|  |      | 2013    | 2012    | 2013    | 2012    |
| Repossessed assets                         | (1)  |         |         |         |         |
| – Buildings                                |      | 1,287   | 1,398   | 1,287   | 1,398   |
| – Land use rights                          |      | 312     | 233     | 312     | 233     |
| – Others                                   |      | 89      | 61      | 87      | 60      |
|  |      | 1,688   | 1,692   | 1,686   | 1,691   |
| Long-term deferred expenses                |      | 662     | 625     | 591     | 564     |
| Receivables from CCBIG                     | (2)  | –       | –       | 35,717  | 20,681  |
| Other receivables                          |      | 23,530  | 20,942  | 20,002  | 17,704  |
| Leasehold improvements                     |      | 2,792   | 2,566   | 2,765   | 2,542   |
| Gross balance                              |      | 28,672  | 25,825  | 60,761  | 43,182  |
| Allowances for impairment losses (Note 38) |      |         |         |         |         |
| – Repossessed assets                       |      | (261)   | (217)   | (260)   | (217)   |
| – Others                                   |      | (2,400) | (2,273) | (2,084) | (2,107) |
| Total                                      |      | 26,011  | 23,335  | 58,417  | 40,858  |

- (1) During the year ended 31 December 2013, the original cost of repossessed assets disposed of by the Group amounted to RMB654 million (2012: RMB623 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.
- (2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity investments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

### 38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

#### Group

|   | Note  | 2013            |                                   |              |            |                   |
|---|-------|-----------------|-----------------------------------|--------------|------------|-------------------|
|   |       | As at 1 January | Charge for the year/ (Write-back) | Transfer out | Write-offs | As at 31 December |
| Deposits with banks and non-bank financial institutions   | 19    | 7               | –                                 | –            | –          | 7                 |
| Placements with banks and non-bank financial institutions | 20    | 49              | (7)                               | –            | (15)       | 27                |
| Interest receivable                                       | 24    | 1               | –                                 | –            | –          | 1                 |
| Loans and advances to customers                           | 25(3) | 202,433         | 42,666                            | (4,535)      | (11,868)   | 228,696           |
| Available for sale debt securities                        |       | 4,398           | (1,144)                           | (71)         | (440)      | 2,743             |
| Available for sale equity instrument                      |       | 4,882           | 195                               | (23)         | (757)      | 4,297             |
| Held-to-maturity investments                              | 27    | 4,078           | 1,056                             | (63)         | (550)      | 4,521             |
| Debt securities classified as receivables                 | 28    | 1,021           | (237)                             | –            | –          | 784               |
| Fixed assets  | 32    | 438             | 58                                | –            | (8)        | 488               |
| Land use rights   | 33    | 142             | –                                 | –            | –          | 142               |
| Intangible assets   | 34    | 8               | –                                 | –            | –          | 8                 |
| Other assets  | 37    | 2,490           | 418                               | –            | (247)      | 2,661             |
| Total   |       | 219,947         | 43,005                            | (4,692)      | (13,885)   | 244,375           |

### 38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

#### Group (continued)

|   | Note  | 2012               |   |                 |                |                      |
|---|-------|--------------------|---|-----------------|----------------|----------------------|
|   |       | As at<br>1 January | Charge for<br>the year/<br>(Write-back) | Transfer<br>out | Write-offs     | As at<br>31 December |
| Deposits with banks and non-bank financial institutions   | 19    | 9                  | (1)                                     | –               | (1)            | 7                    |
| Placements with banks and non-bank financial institutions | 20    | 65                 | (9)                                     | –               | (7)            | 49                   |
| Interest receivable                                       | 24    | 1                  | –                                       | –               | –              | 1                    |
| Loans and advances to customers                           | 25(3) | 171,217            | 38,330                                  | (461)           | (6,653)        | 202,433              |
| Available for sale debt securities                        |       | 5,384              | (337)                                   | (30)            | (619)          | 4,398                |
| Available for sale equity instrument                      |       | 6,139              | 101                                     | (38)            | (1,320)        | 4,882                |
| Held-to-maturity investments                              | 27    | 3,994              | 1,126                                   | (29)            | (1,013)        | 4,078                |
| Debt securities classified as receivables                 | 28    | 615                | 406                                     | –               | –              | 1,021                |
| Fixed assets  | 32    | 467                | 5                                       | –               | (34)           | 438                  |
| Land use rights   | 33    | 146                | –                                       | –               | (4)            | 142                  |
| Intangible assets   | 34    | 8                  | –                                       | –               | –              | 8                    |
| Other assets  | 37    | 2,503              | 297                                     | –               | (310)          | 2,490                |
| <b>Total</b>  |       | <b>190,548</b>     | <b>39,918</b>                           | <b>(558)</b>    | <b>(9,961)</b> | <b>219,947</b>       |

#### Bank

|   | Note  | 2013               |   |                      |                 |                      |
|---|-------|--------------------|---|----------------------|-----------------|----------------------|
|   |       | As at<br>1 January | Charge for<br>the year/<br>(Write-back) | Transfer<br>in/(out) | Write-offs      | As at<br>31 December |
| Deposits with banks and non-bank financial institutions   | 19    | 7                  | (3)                                     | –                    | –               | 4                    |
| Placements with banks and non-bank financial institutions | 20    | 49                 | (7)                                     | –                    | (15)            | 27                   |
| Interest receivable                                       | 24    | 1                  | –                                       | –                    | –               | 1                    |
| Loans and advances to customers                           | 25(3) | 201,087            | 41,959                                  | (4,600)              | (11,741)        | 226,705              |
| Available for sale debt securities                        |       | 4,367              | (1,151)                                 | (98)                 | (440)           | 2,678                |
| Available for sale equity instrument                      |       | 4,821              | 136                                     | 5                    | (734)           | 4,228                |
| Held-to-maturity investments                              | 27    | 4,078              | 995                                     | (62)                 | (550)           | 4,461                |
| Debt securities classified as receivables                 | 28    | 1,021              | (248)                                   | –                    | –               | 773                  |
| Fixed assets  | 32    | 432                | –                                       | –                    | (3)             | 429                  |
| Land use rights   | 33    | 142                | –                                       | –                    | –               | 142                  |
| Intangible assets   | 34    | 8                  | –                                       | –                    | –               | 8                    |
| Other assets  | 37    | 2,324              | 267                                     | –                    | (247)           | 2,344                |
| <b>Total</b>  |       | <b>218,337</b>     | <b>41,948</b>                           | <b>(4,755)</b>       | <b>(13,730)</b> | <b>241,800</b>       |

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### 38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

#### Bank (continued)

|   | Note  | 2012               |   |                      |                | As at<br>31 December |
|---|-------|--------------------|---|----------------------|----------------|----------------------|
|   |       | As at<br>1 January | Charge for<br>the year/<br>(Write-back) | Transfer<br>in/(out) | Write-offs     |                      |
| Deposits with banks and non-bank financial institutions   | 19    | 9                  | (1)                                     | –                    | (1)            | 7                    |
| Placements with banks and non-bank financial institutions | 20    | 65                 | (9)                                     | –                    | (7)            | 49                   |
| Interest receivable                                       | 24    | 1                  | –                                       | –                    | –              | 1                    |
| Loans and advances to customers                           | 25(3) | 170,183            | 37,937                                  | (482)                | (6,551)        | 201,087              |
| Available for sale debt securities                        |       | 5,384              | (355)                                   | (43)                 | (619)          | 4,367                |
| Available for sale equity instrument                      |       | 6,108              | 26                                      | 2                    | (1,315)        | 4,821                |
| Held-to-maturity investments                              | 27    | 3,994              | 1,126                                   | (29)                 | (1,013)        | 4,078                |
| Debt securities classified as receivables                 | 28    | 615                | 406                                     | –                    | –              | 1,021                |
| Fixed assets  | 32    | 466                | –                                       | –                    | (34)           | 432                  |
| Land use rights   | 33    | 146                | –                                       | –                    | (4)            | 142                  |
| Intangible assets   | 34    | 8                  | –                                       | –                    | –              | 8                    |
| Other assets  | 37    | 2,503              | 96                                      | –                    | (275)          | 2,324                |
| <b>Total</b>  |       | <b>189,482</b>     | <b>39,226</b>                           | <b>(552)</b>         | <b>(9,819)</b> | <b>218,337</b>       |

Transfer in/out includes the exchange difference.

### 39 AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

|   | 2013           | 2012          |
|---|----------------|---------------|
| Deposits with banks and non-bank financial institutions   | 20,023         | 7,593         |
| Placements with banks and non-bank financial institutions | 106,499        | 12,670        |
| Financial assets at fair value through profit or loss     | 2,000          | –             |
| Interest receivable                                       | 787            | 43            |
| Loans and advances to customers                           | 2,215          | 760           |
| Available-for-sale financial assets                       | 822            | 2,022         |
| Other assets  | 34,688         | 20,809        |
| <b>Total</b>  | <b>167,034</b> | <b>43,897</b> |

Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

|  | 2013          | 2012          |
|--|---------------|---------------|
| Deposits from banks and non-bank financial institutions    | 16,333        | 7,631         |
| Placements from banks and non-bank financial institutions  | 12,506        | 3,321         |
| Financial liabilities at fair value through profit or loss | 160           | –             |
| Deposits from customers                                    | 5,069         | 5,279         |
| Interest payable   | 201           | 97            |
| Other liabilities  | 170           | 2             |
| <b>Total</b>   | <b>34,439</b> | <b>16,330</b> |

## 40 BORROWINGS FROM CENTRAL BANKS

|                | Group         |              | Bank          |              |
|----------------|---------------|--------------|---------------|--------------|
|                | 2013          | 2012         | 2013          | 2012         |
| Mainland China | 60,431        | 118          | 60,007        | 6            |
| Overseas       | 18,726        | 6,163        | 18,726        | 6,163        |
| <b>Total</b>   | <b>79,157</b> | <b>6,281</b> | <b>78,733</b> | <b>6,169</b> |

## 41 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

### (1) Analysed by type of counterparties

|                                 | Group          |                | Bank           |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2013           | 2012           | 2013           | 2012           |
| Banks                           | 202,810        | 506,141        | 213,447        | 508,097        |
| Non-bank financial institutions | 489,285        | 471,346        | 491,040        | 472,400        |
| <b>Total</b>                    | <b>692,095</b> | <b>977,487</b> | <b>704,487</b> | <b>980,497</b> |

### (2) Analysed by geographical sectors

|                | Group          |                | Bank           |                |
|----------------|----------------|----------------|----------------|----------------|
|                | 2013           | 2012           | 2013           | 2012           |
| Mainland China | 687,894        | 974,231        | 688,032        | 972,348        |
| Overseas       | 4,201          | 3,256          | 16,455         | 8,149          |
| <b>Total</b>   | <b>692,095</b> | <b>977,487</b> | <b>704,487</b> | <b>980,497</b> |

## 42 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

### (1) Analysed by type of counterparties

|                                 | Group          |                | Bank           |               |
|---------------------------------|----------------|----------------|----------------|---------------|
|                                 | 2013           | 2012           | 2013           | 2012          |
| Banks                           | 154,517        | 119,988        | 121,601        | 77,434        |
| Non-bank financial institutions | 1,400          | 268            | 878            | 206           |
| <b>Total</b>                    | <b>155,917</b> | <b>120,256</b> | <b>122,479</b> | <b>77,640</b> |

### (2) Analysed by geographical sectors

|                | Group          |                | Bank           |               |
|----------------|----------------|----------------|----------------|---------------|
|                | 2013           | 2012           | 2013           | 2012          |
| Mainland China | 38,137         | 49,406         | 6,398          | 20,899        |
| Overseas       | 117,780        | 70,850         | 116,081        | 56,741        |
| <b>Total</b>   | <b>155,917</b> | <b>120,256</b> | <b>122,479</b> | <b>77,640</b> |

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#### 43 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | Group          |               | Bank           |               |
|--|----------------|---------------|----------------|---------------|
|  | 2013           | 2012          | 2013           | 2012          |
| Principal guaranteed wealth management product   | 337,580        | –             | 337,740        | –             |
| Financial liabilities related to precious metals | 37,956         | 32,134        | 37,956         | 32,134        |
| Structured financial instruments                 | 4,844          | 5,117         | 2,035          | 2,399         |
| <b>Total</b>                                     | <b>380,380</b> | <b>37,251</b> | <b>377,731</b> | <b>34,533</b> |

The Group's and the Bank's financial liabilities at fair value through profit or loss are those designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity of the Group and the Bank is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2013 and 2012.

The Group and the Bank designated the liabilities arising from some newly issued principal guaranteed wealth management products as financial liabilities at fair value through profit or loss.

#### 44 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

|   | Group         |              | Bank          |            |
|---|---------------|--------------|---------------|------------|
|   | 2013          | 2012         | 2013          | 2012       |
| Securities  |               |              |               |            |
| – Government bonds  | 48,773        | 1,281        | 42,405        | –          |
| – Debt securities issued by banks and non-bank financial institutions | 12,492        | –            | 12,492        | –          |
| – Standard bonds  | –             | 130          | –             | –          |
| <b>Subtotal</b>   | <b>61,265</b> | <b>1,411</b> | <b>54,897</b> | <b>–</b>   |
| Discounted bills  | 608           | 949          | 560           | 891        |
| <b>Total</b>  | <b>61,873</b> | <b>2,360</b> | <b>55,457</b> | <b>891</b> |

## 45 DEPOSITS FROM CUSTOMERS

|   | Group      |            | Bank       |            |
|---|------------|------------|------------|------------|
|   | 2013       | 2012       | 2013       | 2012       |
| Demand deposits                         |            |            |            |            |
| – Corporate customers                   | 4,167,686  | 3,816,312  | 4,154,705  | 3,806,391  |
| – Personal customers                    | 2,525,115  | 2,107,369  | 2,510,530  | 2,092,833  |
| Subtotal                                | 6,692,801  | 5,923,681  | 6,665,235  | 5,899,224  |
| Time deposits (including call deposits) |            |            |            |            |
| – Corporate customers                   | 2,457,076  | 2,392,797  | 2,386,417  | 2,365,610  |
| – Personal customers                    | 3,073,160  | 3,026,601  | 3,004,125  | 2,985,166  |
| Subtotal                                | 5,530,236  | 5,419,398  | 5,390,542  | 5,350,776  |
| Total                                   | 12,223,037 | 11,343,079 | 12,055,777 | 11,250,000 |

Deposits from customers include:

|  | Group   |         | Bank    |         |
|--|---------|---------|---------|---------|
|  | 2013    | 2012    | 2013    | 2012    |
| (1) Pledged deposits                           |         |         |         |         |
| – Deposits for acceptance                      | 129,392 | 124,367 | 129,248 | 124,423 |
| – Deposits for letter of credit                | 55,018  | 42,616  | 55,018  | 42,616  |
| – Deposits for guarantee                       | 36,308  | 34,443  | 36,308  | 34,443  |
| – Others                                       | 199,256 | 192,272 | 201,426 | 195,045 |
| Total  | 419,974 | 393,698 | 422,000 | 396,527 |
| (2) Outward remittance and remittance payables | 11,908  | 8,722   | 11,725  | 8,592   |

## 46 ACCRUED STAFF COSTS

### Group

|   | Note | 2013                             |           |           | As at<br>31 December |
|---|------|----------------------------------|-----------|-----------|----------------------|
|   |      | As at<br>1 January<br>(Restated) | Increased | Decreased |                      |
| Salaries, bonuses, allowances and subsidies                             |      | 23,488                           | 58,154    | (56,453)  | 25,189               |
| Defined contribution retirement schemes                                 |      | 606                              | 11,552    | (11,421)  | 737                  |
| Other social insurance and welfare                                      |      | 1,975                            | 8,853     | (8,566)   | 2,262                |
| Housing funds   |      | 134                              | 5,433     | (5,419)   | 148                  |
| Union running costs and employee education costs                        |      | 1,269                            | 2,391     | (2,127)   | 1,533                |
| Supplementary retirement benefits                                       | (1)  | 699                              | 353       | (443)     | 609                  |
| Early retirement benefits   |      | 4,596                            | 217       | (1,217)   | 3,596                |
| Compensation to employees for termination of<br>employment relationship |      | 5                                | 8         | (7)       | 6                    |
| Total   |      | 32,772                           | 86,961    | (85,653)  | 34,080               |

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**46 ACCRUED STAFF COSTS (CONTINUED)**

**Group (continued)**

|  | Note | 2012                             |                         |                 | As at<br>31 December<br>(Restated) |
|--|------|----------------------------------|-------------------------|-----------------|------------------------------------|
|  |      | As at<br>1 January<br>(Restated) | Increased<br>(Restated) | Decreased       |                                    |
| Salaries, bonuses, allowances and subsidies                          |      | 19,871                           | 54,352                  | (50,735)        | 23,488                             |
| Defined contribution retirement schemes                              |      | 552                              | 10,214                  | (10,160)        | 606                                |
| Other social insurance and welfare                                   |      | 1,630                            | 7,807                   | (7,462)         | 1,975                              |
| Housing funds  |      | 124                              | 4,685                   | (4,675)         | 134                                |
| Union running costs and employee education costs                     |      | 1,174                            | 2,205                   | (2,110)         | 1,269                              |
| Supplementary retirement benefits                                    | (1)  | 7,033                            | 661                     | (6,995)         | 699                                |
| Early retirement benefits  |      | 5,542                            | 210                     | (1,156)         | 4,596                              |
| Compensation to employees for termination of employment relationship |      | 6                                | 8                       | (9)             | 5                                  |
| <b>Total</b>   |      | <b>35,932</b>                    | <b>80,142</b>           | <b>(83,302)</b> | <b>32,772</b>                      |

**Bank**

|  | Note | 2013                             |               |                 | As at<br>31 December |
|--|------|----------------------------------|---------------|-----------------|----------------------|
|  |      | As at<br>1 January<br>(Restated) | Increased     | Decreased       |                      |
| Salaries, bonuses, allowances and subsidies                          |      | 22,728                           | 55,694        | (54,341)        | 24,081               |
| Defined contribution retirement schemes                              |      | 603                              | 11,376        | (11,246)        | 733                  |
| Other social insurance and welfare                                   |      | 1,866                            | 8,693         | (8,309)         | 2,250                |
| Housing funds  |      | 133                              | 5,377         | (5,362)         | 148                  |
| Union running costs and employee education costs                     |      | 1,256                            | 2,358         | (2,099)         | 1,515                |
| Supplementary retirement benefits                                    | (1)  | 699                              | 353           | (443)           | 609                  |
| Early retirement benefits  |      | 4,596                            | 217           | (1,217)         | 3,596                |
| Compensation to employees for termination of employment relationship |      | 5                                | 8             | (7)             | 6                    |
| <b>Total</b>   |      | <b>31,886</b>                    | <b>84,076</b> | <b>(83,024)</b> | <b>32,938</b>        |

|  | Note | 2012                             |                         |                 | As at<br>31 December<br>(Restated) |
|--|------|----------------------------------|-------------------------|-----------------|------------------------------------|
|  |      | As at<br>1 January<br>(Restated) | Increased<br>(Restated) | Decreased       |                                    |
| Salaries, bonuses, allowances and subsidies                          |      | 19,222                           | 52,455                  | (48,949)        | 22,728                             |
| Defined contribution retirement schemes                              |      | 550                              | 10,076                  | (10,023)        | 603                                |
| Other social insurance and welfare                                   |      | 1,544                            | 7,690                   | (7,368)         | 1,866                              |
| Housing funds  |      | 124                              | 4,643                   | (4,634)         | 133                                |
| Union running costs and employee education costs                     |      | 1,162                            | 2,187                   | (2,093)         | 1,256                              |
| Supplementary retirement benefits                                    | (1)  | 7,033                            | 661                     | (6,995)         | 699                                |
| Early retirement benefits  |      | 5,542                            | 210                     | (1,156)         | 4,596                              |
| Compensation to employees for termination of employment relationship |      | 6                                | 8                       | (9)             | 5                                  |
| <b>Total</b>   |      | <b>35,183</b>                    | <b>77,930</b>           | <b>(81,227)</b> | <b>31,886</b>                      |

## 46 ACCRUED STAFF COSTS (CONTINUED)

### (1) Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

*(a) Breakdowns of supplementary retirement benefit obligations of the Group and the Bank are as follows:*

|   | 2013  | 2012       |
|---|-------|------------|
|   |       | (Restated) |
| Fair value of plan assets                                     | 5,825 | 6,370      |
| Supplementary retirement benefit obligations                  | 609   | 699        |
| Present value of supplementary retirement benefit obligations | 6,434 | 7,069      |

*(b) Movements of supplementary retirement benefits of the Group and the Bank are as follows:*

(i) Movements of fair value of plan assets of the Group and the Bank are as follows:

|  | 2013  | 2012  |
|--|-------|-------|
| As at 1 January  | 6,370 | -     |
| Interest income  | 219   | -     |
| Remeasurements   |       |       |
| - Return on plan assets, excluding amounts included in interest income | (103) | -     |
| Contributions to plan assets – from the Bank                           | -     | 6,370 |
| Benefit payments from plan assets                                      | (661) | -     |
| As at 31 December  | 5,825 | 6,370 |

(ii) Movements of present value of supplementary retirement benefit obligations of the Group and the Bank are as follows:

|  | 2013  | 2012       |
|--|-------|------------|
|  |       | (Restated) |
| As at 1 January                          | 7,069 | 7,033      |
| Payments made                            | (661) | (625)      |
| Expenses recognised in profit or loss    |       |            |
| - Interest cost                          | 233   | 232        |
| - Past service costs                     | 339   | 366        |
| Remeasurements- Actuarial (gains)/losses | (546) | 63         |
| As at 31 December                        | 6,434 | 7,069      |

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

*(c) Principal actuarial assumptions of the Group and the Bank as at the end of reporting period are as follows:*

|  | 2013       | 2012       |
|--|------------|------------|
| Discount rate  | 4.75%      | 3.50%      |
| Health care cost increase rate                         | 7.00%      | 7.00%      |
| Average expected future lifetime of eligible employees | 12.6 years | 13.1 years |

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#### 46 ACCRUED STAFF COSTS (CONTINUED)

(1) Supplementary retirement benefits (continued)

(d) *The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:*

|                                | Impact on present value of supplementary retirement benefit obligations |                                 |
|--------------------------------|---|---------------------------------|
|                                | Increase in assumption by 0.25%   | Decrease in assumption by 0.25% |
| Discount rate                  | (118)   | 123                             |
| Health care cost increase rate | 38  | (37)                            |

(e) *The weighted average duration of supplementary retirement benefit obligations of the Group and the Bank is 7.5 years.*

(f) *Plan assets of the Group and the Bank are as follows:*

|                           | 2013         | 2012         |
|---------------------------|--------------|--------------|
| Equity instruments        | 62           | –            |
| Debt instruments          | 5,310        | –            |
| Cash and cash equivalents | 313          | 6,370        |
| Others                    | 140          | –            |
| <b>Total</b>              | <b>5,825</b> | <b>6,370</b> |

(2) The Group and the Bank had no overdue balance of accrued staff costs as at the end of the reporting period.

#### 47 TAXES PAYABLE

|                             | Group         |               | Bank          |               |
|-----------------------------|---------------|---------------|---------------|---------------|
|                             | 2013          | 2012          | 2013          | 2012          |
| Income tax                  | 50,950        | 44,361        | 50,579        | 44,076        |
| Business tax and surcharges | 8,999         | 8,373         | 8,889         | 8,281         |
| Value added tax             | (982)         | (656)         | (968)         | (659)         |
| Others                      | 1,242         | 1,193         | 1,193         | 1,164         |
| <b>Total</b>                | <b>60,209</b> | <b>53,271</b> | <b>59,693</b> | <b>52,862</b> |

#### 48 INTEREST PAYABLE

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2013           | 2012           | 2013           | 2012           |
| Deposits from customers                                 | 148,809        | 117,974        | 148,264        | 117,724        |
| Debts securities issued                                 | 2,123          | 2,137          | 2,123          | 2,137          |
| Deposits from banks and non-bank financial institutions | 1,688          | 2,652          | 1,833          | 2,671          |
| Others  | 1,007          | 452            | 726            | 272            |
| <b>Total</b>  | <b>153,627</b> | <b>123,215</b> | <b>152,946</b> | <b>122,804</b> |

## 49 PROVISIONS

|                       | Group        |              | Bank         |              |
|-----------------------|--------------|--------------|--------------|--------------|
|                       | 2013         | 2012         | 2013         | 2012         |
| Litigation provisions | 543          | 741          | 543          | 741          |
| Others                | 4,471        | 4,317        | 4,471        | 4,317        |
| <b>Total</b>          | <b>5,014</b> | <b>5,058</b> | <b>5,014</b> | <b>5,058</b> |

## 50 DEBT SECURITIES ISSUED

|                                | Note | Group          |                | Bank           |                |
|--------------------------------|------|----------------|----------------|----------------|----------------|
|                                |      | 2013           | 2012           | 2013           | 2012           |
| Certificates of deposit issued | (1)  | 193,749        | 101,223        | 159,553        | 84,195         |
| Bonds issued                   | (2)  | 3,933          | 1,934          | 2,995          | 995            |
| Subordinated bonds issued      | (3)  | 159,858        | 159,834        | 159,858        | 159,834        |
| <b>Total</b>                   |      | <b>357,540</b> | <b>262,991</b> | <b>322,406</b> | <b>245,024</b> |

(1) Certificates of deposit were mainly issued by overseas branches and CCB Asia.

(2) Bonds issued

|   | Note | Group        |              | Bank         |              |
|---|------|--------------|--------------|--------------|--------------|
|   |      | 2013         | 2012         | 2013         | 2012         |
| 3.20% fixed rate RMB bonds              | (a)  | 940          | 940          | -            | -            |
| 3.08% fixed rate RMB bonds              | (b)  | 500          | 500          | 500          | 500          |
| 3.25% fixed rate RMB bonds              | (c)  | 2,500        | 500          | 2,500        | 500          |
| <b>Total nominal value</b>              |      | <b>3,940</b> | <b>1,940</b> | <b>3,000</b> | <b>1,000</b> |
| Less: unamortised issuance costs        |      | (7)          | (6)          | (5)          | (5)          |
| <b>Carrying value as at 31 December</b> |      | <b>3,933</b> | <b>1,934</b> | <b>2,995</b> | <b>995</b>   |

(a) 3.20% fixed rate RMB bonds were issued in November 2012 in London, and will mature on 29 November 2015.

(b) 3.08% fixed rate RMB bonds were issued in June 2012 in Hong Kong, and will mature on 28 June 2014.

(c) 3.25% fixed rate RMB bonds: 500 million were issued in June 2012 in Hong Kong, and will mature on 28 June 2015; 2,000 million were issued in December 2013 in Taiwan, and will mature on 12 December 2016.

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#### 50 DEBT SECURITIES ISSUED (CONTINUED)

##### (3) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC and the CBRC is as follows:

|   | Note | Group and Bank |                |
|---|------|----------------|----------------|
|   |      | 2013           | 2012           |
| 3.20% subordinated fixed rate bonds maturing in February 2019 | (a)  | 12,000         | 12,000         |
| 4.00% subordinated fixed rate bonds maturing in February 2024 | (b)  | 28,000         | 28,000         |
| 3.32% subordinated fixed rate bonds maturing in August 2019   | (c)  | 10,000         | 10,000         |
| 4.04% subordinated fixed rate bonds maturing in August 2024   | (d)  | 10,000         | 10,000         |
| 4.80% subordinated fixed rate bonds maturing in December 2024 | (e)  | 20,000         | 20,000         |
| 5.70% subordinated fixed rate bonds maturing in November 2026 | (f)  | 40,000         | 40,000         |
| 4.99% subordinated fixed rate bonds maturing in November 2027 | (g)  | 40,000         | 40,000         |
| <b>Total nominal value</b>                                    |      | <b>160,000</b> | <b>160,000</b> |
| <b>Less: Unamortised issuance cost</b>                        |      | <b>(142)</b>   | <b>(166)</b>   |
| <b>Carrying value as at 31 December</b>                       |      | <b>159,858</b> | <b>159,834</b> |

- (a) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 3.20%. The Group has an option to redeem the bonds on 26 February 2014. If they are not redeemed by the Group, the interest rate will increase to 6.20% per annum from 26 February 2014 for the next five years. The Group has exercised the option to redeem the bonds on 26 February 2014.
- (b) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 4.00%. The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.
- (c) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 3.32%. The Group has an option to redeem the bonds on 11 August 2014. If they are not redeemed by the Group, the interest rate will increase to 6.32% per annum from 11 August 2014 for the next five years.
- (d) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 4.04%. The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.
- (e) The interest rate per annum on the subordinated fixed rate bonds issued in December 2009 is 4.80%. The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.
- (f) The interest rate per annum on the subordinated fixed rate bonds issued in November 2011 is 5.70%, which will keep fixed in the duration. The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.
- (g) The interest rate per annum on the subordinated fixed rate bonds issued in November 2012 is 4.99%, which will keep fixed in the duration. The Group has an option to redeem the bonds on 21 November 2022, subject to an approval from relevant authority.

## 51 OTHER LIABILITIES

|  | Group         |               | Bank          |               |
|--|---------------|---------------|---------------|---------------|
|  | 2013          | 2012          | 2013          | 2012          |
| Deferred income                                | 13,131        | 10,150        | 12,872        | 10,035        |
| Insurance reserve of CCB life                  | 13,097        | 7,574         | -             | -             |
| Capital expenditure payable                    | 8,365         | 5,831         | 8,363         | 5,831         |
| Dormant accounts                               | 2,469         | 2,381         | 2,469         | 2,381         |
| Securities underwriting and redemption payable | 1,226         | 1,395         | 1,226         | 1,395         |
| Settlement accounts                            | 784           | 1,752         | 784           | 1,742         |
| Payment and collection clearance accounts      | 743           | 439           | 743           | 439           |
| Payables to China Jianyin Investment Limited   | 22            | 83            | 22            | 83            |
| Others   | 26,105        | 17,784        | 13,860        | 11,978        |
| <b>Total</b>                                   | <b>65,942</b> | <b>47,389</b> | <b>40,339</b> | <b>33,884</b> |

## 52 SHARE CAPITAL

|                                    | Group and Bank |                |
|------------------------------------|----------------|----------------|
|                                    | 2013           | 2012           |
| Listed in Hong Kong (H share)      | 240,417        | 240,417        |
| Listed in Mainland China (A share) | 9,594          | 9,594          |
| <b>Total</b>                       | <b>250,011</b> | <b>250,011</b> |

All H and A shares are ordinary shares, have a par value of RMB1.00 per share and rank pari passu with the same rights and benefits.

## 53 CAPITAL RESERVE

|                         | Group          |                | Bank           |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2013           | 2012           | 2013           | 2012           |
|                         |                | (Restated)     |                | (Restated)     |
| Share premium           | 135,118        | 135,118        | 135,109        | 135,047        |
| Cash flow hedge reserve | (148)          | -              | (148)          | -              |
| Others                  | 553            | 99             | 547            | 93             |
| <b>Total</b>            | <b>135,523</b> | <b>135,217</b> | <b>135,508</b> | <b>135,140</b> |

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## 54 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in “investment revaluation reserve”.  
Movements of investment revaluation reserve are as follows:

### Group

|                                | Note | 2013              |                        |                   |
|--------------------------------|------|-------------------|------------------------|-------------------|
|                                |      | Before-tax amount | Tax (expense)/ benefit | Net-of-tax amount |
| As at 1 January                |      | 4,030             | (1,007)                | 3,023             |
| Losses during the year         |      |                   |                        |                   |
| – Debt securities              |      | (26,065)          | 6,603                  | (19,462)          |
| – Equity instruments and funds |      | (2,217)           | 554                    | (1,663)           |
|                                |      | (28,282)          | 7,157                  | (21,125)          |
| Reclassification adjustments   |      |                   |                        |                   |
| – Impairment                   |      | (1,047)           | 262                    | (785)             |
| – Disposals                    |      | (595)             | 149                    | (446)             |
| – Others                       | (1)  | 57                | (14)                   | 43                |
|                                |      | (1,585)           | 397                    | (1,188)           |
| As at 31 December              |      | (25,837)          | 6,547                  | (19,290)          |

|                                | Note | 2012              |                        |                   |
|--------------------------------|------|-------------------|------------------------|-------------------|
|                                |      | Before-tax amount | Tax (expense)/ benefit | Net-of-tax amount |
| As at 1 January                |      | 8,492             | (2,109)                | 6,383             |
| Losses during the year         |      |                   |                        |                   |
| – Debt securities              |      | (1,238)           | 296                    | (942)             |
| – Equity instruments and funds |      | (1,383)           | 346                    | (1,037)           |
|                                |      | (2,621)           | 642                    | (1,979)           |
| Reclassification adjustments   |      |                   |                        |                   |
| – Impairment                   |      | (337)             | 84                     | (253)             |
| – Disposals                    |      | (1,546)           | 387                    | (1,159)           |
| – Others                       | (1)  | 42                | (11)                   | 31                |
|                                |      | (1,841)           | 460                    | (1,381)           |
| As at 31 December              |      | 4,030             | (1,007)                | 3,023             |

## 54 INVESTMENT REVALUATION RESERVE (CONTINUED)

### Bank

|                              | Note | 2013              |                       |                   |
|------------------------------|------|-------------------|-----------------------|-------------------|
|                              |      | Before-tax amount | Tax (expense)/benefit | Net-of-tax amount |
| As at 1 January              |      | 4,072             | (994)                 | 3,078             |
| Losses during the year       |      |                   |                       |                   |
| – Debt securities            |      | (26,323)          | 6,587                 | (19,736)          |
| – Equity instruments         |      | (1,858)           | 464                   | (1,394)           |
|                              |      | (28,181)          | 7,051                 | (21,130)          |
| Reclassification adjustments |      |                   |                       |                   |
| – Impairment                 |      | (1,113)           | 278                   | (835)             |
| – Disposals                  |      | (575)             | 144                   | (431)             |
| – Others                     | (1)  | 57                | (14)                  | 43                |
|                              |      | (1,631)           | 408                   | (1,223)           |
| As at 31 December            |      | (25,740)          | 6,465                 | (19,275)          |

|                              | Note | 2012              |                       |                   |
|------------------------------|------|-------------------|-----------------------|-------------------|
|                              |      | Before-tax amount | Tax (expense)/benefit | Net-of-tax amount |
| As at 1 January              |      | 8,566             | (2,094)               | 6,472             |
| Losses during the year       |      |                   |                       |                   |
| – Debt securities            |      | (1,179)           | 271                   | (908)             |
| – Equity instruments         |      | (1,505)           | 376                   | (1,129)           |
|                              |      | (2,684)           | 647                   | (2,037)           |
| Reclassification adjustments |      |                   |                       |                   |
| – Impairment                 |      | (355)             | 89                    | (266)             |
| – Disposals                  |      | (1,497)           | 375                   | (1,122)           |
| – Others                     | (1)  | 42                | (11)                  | 31                |
|                              |      | (1,810)           | 453                   | (1,357)           |
| As at 31 December            |      | 4,072             | (994)                 | 3,078             |

- (1) Others refer to the amortisation of accumulated losses previously recognised in revaluation reserve for the year. These accumulated losses were related to certain debt securities reclassified from available-for-sale financial assets to held-to-maturity investments in prior years.

## 55 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 Feb 2006 and since, to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in annual general meetings.

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#### 56 GENERAL RESERVE

The general reserve of the Group and the Bank as at the end of the reporting period is set up based upon the requirements of:

|   | Note | Group          |               | Bank           |               |
|---|------|----------------|---------------|----------------|---------------|
|   |      | 2013           | 2012          | 2013           | 2012          |
| MOF                                       | (1)  | 150,249        | 79,182        | 150,249        | 79,182        |
| Hong Kong Banking Ordinance               | (2)  | 2,199          | 819           | 165            | 105           |
| Other regulatory bodies in Mainland China | (3)  | 1,125          | 324           | –              | –             |
| Other overseas regulatory bodies          |      | 262            | 158           | 261            | 157           |
| <b>Total</b>                              |      | <b>153,835</b> | <b>80,483</b> | <b>150,675</b> | <b>79,444</b> |

- (1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the 'Regulation on Management of Financial Institutions for Reserves' (Cai Jin [2012] No. 20), issued by the Ministry of Finance on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.
- (2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.
- (3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

#### 57 PROFIT DISTRIBUTION

In the Annual General Meeting held on 6 June 2013, the shareholders approved the profit distribution for the year ended 31 December 2012. The Bank appropriated cash dividend for the year ended 31 December 2012 in an aggregate amount of RMB67,003 million.

On 28 March 2014, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2013:

- (1) Appropriate statutory surplus reserve amounted to RMB21,252 million, based on 10% of the net profit of the Bank amounted to RMB212,519 million for the year 2013 (2012: RMB19,142 million). It has been recorded in "Surplus reserve" as at the end of the reporting period.
- (2) Appropriate general reserve amounted to RMB15,189 million, pursuant to relevant regulations issued by MOF (2012: RMB71,068 million).
- (3) Appropriate cash dividend RMB0.300 per share before tax (2012: RMB0.268 per share) and in aggregation amount of RMB75,003 million to all shareholders. Proposed dividends at the end of the reporting period are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

## 58 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

|  | 2013           | 2012           |
|--|----------------|----------------|
| Cash   | 71,756         | 72,653         |
| Surplus deposit reserves with central banks  | 129,443        | 231,318        |
| Demand deposits with banks and non-bank financial institutions   | 26,527         | 36,454         |
| Deposits with banks and non-bank financial institutions with original maturity with or within three months   | 162,097        | 330,045        |
| Placements with banks and non-bank financial institutions with original maturity with or within three months | 50,950         | 78,450         |
| <b>Total</b>   | <b>440,773</b> | <b>748,920</b> |

## 59 CREDIT ASSETS SECURITISATION TRANSACTIONS

The Group enters into securitisation transactions in normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group retains interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial positions to the extent of the Group's continuing involvement.

As at 31 December 2013, loans with an original carrying amount of RMB7,177 million (2012: RMB7,177 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2013, the carrying amount of assets that the Group continued to recognise was RMB828 million (2012: RMB834 million), and liabilities was RMB502 million (2012: RMB506 million).

## 60 OPERATING SEGMENTS

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

## 60 OPERATING SEGMENTS (CONTINUED)

### (1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City and Luxembourg and certain subsidiaries operating in Hong Kong, London, Moscow, Dubai, Luxembourg and British Virgin Islands.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

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

- “Yangtze River Delta” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- “Pearl River Delta” refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- “Bohai Rim” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the “Central” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;
- the “Western” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the “Northeastern” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

## 60 OPERATING SEGMENTS (CONTINUED)

### (1) Geographical segments (continued)

|   | 2013                |                   |               |               |               |               |               |              |                   |
|---|---------------------|-------------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------------|
|   | Yangtze River Delta | Pearl River Delta | Bohai Rim     | Central       | Western       | Northeastern  | Head Office   | Overseas     | Total             |
| External net interest income                                  | 59,826              | 36,968            | 36,465        | 42,952        | 50,022        | 14,333        | 145,730       | 3,248        | 389,544           |
| Internal net interest income/(expense)                        | 8,131               | 13,283            | 23,178        | 20,259        | 16,407        | 10,110        | (94,056)      | 2,688        | –                 |
| <b>Net interest income</b>                                    | <b>67,957</b>       | <b>50,251</b>     | <b>59,643</b> | <b>63,211</b> | <b>66,429</b> | <b>24,443</b> | <b>51,674</b> | <b>5,936</b> | <b>389,544</b>    |
| Net fee and commission income                                 | 19,723              | 16,086            | 17,007        | 16,647        | 13,658        | 5,767         | 13,769        | 1,626        | 104,283           |
| Net trading gain/(loss)                                       | 469                 | 475               | 80            | (73)          | 52            | 29            | 3,312         | (1,252)      | 3,092             |
| Dividend income   | 5                   | 3                 | 6             | 289           | 76            | 8             | 53            | 6            | 446               |
| Net gain arising from investment securities                   | 383                 | –                 | 157           | 199           | –             | 291           | 285           | 80           | 1,395             |
| Other operating income, net                                   | 7,353               | 273               | 537           | 466           | 1,515         | 258           | (597)         | 2,575        | 12,380            |
| <b>Operating income</b>                                       | <b>95,890</b>       | <b>67,088</b>     | <b>77,430</b> | <b>80,739</b> | <b>81,730</b> | <b>30,796</b> | <b>68,496</b> | <b>8,971</b> | <b>511,140</b>    |
| Operating expenses  | (38,296)            | (24,525)          | (28,769)      | (33,004)      | (31,857)      | (13,471)      | (14,704)      | (3,559)      | (188,185)         |
| Impairment losses   | (20,826)            | (4,094)           | (3,642)       | (5,544)       | (3,498)       | (1,728)       | (2,300)       | (1,577)      | (43,209)          |
| Share of profits less losses of associates and joint ventures | –                   | –                 | –             | –             | –             | –             | –             | 60           | 60                |
| <b>Profit before tax</b>                                      | <b>36,768</b>       | <b>38,469</b>     | <b>45,019</b> | <b>42,191</b> | <b>46,375</b> | <b>15,597</b> | <b>51,492</b> | <b>3,895</b> | <b>279,806</b>    |
| Capital expenditure   | 4,229               | 2,992             | 8,438         | 7,054         | 5,660         | 2,672         | 6,159         | 376          | 37,580            |
| Depreciation and amortisation                                 | 2,621               | 1,700             | 2,191         | 2,891         | 2,494         | 1,348         | 1,976         | 195          | 15,416            |
| Segment assets  | 2,639,135           | 2,158,746         | 2,737,198     | 2,410,486     | 2,500,348     | 910,474       | 5,934,221     | 729,915      | 20,020,523        |
| Interests in associates and joint ventures                    | –                   | –                 | –             | 661           | –             | –             | –             | 1,963        | 2,624             |
|   | 2,639,135           | 2,158,746         | 2,737,198     | 2,411,147     | 2,500,348     | 910,474       | 5,934,221     | 731,878      | 20,023,147        |
| Deferred tax assets   |                     |                   |               |               |               |               |               |              | 38,448            |
| Elimination   |                     |                   |               |               |               |               |               |              | (4,698,385)       |
| <b>Total assets</b>   |                     |                   |               |               |               |               |               |              | <b>15,363,210</b> |
| Segment liabilities   | 2,628,866           | 2,153,610         | 2,718,912     | 2,399,890     | 2,492,392     | 907,524       | 5,026,546     | 659,388      | 18,987,128        |
| Deferred tax liabilities                                      |                     |                   |               |               |               |               |               |              | 138               |
| Elimination   |                     |                   |               |               |               |               |               |              | (4,698,385)       |
| <b>Total liabilities</b>                                      |                     |                   |               |               |               |               |               |              | <b>14,288,881</b> |
| Off-balance sheet credit commitments                          | 555,843             | 422,332           | 569,194       | 283,736       | 282,660       | 110,931       | 13,000        | 72,531       | 2,310,227         |

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**60 OPERATING SEGMENTS (CONTINUED)**

**(1) Geographical segments (continued)**

|   | 2012                |                   |               |               |               |               |               |              |                   |
|---|---------------------|-------------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------------|
|   | Yangtze River Delta | Pearl River Delta | Bohai Rim     | Central       | Western       | Northeastern  | Head Office   | Overseas     | Total             |
| External net interest income                                  | 56,937              | 31,121            | 29,810        | 37,911        | 44,028        | 13,241        | 137,357       | 2,797        | 353,202           |
| Internal net interest income/(expense)                        | 5,510               | 12,350            | 20,595        | 15,405        | 12,660        | 8,907         | (77,436)      | 2,009        | -                 |
| <b>Net interest income</b>                                    | <b>62,447</b>       | <b>43,471</b>     | <b>50,405</b> | <b>53,316</b> | <b>56,688</b> | <b>22,148</b> | <b>59,921</b> | <b>4,806</b> | <b>353,202</b>    |
| Net fee and commission income                                 | 19,596              | 15,572            | 14,949        | 14,819        | 12,436        | 5,709         | 9,127         | 1,299        | 93,507            |
| Net trading gain/(loss)                                       | 707                 | 607               | 313           | 100           | 261           | 132           | 226           | (483)        | 1,863             |
| Dividend income   | 10                  | 1                 | -             | 67            | 20            | 76            | 50            | 15           | 239               |
| Net gain arising from investment securities                   | 831                 | -                 | -             | 478           | 650           | 238           | 1,296         | 43           | 3,536             |
| Other operating income, net                                   | 6,295               | 269               | 54            | 369           | 887           | 102           | 1,418         | 792          | 10,186            |
| <b>Operating income</b>                                       | <b>89,886</b>       | <b>59,920</b>     | <b>65,721</b> | <b>69,149</b> | <b>70,942</b> | <b>28,405</b> | <b>72,038</b> | <b>6,472</b> | <b>462,533</b>    |
| Operating expenses  | (34,976)            | (22,123)          | (25,484)      | (28,932)      | (27,925)      | (12,380)      | (16,111)      | (3,150)      | (171,081)         |
| Impairment losses   | (18,005)            | (4,890)           | (3,320)       | (4,795)       | (3,331)       | (1,439)       | (4,076)       | (185)        | (40,041)          |
| Share of profits less losses of associates and joint ventures | -                   | -                 | -             | (11)          | -             | -             | -             | 39           | 28                |
| <b>Profit before tax</b>                                      | <b>36,905</b>       | <b>32,907</b>     | <b>36,917</b> | <b>35,411</b> | <b>39,686</b> | <b>14,586</b> | <b>51,851</b> | <b>3,176</b> | <b>251,439</b>    |
| Capital expenditure   | 4,689               | 3,417             | 4,452         | 6,133         | 5,346         | 3,014         | 4,593         | 2,812        | 34,456            |
| Depreciation and amortisation                                 | 2,407               | 1,575             | 1,970         | 2,522         | 2,255         | 1,185         | 1,821         | 154          | 13,889            |
|   | 2012 (Restated)     |                   |               |               |               |               |               |              |                   |
| Segment assets  | 2,453,994           | 2,006,787         | 2,590,592     | 2,170,917     | 2,269,546     | 863,899       | 5,431,210     | 516,623      | 18,303,568        |
| Interests in associates and joint ventures                    | -                   | -                 | -             | 410           | -             | -             | -             | 1,956        | 2,366             |
|   | 2,453,994           | 2,006,787         | 2,590,592     | 2,171,327     | 2,269,546     | 863,899       | 5,431,210     | 518,579      | 18,305,934        |
| Deferred tax assets   |                     |                   |               |               |               |               |               |              | 27,051            |
| Elimination   |                     |                   |               |               |               |               |               |              | (4,360,157)       |
| <b>Total assets</b>   |                     |                   |               |               |               |               |               |              | <b>13,972,828</b> |
| Segment liabilities   | 2,452,082           | 2,002,197         | 2,583,373     | 2,163,987     | 2,261,857     | 860,707       | 4,568,577     | 490,328      | 17,383,108        |
| Deferred tax liabilities                                      |                     |                   |               |               |               |               |               |              | 332               |
| Elimination   |                     |                   |               |               |               |               |               |              | (4,360,157)       |
| <b>Total liabilities</b>                                      |                     |                   |               |               |               |               |               |              | <b>13,023,283</b> |
| Off-balance sheet credit commitments                          | 517,083             | 376,871           | 441,783       | 255,566       | 249,619       | 104,579       | 13,002        | 57,796       | 2,016,299         |

## 60 OPERATING SEGMENTS (CONTINUED)

### (2) Business segments

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

#### *Corporate banking*

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

#### *Personal banking*

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

#### *Treasury business*

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

#### *Others*

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

|   | 2013              |                  |                   |               | Total          |
|---|-------------------|------------------|-------------------|---------------|----------------|
|   | Corporate banking | Personal banking | Treasury business | Others        |                |
| External net interest income                                  | 224,956           | 731              | 155,016           | 8,841         | 389,544        |
| Internal net interest (expenses)/income                       | (21,991)          | 133,721          | (103,921)         | (7,809)       | -              |
| <b>Net interest income</b>                                    | <b>202,965</b>    | <b>134,452</b>   | <b>51,095</b>     | <b>1,032</b>  | <b>389,544</b> |
| Net fee and commission income                                 | 42,119            | 40,870           | 18,909            | 2,385         | 104,283        |
| Net trading (loss)/gain                                       | (1,352)           | (78)             | 5,763             | (1,241)       | 3,092          |
| Dividend income   | -                 | -                | -                 | 446           | 446            |
| Net gain arising from investment securities                   | -                 | -                | 557               | 838           | 1,395          |
| Other operating income/(expenses), net                        | 497               | 452              | (1,207)           | 12,638        | 12,380         |
| <b>Operating income</b>                                       | <b>244,229</b>    | <b>175,696</b>   | <b>75,117</b>     | <b>16,098</b> | <b>511,140</b> |
| Operating expenses  | (66,997)          | (101,111)        | (6,374)           | (13,703)      | (188,185)      |
| Impairment losses   | (31,293)          | (9,950)          | 364               | (2,330)       | (43,209)       |
| Share of profits less losses of associates and joint ventures | -                 | -                | -                 | 60            | 60             |
| <b>Profit before tax</b>                                      | <b>145,939</b>    | <b>64,635</b>    | <b>69,107</b>     | <b>125</b>    | <b>279,806</b> |
| Capital expenditure   | 8,179             | 23,905           | 605               | 4,891         | 37,580         |
| Depreciation and amortisation                                 | 3,773             | 11,026           | 279               | 338           | 15,416         |

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**60 OPERATING SEGMENTS (CONTINUED)**

(2) Business segments (continued)

|  | 2013              |                  |                   |         |            |
|--|-------------------|------------------|-------------------|---------|------------|
|  | Corporate banking | Personal banking | Treasury business | Others  | Total      |
| Segment assets                             | 5,585,454         | 2,590,881        | 6,505,051         | 744,879 | 15,426,265 |
| Interests in associates and joint ventures | -                 | -                | -                 | 2,624   | 2,624      |
|  | 5,585,454         | 2,590,881        | 6,505,051         | 747,503 | 15,428,889 |
| Deferred tax assets                        |                   |                  |                   |         | 38,448     |
| Elimination                                |                   |                  |                   |         | (104,127)  |
| Total assets                               |                   |                  |                   |         | 15,363,210 |
| Segment liabilities                        | 6,772,134         | 6,376,797        | 389,827           | 854,112 | 14,392,870 |
| Deferred tax liabilities                   |                   |                  |                   |         | 138        |
| Elimination                                |                   |                  |                   |         | (104,127)  |
| Total liabilities                          |                   |                  |                   |         | 14,288,881 |
| Off-balance sheet credit commitments       | 1,828,104         | 409,316          | -                 | 72,807  | 2,310,227  |

|   | 2012              |                  |                   |          |           |
|---|-------------------|------------------|-------------------|----------|-----------|
|   | Corporate banking | Personal banking | Treasury business | Others   | Total     |
| External net interest income/(expenses)                       | 215,820           | (4,278)          | 134,933           | 6,727    | 353,202   |
| Internal net interest (expenses)/income                       | (39,430)          | 115,742          | (73,653)          | (2,659)  | -         |
| <b>Net interest income</b>                                    | 176,390           | 111,464          | 61,280            | 4,068    | 353,202   |
| Net fee and commission income                                 | 40,116            | 33,181           | 18,037            | 2,173    | 93,507    |
| Net trading gain/(loss)                                       | 3                 | 448              | 1,895             | (483)    | 1,863     |
| Dividend income   | -                 | -                | -                 | 239      | 239       |
| Net gain arising from investment securities                   | -                 | -                | 671               | 2,865    | 3,536     |
| Other operating income, net                                   | 441               | 242              | 871               | 8,632    | 10,186    |
| <b>Operating income</b>                                       | 216,950           | 145,335          | 82,754            | 17,494   | 462,533   |
| Operating expenses  | (67,759)          | (85,831)         | (5,651)           | (11,840) | (171,081) |
| Impairment losses   | (30,697)          | (7,841)          | (831)             | (672)    | (40,041)  |
| Share of profits less losses of associates and joint ventures | -                 | -                | -                 | 28       | 28        |
| <b>Profit before tax</b>                                      | 118,494           | 51,663           | 76,272            | 5,010    | 251,439   |
| Capital expenditure   | 9,195             | 20,498           | 1,043             | 3,720    | 34,456    |
| Depreciation and amortisation                                 | 4,066             | 9,064            | 461               | 298      | 13,889    |

## 60 OPERATING SEGMENTS (CONTINUED)

### (2) Business segments (continued)

|  | 2012 (Restated)   |                  |                   |         | Total      |
|--|-------------------|------------------|-------------------|---------|------------|
|  | Corporate banking | Personal banking | Treasury business | Others  |            |
| Segment assets                             | 5,368,220         | 2,167,249        | 6,065,163         | 477,840 | 14,078,472 |
| Interests in associates and joint ventures | -                 | -                | -                 | 2,366   | 2,366      |
|  | 5,368,220         | 2,167,249        | 6,065,163         | 480,206 | 14,080,838 |
| Deferred tax assets                        |                   |                  |                   |         | 27,051     |
| Elimination                                |                   |                  |                   |         | (135,061)  |
| Total assets                               |                   |                  |                   |         | 13,972,828 |
| Segment liabilities                        | 6,529,675         | 5,744,452        | 335,719           | 548,166 | 13,158,012 |
| Deferred tax liabilities                   |                   |                  |                   |         | 332        |
| Elimination                                |                   |                  |                   |         | (135,061)  |
| Total liabilities                          |                   |                  |                   |         | 13,023,283 |
| Off-balance sheet credit commitments       | 1,641,277         | 317,226          | -                 | 57,796  | 2,016,299  |

## 61 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and funds were as follows:

|                 | Group     |           | Bank      |           |
|-----------------|-----------|-----------|-----------|-----------|
|                 | 2013      | 2012      | 2013      | 2012      |
| Entrusted loans | 1,355,890 | 1,103,938 | 1,354,778 | 1,096,907 |
| Entrusted funds | 1,355,890 | 1,103,938 | 1,354,778 | 1,096,907 |

## 62 PLEDGED ASSETS

### (1) Assets pledged as security

#### (a) Carrying value of pledged assets analysed by asset type

|                  | Group   |       | Bank    |       |
|------------------|---------|-------|---------|-------|
|                  | 2013    | 2012  | 2013    | 2012  |
| Pledged deposits | -       | 268   | -       | 268   |
| Discounted bills | 608     | 949   | 560     | 891   |
| Bonds            | 122,706 | 1,411 | 116,338 | 1,101 |
| Total            | 123,314 | 2,628 | 116,898 | 2,260 |

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## 62 PLEDGED ASSETS (CONTINUED)

### (1) Assets pledged as security (continued)

#### (b) Carrying value of pledged assets analysed by classification in the statement of financial position

|   | Group          |              | Bank           |              |
|---|----------------|--------------|----------------|--------------|
|   | 2013           | 2012         | 2013           | 2012         |
| Deposits with banks and non-bank financial institutions | –              | 268          | –              | 268          |
| Loans and advances to customers                         | 608            | 949          | 560            | 891          |
| Available-for-sale financial assets                     | 7,809          | 806          | 1,441          | 1,101        |
| Held-to-maturity investments                            | 114,897        | 605          | 114,897        | –            |
| <b>Total</b>  | <b>123,314</b> | <b>2,628</b> | <b>116,898</b> | <b>2,260</b> |

### (2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2013 and 2012, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

## 63 COMMITMENTS AND CONTINGENT LIABILITIES

### (1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

|   | Group            |                  | Bank             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2013             | 2012             | 2013             | 2012             |
| <b>Loan commitments</b>                         |                  |                  |                  |                  |
| – with an original maturity within one year     | 179,790          | 168,906          | 176,494          | 165,906          |
| – with an original maturity of one year or over | 302,109          | 272,360          | 297,834          | 272,303          |
| Credit card commitments                         | 437,431          | 343,698          | 409,316          | 317,226          |
|   | <b>919,330</b>   | <b>784,964</b>   | <b>883,644</b>   | <b>755,435</b>   |
| <b>Bank acceptances</b>                         | <b>360,499</b>   | <b>344,848</b>   | <b>360,230</b>   | <b>344,692</b>   |
| Financing guarantees                            | 129,557          | 165,294          | 193,918          | 166,959          |
| Non-financing guarantees                        | 484,370          | 441,367          | 483,828          | 441,253          |
| Sight letters of credit                         | 29,243           | 28,246           | 29,243           | 28,246           |
| Usance letters of credit                        | 351,543          | 203,972          | 367,774          | 203,478          |
| Others  | 35,685           | 47,608           | 35,595           | 48,645           |
| <b>Total</b>                                    | <b>2,310,227</b> | <b>2,016,299</b> | <b>2,354,232</b> | <b>1,988,708</b> |

## 63 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

### (2) Credit risk-weighted amount

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 the counterparty and the maturity characteristics.

|   | 2013    |         |
|---|---------|---------|
|   | Group   | Bank    |
| Credit risk-weighted amount of contingent liabilities and commitments | 899,272 | 930,073 |

### (3) Operating lease commitments

The Group and the Bank lease certain property 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. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

|   | Group  |        | Bank   |        |
|---|--------|--------|--------|--------|
|   | 2013   | 2012   | 2013   | 2012   |
| Within one year                         | 4,596  | 3,973  | 4,150  | 3,719  |
| After one year but within two years     | 3,749  | 2,976  | 3,389  | 2,846  |
| After two years but within three years  | 2,999  | 2,268  | 2,712  | 2,224  |
| After three years but within five years | 3,557  | 2,699  | 3,350  | 2,678  |
| After five years                        | 2,543  | 1,662  | 2,124  | 1,653  |
| Total                                   | 17,444 | 13,578 | 15,725 | 13,120 |

### (4) Capital commitments

As at the end of the reporting period, the Group and the Bank had capital commitments as follows:

|                                   | Group |        | Bank  |        |
|-----------------------------------|-------|--------|-------|--------|
|                                   | 2013  | 2012   | 2013  | 2012   |
| Contracted for                    | 4,618 | 4,351  | 4,567 | 4,311  |
| Authorised but not contracted for | 2,770 | 6,332  | 2,716 | 6,306  |
| Total                             | 7,388 | 10,683 | 7,283 | 10,617 |

### (5) Underwriting obligations

As at 31 December 2013, there was no unexpired underwriting commitment of the Group and the Bank (2012: nil).

### (6) Government 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, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 31 December 2013, were RMB50,794 million (2012: RMB49,022 million).

## 63 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

### (7) Outstanding litigation and disputes

As at 31 December 2013, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB3,167 million (2012: RMB2,735 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 49). The Group considers that the provisions made are reasonable and adequate.

### (8) Provision against commitments and contingent liabilities

The Group and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies (Note 4(13)).

## 64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2013, Huijin directly held 57.26% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB160 billion (2012: RMB160 billion). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

#### (a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with parent companies are as follows:

#### Amounts

|                  | 2013   |                               | 2012   |                               |
|------------------|--------|-------------------------------|--------|-------------------------------|
|                  | Amount | Ratio to similar transactions | Amount | Ratio to similar transactions |
| Interest income  | 589    | 0.09%                         | 578    | 0.10%                         |
| Interest expense | 603    | 0.23%                         | 461    | 0.18%                         |

#### Balances outstanding as at the end of the reporting period

|                                     | 2013    |                               | 2012    |                               |
|-------------------------------------|---------|-------------------------------|---------|-------------------------------|
|                                     | Balance | Ratio to similar transactions | Balance | Ratio to similar transactions |
| Interest receivable                 | 189     | 0.23%                         | 186     | 0.27%                         |
| Held-to-maturity investments        | 16,680  | 0.79%                         | 16,680  | 0.87%                         |
| Available-for-sale financial assets | 180     | 0.02%                         | —       | —                             |
| Deposits from customers             | 13,063  | 0.11%                         | 20,018  | 0.18%                         |
| Interest payable                    | 3       | 0.00%                         | 306     | 0.25%                         |
| Credit commitments                  | 288     | 0.01%                         | 288     | 0.02%                         |

## 64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (1) Transactions with parent companies and their affiliates (continued)

#### (b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with the affiliates of parent companies are as follows:

#### Amounts

|                            | Note | 2013   |                               | 2012   |                               |
|----------------------------|------|--------|-------------------------------|--------|-------------------------------|
|                            |      | Amount | Ratio to similar transactions | Amount | Ratio to similar transactions |
| Interest income            |      | 36,170 | 5.60%                         | 32,571 | 5.40%                         |
| Interest expense           |      | 1,972  | 0.77%                         | 2,552  | 1.02%                         |
| Fee and commission income  |      | 393    | 0.37%                         | 426    | 0.44%                         |
| Fee and commission expense |      | 6      | 0.19%                         | –      | –                             |
| Operating expenses         | (i)  | 1,417  | 0.95%                         | 1,387  | 1.03%                         |

#### Balances outstanding as at the end of the reporting period

|  | Note  | 2013    |                               | 2012    |                               |
|--|-------|---------|-------------------------------|---------|-------------------------------|
|  |       | Balance | Ratio to similar transactions | Balance | Ratio to similar transactions |
| Deposits with banks and non-bank financial institutions    |       | 35,103  | 10.93%                        | 48,134  | 8.22%                         |
| Placements with banks and non-bank financial institutions  |       | 60,734  | 39.94%                        | 19,114  | 14.74%                        |
| Financial assets at fair value through profit or loss      |       | 13,856  | 3.81%                         | 2,783   | 10.09%                        |
| Positive fair value of derivatives                         |       | 1,507   | 7.97%                         | 1,237   | 9.76%                         |
| Financial assets held under resale agreements              |       | 32,194  | 11.44%                        | 15,175  | 4.79%                         |
| Interest receivable  |       | 16,541  | 20.49%                        | 13,199  | 19.34%                        |
| Loans and advances to customers                            |       | 43,790  | 0.52%                         | 40,233  | 0.55%                         |
| Available for sale financial assets                        |       | 213,549 | 28.09%                        | 176,896 | 25.23%                        |
| Held-to-maturity investments                               |       | 515,295 | 24.53%                        | 487,608 | 25.42%                        |
| Debt securities classified as receivables                  |       | 64,700  | 34.10%                        | 69,549  | 31.65%                        |
| Other assets   | (ii)  | 2       | 0.01%                         | 12      | 0.05%                         |
| Deposits from banks and non-bank financial institutions    | (iii) | 53,318  | 7.70%                         | 72,956  | 7.46%                         |
| Placements from banks and non-bank financial institutions  |       | 34,501  | 22.13%                        | 41,447  | 34.47%                        |
| Negative fair value of derivatives                         |       | 1,187   | 5.97%                         | 559     | 4.85%                         |
| Financial assets sold under repurchase agreements          |       | 37,747  | 61.01%                        | 1,181   | 50.04%                        |
| Deposits from customers                                    |       | 42,397  | 0.35%                         | 21,856  | 0.19%                         |
| Financial liabilities at fair value through profit or loss |       | 1,160   | 0.30%                         | –       | –                             |
| Interest payable   |       | 80      | 0.05%                         | 153     | 0.12%                         |
| Other liabilities  |       | 658     | 1.00%                         | –       | –                             |
| Credit commitments   |       | 23,762  | 1.09%                         | 8,172   | 0.49%                         |

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

**64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(2) Transactions with associates and joint ventures of the Group**

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

**Amounts**

|                           | 2013 | 2012 |
|---------------------------|------|------|
| Interest income           | 22   | 18   |
| Fee and commission income | 21   | –    |
| Interest expense          | 2    | 3    |

**Balances outstanding as at the end of the reporting period**

|                                 | 2013  | 2012 |
|---------------------------------|-------|------|
| Loans and advances to customers | 1,860 | 860  |
| Deposits from customers         | 694   | 736  |

**(3) Transactions between the Bank and its subsidiaries**

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

**Amounts**

|                             | 2013  | 2012 |
|-----------------------------|-------|------|
| Interest income             | 1,516 | 593  |
| Interest expense            | 539   | 216  |
| Fee and commission income   | 604   | 504  |
| Fee and commission expense  | 71    | 38   |
| Dividend income             | 329   | 102  |
| Net trading gain            | 410   | 20   |
| Other operating income, net | (111) | 13   |

Balances outstanding as at the end of the reporting period are presented in Note 39.

As at 31 December 2013, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB66,975 million (2012: RMB2,543 million).

For the year ended 31 December 2013, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 31 December, 2013, the balances of the above transactions were RMB2,646 million (2012: RMB941 million) and RMB395 million (2012: RMB138 million) respectively.

**(4) Transactions with other PRC state-owned entities**

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

## 64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (4) Transactions with other PRC state-owned entities (continued)

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

### (5) Transactions with the Annuity Scheme and Plan Assets

Apart for the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the year ended 31 December 2013 and 2012.

As at 31 December 2013, RMB4,113 million of the Group's supplementary retirement benefit plan assets (31 December 2012: nil) were managed by CCB Principal.

### (6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

The compensation of directors and supervisors is disclosed in Note 14. The senior executives' annual compensation before individual income tax during the year is as follows:

|  | 2013                         |   |   | Total<br>RMB'000 |
|--|------------------------------|---|---|------------------|
|  | Remuneration paid<br>RMB'000 | Contributions to defined contribution retirement schemes<br>RMB'000 | Other benefits in kind (Note(i))<br>RMB'000 |                  |
| <b>Executive vice president</b>            |                              |   |   |                  |
| Pang Xiusheng (Note(ii))                   | 680                          | 37  | 265   | 982              |
| Zhang Gengsheng (Note(ii))                 | 674                          | 37  | 262   | 973              |
| Yang Wensheng (Note(ii))                   | 170                          | 9   | 67  | 246              |
| <b>Member of senior management</b>         |                              |   |   |                  |
| Huang Yi (Note(ii))                        | -                            | -   | -   | -                |
| <b>Chief Risk Officer</b>                  |                              |   |   |                  |
| Zeng Jianhua (Note(ii))                    | 647                          | 37  | 228   | 912              |
| <b>Chief Economist</b>                     |                              |   |   |                  |
| Huang Zhiling (Note(ii))                   | 647                          | 37  | 228   | 912              |
| <b>Chief Audit Officer</b>                 |                              |   |   |                  |
| Yu Jingbo (Note(ii))                       | 647                          | 37  | 228   | 912              |
| <b>Secretary to the board of directors</b> |                              |   |   |                  |
| Chen Caihong (Note(ii))                    | 647                          | 37  | 228   | 912              |
| <b>Controller of wholesale banking</b>     |                              |   |   |                  |
| Xu Huibin (Note(ii))                       | 647                          | 37  | 228   | 912              |
| <b>Former vice president</b>               |                              |   |   |                  |
| Zhao Huan (Note(ii))                       | 680                          | 37  | 265   | 982              |
|  | 5,439                        | 305   | 1,999                                       | 7,743            |

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**64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)**

(6) Key management personnel (continued)

|                             | 2013                                 |                                     |   |   |  | Total<br>RMB'000 |
|-----------------------------|--------------------------------------|-------------------------------------|---|---|--|------------------|
|                             | Salaries and<br>allowance<br>RMB'000 | Variable<br>compensation<br>RMB'000 | Contributions<br>to defined<br>contribution<br>retirement<br>schemes<br>RMB'000 | Other benefits<br>in kind<br>(Note(i))<br>RMB'000 |  |                  |
| <b>Company secretary</b>    |                                      |                                     |   |   |  |                  |
| Cheng Pui Ling              | 1,014                                | –                                   | 87  | 12  |  | 1,113            |
| <b>Qualified accountant</b> |                                      |                                     |   |   |  |                  |
| Yuen Yiu Leung              | 2,272                                | –                                   | 171   | 22  |  | 2,465            |
|                             | <b>3,286</b>                         | <b>–</b>                            | <b>258</b>  | <b>34</b>   |  | <b>3,578</b>     |

|  | 2012                                |   |                      |                    |   |  |  |
|--|-------------------------------------|---|----------------------|--------------------|---|--|--|
|  | Basic annual<br>salaries<br>RMB'000 | Annual<br>performance<br>bonus<br>RMB'000 | Allowance<br>RMB'000 | Welfare<br>RMB'000 | Total<br>(before tax)<br>(Note(iii))<br>RMB'000 | Including:<br>deferral<br>payment<br>RMB'000 | The actual<br>payment in 2012<br>(before tax)<br>RMB'000 |
| <b>Executive vice president</b>            |                                     |   |                      |                    |   |  |  |
| Zhu Hongbo                                 | 421                                 | 1,107                                     | –                    | 293                | 1,821   | 554  | 1,267  |
| Hu Zheyi                                   | 421                                 | 1,107                                     | –                    | 293                | 1,821   | 554  | 1,267  |
| Pang Xiusheng                              | 421                                 | 1,107                                     | –                    | 293                | 1,821   | 554  | 1,267  |
| Zhao Huan                                  | 421                                 | 1,107                                     | –                    | 293                | 1,821   | 554  | 1,267  |
| <b>Member of senior management</b>         |                                     |   |                      |                    |   |  |  |
| Zhang Gengsheng                            | 408                                 | 1,074                                     | –                    | 287                | 1,769   | 537  | 1,232  |
| <b>Chief Financial Officer</b>             |                                     |   |                      |                    |   |  |  |
| Zeng Jianhua                               | 386                                 | 1,016                                     | –                    | 256                | 1,658   | 508  | 1,150  |
| <b>Chief Risk Officer</b>                  |                                     |   |                      |                    |   |  |  |
| Huang Zhiling                              | 386                                 | 1,015                                     | –                    | 256                | 1,657   | 508  | 1,149  |
| <b>Chief Audit Officer</b>                 |                                     |   |                      |                    |   |  |  |
| Yu Jingbo                                  | 386                                 | 1,015                                     | –                    | 256                | 1,657   | 508  | 1,149  |
| <b>Secretary to the board of directors</b> |                                     |   |                      |                    |   |  |  |
| Chen Caihong                               | 386                                 | 1,015                                     | –                    | 256                | 1,657   | 508  | 1,149  |
| <b>Controller of wholesale banking</b>     |                                     |   |                      |                    |   |  |  |
| Xu Huibin                                  | 386                                 | 1,015                                     | –                    | 256                | 1,657   | 508  | 1,149  |
|  | <b>4,022</b>                        | <b>10,578</b>                             | <b>–</b>             | <b>2,739</b>       | <b>17,339</b>                                   | <b>5,293</b>                                 | <b>12,046</b>  |

## 64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (6) Key management personnel (continued)

|                                 | 2012                                 |                                     |   |   | Total<br>RMB'000 |
|---------------------------------|--------------------------------------|-------------------------------------|---|---|------------------|
|                                 | Salaries and<br>allowance<br>RMB'000 | Variable<br>compensation<br>RMB'000 | Contributions<br>to defined<br>contribution<br>retirement<br>schemes<br>RMB'000 | Other benefits<br>in kind<br>(Note(i))<br>RMB'000 |                  |
| <b>Company secretary</b>        |                                      |                                     |   |   |                  |
| Cheng Pui Ling                  | 950                                  | –                                   | 87  | 9   | 1,046            |
| <b>Qualified accountant</b>     |                                      |                                     |   |   |                  |
| Yuen Yiu Leung                  | 2,212                                | 398                                 | 163   | 26  | 2,799            |
| <b>Former company secretary</b> |                                      |                                     |   |   |                  |
| Chan Mei Sheung                 | 2,220                                | –                                   | 76  | 13  | 2,309            |
|                                 | 5,382                                | 398                                 | 326   | 48  | 6,154            |

- (i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.
- (ii) The total compensation package for these key management personnel for the year ended 31 December 2013 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2013. The final compensation will be disclosed in a separate announcement when determined.
- (iii) The total compensation package for certain key management personnel for the year ended 31 December 2012 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2012 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2012 was the final amount.

### (7) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

## 65 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

## 65 RISK MANAGEMENT (CONTINUED)

### Risk management framework

The Board of Directors carry out their responsibilities according to the Company Ordinance and other related regulatory requirements. The Board of Directors of the Bank has established the Risk Management Committee, responsible for making risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has oversight of the establishment of the overall risk management system and how well the Board of Directors and senior management carry out risk management responsibilities. Senior management is responsible for carrying out the risk strategy established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints Chief Risk Officer who assisted the governor with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk Management Department is the overall business risk management department. Credit Management Department is the overall credit risk management department. Credit Approval Department is the overall credit business approval department. Internal Control and Compliance Department is the coordination department for operating risk management and internal control and compliance risk management. Other departments are responsible for various corresponding risks.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

### (1) Credit risk

#### *Credit risk management*

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

#### *Credit business*

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading and is responsible for the special assets resolutions. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Credit Approval Department is responsible for the group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Group Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risks and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors credit businesses, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### *Credit business (continued)*

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

#### *Credit grading classification*

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The core definitions of the five categories of loans and advances are set out below:

|                  |  |
|------------------|--|
| Normal:          | Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.  |
| Special mention: | Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.   |
| Substandard:     | Borrowers' abilities to service their loans are apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain losses may ensue even when collateral or guarantees are invoked. |
| Doubtful:        | Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.  |
| Loss:            | Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.  |

The Group has also applied the same grading criteria and management approach in classifying the off-balance sheet credit-related operations.

#### *Treasury business*

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

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**65 RISK MANAGEMENT (CONTINUED)**

(1) Credit risk (continued)

(a) *Maximum credit risk exposure*

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

|   | Group             |                   | Bank              |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2013              | 2012              | 2013              | 2012              |
| Deposits with central banks                               | 2,403,245         | 2,385,416         | 2,398,040         | 2,370,883         |
| Deposits with banks and non-bank financial institutions   | 321,286           | 585,898           | 328,640           | 584,538           |
| Placements with banks and non-bank financial institutions | 152,065           | 129,653           | 233,574           | 138,015           |
| Debt investments at fair value through profit or loss     | 357,530           | 20,592            | 356,854           | 16,206            |
| Positive fair value of derivatives                        | 18,910            | 12,671            | 16,503            | 11,667            |
| Financial assets held under resale agreements             | 281,447           | 316,685           | 280,959           | 316,624           |
| Interest receivable                                       | 80,731            | 68,264            | 79,025            | 67,581            |
| Loans and advances to customers                           | 8,361,361         | 7,309,879         | 8,025,415         | 7,142,317         |
| Available-for-sale debt securities                        | 746,626           | 688,814           | 708,413           | 672,073           |
| Held-to-maturity investments                              | 2,100,538         | 1,918,322         | 2,095,741         | 1,915,811         |
| Debt securities classified as receivables                 | 189,737           | 219,713           | 182,252           | 217,741           |
| Other financial assets                                    | 21,130            | 18,669            | 53,635            | 36,279            |
| <b>Total</b>  | <b>15,034,606</b> | <b>13,674,576</b> | <b>14,759,051</b> | <b>13,489,735</b> |
| Off-balance sheet credit Commitments                      | 2,310,227         | 2,016,299         | 2,354,232         | 1,988,708         |
| <b>Maximum credit risk exposure</b>                       | <b>17,344,833</b> | <b>15,690,875</b> | <b>17,113,283</b> | <b>15,478,443</b> |

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

(b) *Distribution of loans and advances to customers in terms of credit quality is analysed as follows:*

|   | Note | Group            |           | Bank             |           |
|---|------|------------------|-----------|------------------|-----------|
|   |      | 2013             | 2012      | 2013             | 2012      |
| Individually assessed and impaired gross amount               |      | <b>77,152</b>    | 68,627    | <b>76,779</b>    | 68,452    |
| Allowances for impairment losses                              |      | <b>(52,137)</b>  | (45,814)  | <b>(51,885)</b>  | (45,678)  |
| Subtotal  |      | <b>25,015</b>    | 22,813    | <b>24,894</b>    | 22,774    |
| Collectively assessed and impaired gross amount               |      | <b>8,112</b>     | 5,991     | <b>8,002</b>     | 5,895     |
| Allowances for impairment losses                              |      | <b>(5,532)</b>   | (3,909)   | <b>(5,512)</b>   | (3,899)   |
| Subtotal  |      | <b>2,580</b>     | 2,082     | <b>2,490</b>     | 1,996     |
| Overdue but not impaired                                      |      |                  |           |                  |           |
| – not more than 90 days                                       |      | <b>14,517</b>    | 15,846    | <b>13,969</b>    | 15,405    |
| – between 90 days and 180 days                                |      | <b>3</b>         | –         | <b>–</b>         | –         |
| – more than 180 days  |      | <b>472</b>       | –         | <b>472</b>       | –         |
| Gross amount  |      | <b>14,992</b>    | 15,846    | <b>14,441</b>    | 15,405    |
| Allowances for impairment losses                              | (i)  | <b>(2,267)</b>   | (1,778)   | <b>(2,248)</b>   | (1,769)   |
| Subtotal  |      | <b>12,725</b>    | 14,068    | <b>12,193</b>    | 13,636    |
| Neither overdue nor impaired                                  |      |                  |           |                  |           |
| – Unsecured loans   |      | <b>2,322,572</b> | 2,075,020 | <b>2,125,833</b> | 2,013,991 |
| – Guaranteed loans  |      | <b>1,615,091</b> | 1,414,006 | <b>1,564,696</b> | 1,370,632 |
| – Loans secured by tangible assets other than monetary assets |      | <b>3,693,429</b> | 3,129,967 | <b>3,618,121</b> | 3,071,845 |
| – Loans secured by monetary assets                            |      | <b>858,709</b>   | 802,855   | <b>844,248</b>   | 797,184   |
| Gross amount  |      | <b>8,489,801</b> | 7,421,848 | <b>8,152,898</b> | 7,253,652 |
| Allowances for impairment losses                              | (i)  | <b>(168,760)</b> | (150,932) | <b>(167,060)</b> | (149,741) |
| Subtotal  |      | <b>8,321,041</b> | 7,270,916 | <b>7,985,838</b> | 7,103,911 |
| Total   |      | <b>8,361,361</b> | 7,309,879 | <b>8,025,415</b> | 7,142,317 |

(i) The balances represent collectively assessed allowances of impairment losses.

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**65 RISK MANAGEMENT (CONTINUED)**

(1) Credit risk (continued)

(b) *Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued):*

**Group**

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

|                     | 2013  |               |  |
|---------------------|---|---------------|--|
|                     | Overdue but not impaired loans and advances |               | Impaired loans and advances which are subject to individual assessment |
|                     | Corporate                                   | Personal      | Corporate  |
| Portion covered     | 330   | 8,256         | 12,048   |
| Portion not covered | 1,049                                       | 5,357         | 65,104   |
| <b>Total</b>        | <b>1,379</b>                                | <b>13,613</b> | <b>77,152</b>  |

|                     | 2012  |               |  |
|---------------------|---|---------------|--|
|                     | Overdue but not impaired loans and advances |               | Impaired loans and advances which are subject to individual assessment |
|                     | Corporate                                   | Personal      | Corporate  |
| Portion covered     | 1,026                                       | 10,388        | 12,084   |
| Portion not covered | 978   | 3,454         | 56,543   |
| <b>Total</b>        | <b>2,004</b>                                | <b>13,842</b> | <b>68,627</b>  |

**Bank**

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

|                     | 2013  |               |  |
|---------------------|---|---------------|--|
|                     | Overdue but not impaired loans and advances |               | Impaired loans and advances which are subject to individual assessment |
|                     | Corporate                                   | Personal      | Corporate  |
| Portion covered     | 158   | 8,020         | 12,004   |
| Portion not covered | 984   | 5,279         | 64,775   |
| <b>Total</b>        | <b>1,142</b>                                | <b>13,299</b> | <b>76,779</b>  |

|                     | 2012  |               |  |
|---------------------|---|---------------|--|
|                     | Overdue but not impaired loans and advances |               | Impaired loans and advances which are subject to individual assessment |
|                     | Corporate                                   | Personal      | Corporate  |
| Portion covered     | 860   | 10,215        | 12,081   |
| Portion not covered | 955   | 3,375         | 56,371   |
| <b>Total</b>        | <b>1,815</b>                                | <b>13,590</b> | <b>68,452</b>  |

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### (b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued):

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

#### (c) Loans and advances to customers analysed by economic sector concentrations

##### Group

|  | 2013               |            |                               | 2012               |            |                               |
|--|--------------------|------------|-------------------------------|--------------------|------------|-------------------------------|
|  | Gross loan balance | Percentage | Balance secured by collateral | Gross loan balance | Percentage | Balance secured by collateral |
| Corporate loans and advances                                   |                    |            |                               |                    |            |                               |
| – Manufacturing  | 1,432,219          | 16.67%     | 546,250                       | 1,314,545          | 17.50%     | 493,737                       |
| – Transportation, storage and postal services                  | 993,243            | 11.56%     | 390,131                       | 883,536            | 11.76%     | 358,998                       |
| – Production and supply of electric power, heat, gas and water | 594,603            | 6.92%      | 167,539                       | 615,635            | 8.20%      | 157,825                       |
| – Real estate  | 541,252            | 6.30%      | 455,172                       | 493,363            | 6.57%      | 422,272                       |
| – Leasing and commercial services                              | 478,259            | 5.57%      | 220,972                       | 392,363            | 5.22%      | 178,234                       |
| – Wholesale and retail trade                                   | 469,584            | 5.47%      | 186,592                       | 399,601            | 5.32%      | 165,099                       |
| – Water, environment and public utility management             | 273,513            | 3.19%      | 143,236                       | 235,762            | 3.14%      | 116,323                       |
| – Construction   | 243,975            | 2.84%      | 93,032                        | 222,951            | 2.97%      | 82,876                        |
| – Mining   | 234,837            | 2.74%      | 31,743                        | 208,738            | 2.78%      | 26,715                        |
| – Public management, social securities and social organisation | 117,599            | 1.37%      | 56,196                        | 97,605             | 1.29%      | 45,856                        |
| – Agriculture, forestry, farming, fishing                      | 105,021            | 1.22%      | 46,000                        | 73,498             | 0.98%      | 28,302                        |
| – Education  | 71,714             | 0.83%      | 21,173                        | 66,247             | 0.88%      | 25,182                        |
| – Others   | 386,386            | 4.50%      | 69,653                        | 265,677            | 3.54%      | 70,111                        |
| Total corporate loans and advances                             | 5,942,205          | 69.18%     | 2,427,689                     | 5,269,521          | 70.15%     | 2,171,530                     |
| Personal loans and advances                                    | 2,504,838          | 29.16%     | 2,173,315                     | 2,051,094          | 27.30%     | 1,813,968                     |
| Discounted bills   | 143,014            | 1.66%      | –                             | 191,697            | 2.55%      | –                             |
| Total loans and advances to customers                          | 8,590,057          | 100.00%    | 4,601,004                     | 7,512,312          | 100.00%    | 3,985,498                     |

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

|   | 2013                 |   |   |   |                             |
|---|----------------------|---|---|---|-----------------------------|
|   | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances | Charged to profit or loss during the year | Written off during the year |
| Manufacturing                               | 38,179               | (24,308)                                    | (34,324)                                    | 13,402                                    | 4,028                       |
| Transportation, storage and postal services | 5,414                | (3,816)                                     | (24,002)                                    | 3,515                                     | 11                          |
|   | 2012                 |   |   |   |                             |
|   | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances | Charged to profit or loss during the year | Written off during the year |
| Manufacturing                               | 30,924               | (19,696)                                    | (31,376)                                    | 12,917                                    | 2,725                       |
| Transportation, storage and postal services | 3,325                | (2,383)                                     | (22,006)                                    | 2,791                                     | 77                          |

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**65 RISK MANAGEMENT (CONTINUED)**

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations (continued)*

**Bank**

|  | 2013               |            |                               | 2012               |            |                               |
|--|--------------------|------------|-------------------------------|--------------------|------------|-------------------------------|
|  | Gross loan balance | Percentage | Balance secured by collateral | Gross loan balance | Percentage | Balance secured by collateral |
| Corporate loans and advances                                   |                    |            |                               |                    |            |                               |
| – Manufacturing  | 1,388,973          | 16.82%     | 532,533                       | 1,294,609          | 17.62%     | 491,184                       |
| – Transportation, storage and postal services                  | 967,057            | 11.72%     | 381,743                       | 866,624            | 11.80%     | 354,018                       |
| – Production and supply of electric power, heat, gas and water | 583,007            | 7.06%      | 165,704                       | 603,524            | 8.22%      | 156,032                       |
| – Real estate  | 507,855            | 6.15%      | 430,554                       | 467,421            | 6.37%      | 398,967                       |
| – Leasing and commercial services                              | 476,888            | 5.78%      | 221,452                       | 392,546            | 5.35%      | 177,949                       |
| – Wholesale and retail trade                                   | 437,443            | 5.30%      | 178,123                       | 384,555            | 5.24%      | 162,120                       |
| – Water, environment and public utility management             | 273,072            | 3.32%      | 143,176                       | 235,694            | 3.21%      | 116,269                       |
| – Construction   | 241,019            | 2.92%      | 92,752                        | 220,490            | 3.00%      | 82,511                        |
| – Mining   | 230,507            | 2.80%      | 31,561                        | 206,651            | 2.81%      | 26,715                        |
| – Public management, social securities and social organisation | 117,461            | 1.42%      | 56,069                        | 97,429             | 1.33%      | 45,681                        |
| – Agriculture, forestry, farming, fishing                      | 103,773            | 1.26%      | 45,869                        | 72,963             | 0.99%      | 28,139                        |
| – Education  | 71,638             | 0.87%      | 21,124                        | 66,183             | 0.90%      | 25,152                        |
| – Others   | 245,923            | 2.98%      | 66,851                        | 225,349            | 3.07%      | 67,466                        |
| Total corporate loans and advances                             | 5,644,616          | 68.40%     | 2,367,511                     | 5,134,038          | 69.91%     | 2,132,203                     |
| Personal loans and advances                                    | 2,464,662          | 29.87%     | 2,143,251                     | 2,017,826          | 27.48%     | 1,789,309                     |
| Discounted bills   | 142,842            | 1.73%      | –                             | 191,540            | 2.61%      | –                             |
| Total loans and advances to customers                          | 8,252,120          | 100.00%    | 4,510,762                     | 7,343,404          | 100.00%    | 3,921,512                     |

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

|   | 2013                 |   |   |   |                             |
|---|----------------------|---|---|---|-----------------------------|
|   | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances | Charged to profit or loss during the year | Written off during the year |
| Manufacturing                               | 38,091               | (24,252)                                    | (34,046)                                    | 13,341                                    | 4,023                       |
| Transportation, storage and postal services | 5,297                | (3,715)                                     | (23,636)                                    | 3,312                                     | 11                          |
|   |                      |   |   |   |                             |
|   | 2012                 |   |   |   |                             |
|   | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances | Charged to profit or loss during the year | Written off during the year |
| Manufacturing                               | 30,870               | (19,642)                                    | (31,170)                                    | 12,926                                    | 2,724                       |
| Transportation, storage and postal services | 3,208                | (2,303)                                     | (21,822)                                    | 2,666                                     | 77                          |

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### (d) Loans and advances to customers analysed by geographical sector concentrations

##### Group

|                                       | 2013               |            |                               | 2012               |            |                               |
|---------------------------------------|--------------------|------------|-------------------------------|--------------------|------------|-------------------------------|
|                                       | Gross loan balance | Percentage | Balance secured by collateral | Gross loan balance | Percentage | Balance secured by collateral |
| Yangtze River Delta                   | 1,781,649          | 20.74%     | 1,142,213                     | 1,670,643          | 22.24%     | 1,041,606                     |
| Western                               | 1,461,129          | 17.01%     | 859,316                       | 1,270,163          | 16.91%     | 725,755                       |
| Bohai Rim                             | 1,442,213          | 16.79%     | 642,830                       | 1,301,564          | 17.33%     | 554,538                       |
| Central                               | 1,358,192          | 15.81%     | 798,619                       | 1,195,748          | 15.92%     | 660,624                       |
| Pearl River Delta                     | 1,220,420          | 14.21%     | 811,547                       | 1,091,848          | 14.53%     | 707,773                       |
| Northeastern                          | 507,751            | 5.91%      | 269,978                       | 461,574            | 6.14%      | 238,941                       |
| Head office                           | 280,597            | 3.27%      | 407                           | 188,074            | 2.50%      | 410                           |
| Overseas                              | 538,106            | 6.26%      | 76,094                        | 332,698            | 4.43%      | 55,851                        |
| Gross loans and advances to customers | 8,590,057          | 100.00%    | 4,601,004                     | 7,512,312          | 100.00%    | 3,985,498                     |

Details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

|                     | 2013                 |   |   |
|---------------------|----------------------|---|---|
|                     | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances |
| Yangtze River Delta | 40,844               | (25,356)                                    | (39,041)                                    |
| Central             | 12,052               | (7,109)                                     | (28,126)                                    |
| Pearl River Delta   | 10,680               | (6,045)                                     | (27,414)                                    |
| Western             | 7,221                | (4,940)                                     | (31,375)                                    |
| Bohai Rim           | 6,695                | (4,339)                                     | (30,144)                                    |
| Northeastern        | 4,551                | (3,236)                                     | (11,094)                                    |
| Head Office         | 2,645                | (785)                                       | (6,074)                                     |
| Overseas            | 576                  | (327)                                       | (3,291)                                     |
| Total               | 85,264               | (52,137)                                    | (176,559)                                   |

|                     | 2012                 |   |   |
|---------------------|----------------------|---|---|
|                     | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances |
| Yangtze River Delta | 32,941               | (19,634)                                    | (35,725)                                    |
| Central             | 9,635                | (6,207)                                     | (25,121)                                    |
| Pearl River Delta   | 9,096                | (5,514)                                     | (25,073)                                    |
| Western             | 8,187                | (5,330)                                     | (27,473)                                    |
| Bohai Rim           | 6,848                | (4,982)                                     | (27,061)                                    |
| Northeastern        | 4,920                | (2,844)                                     | (9,951)                                     |
| Head Office         | 1,966                | (802)                                       | (4,040)                                     |
| Overseas            | 1,025                | (501)                                       | (2,175)                                     |
| Total               | 74,618               | (45,814)                                    | (156,619)                                   |

The definitions of geographical segments are set out in Note 60(1).

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**65 RISK MANAGEMENT (CONTINUED)**

(1) Credit risk (continued)

(d) *Loans and advances to customers analysed by geographical sector concentrations (continued)*

**Bank**

|                                       | 2013               |            |                               | 2012               |            |                               |
|---------------------------------------|--------------------|------------|-------------------------------|--------------------|------------|-------------------------------|
|                                       | Gross loan balance | Percentage | Balance secured by collateral | Gross loan balance | Percentage | Balance secured by collateral |
| Yangtze River Delta                   | 1,773,136          | 21.49%     | 1,138,800                     | 1,664,837          | 22.66%     | 1,039,630                     |
| Western                               | 1,460,804          | 17.70%     | 859,222                       | 1,270,054          | 17.30%     | 725,732                       |
| Bohai Rim                             | 1,381,443          | 16.74%     | 619,733                       | 1,248,330          | 17.00%     | 535,728                       |
| Central                               | 1,357,198          | 16.45%     | 798,306                       | 1,193,720          | 16.26%     | 660,355                       |
| Pearl River Delta                     | 1,220,420          | 14.79%     | 811,547                       | 1,091,848          | 14.87%     | 707,773                       |
| Northeastern                          | 507,649            | 6.15%      | 269,895                       | 461,571            | 6.29%      | 238,940                       |
| Head office                           | 280,597            | 3.40%      | 407                           | 188,074            | 2.56%      | 410                           |
| Overseas                              | 270,873            | 3.28%      | 12,852                        | 224,970            | 3.06%      | 12,944                        |
| Gross loans and advances to customers | 8,252,120          | 100.00%    | 4,510,762                     | 7,343,404          | 100.00%    | 3,921,512                     |

Details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

|                     | 2013                 |   |   |
|---------------------|----------------------|---|---|
|                     | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances |
| Yangtze River Delta | 40,783               | (25,342)                                    | (38,803)                                    |
| Central             | 12,046               | (7,107)                                     | (28,093)                                    |
| Pearl River Delta   | 10,680               | (6,045)                                     | (27,414)                                    |
| Western             | 7,221                | (4,940)                                     | (31,368)                                    |
| Bohai Rim           | 6,558                | (4,236)                                     | (29,162)                                    |
| Northeastern        | 4,551                | (3,236)                                     | (11,092)                                    |
| Head Office         | 2,645                | (785)                                       | (6,074)                                     |
| Overseas            | 297                  | (194)                                       | (2,814)                                     |
| Total               | 84,781               | (51,885)                                    | (174,820)                                   |

|                     | 2012                 |   |   |
|---------------------|----------------------|---|---|
|                     | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances |
| Yangtze River Delta | 32,937               | (19,632)                                    | (35,604)                                    |
| Central             | 9,634                | (6,207)                                     | (25,085)                                    |
| Pearl River Delta   | 9,096                | (5,514)                                     | (25,073)                                    |
| Western             | 8,187                | (5,330)                                     | (27,471)                                    |
| Bohai Rim           | 6,730                | (4,902)                                     | (26,360)                                    |
| Northeastern        | 4,920                | (2,844)                                     | (9,951)                                     |
| Head Office         | 1,966                | (802)                                       | (4,040)                                     |
| Overseas            | 877                  | (447)                                       | (1,825)                                     |
| Total               | 74,347               | (45,678)                                    | (155,409)                                   |

The definitions of geographical segments are set out in Note 60(1).

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### (e) Loans and advances to customers analysed by types of collateral

|   | Group     |           | Bank      |           |
|---|-----------|-----------|-----------|-----------|
|   | 2013      | 2012      | 2013      | 2012      |
| Unsecured loans   | 2,336,298 | 2,084,988 | 2,139,243 | 2,023,753 |
| Guaranteed loans  | 1,652,755 | 1,441,826 | 1,602,115 | 1,398,139 |
| Loans secured by tangible assets other than monetary assets | 3,734,986 | 3,176,420 | 3,659,209 | 3,118,078 |
| Loans secured by monetary assets                            | 866,018   | 809,078   | 851,553   | 803,434   |
| Gross loans and advances to customers                       | 8,590,057 | 7,512,312 | 8,252,120 | 7,343,404 |

#### (f) Rescheduled loans and advances to customers

##### Group

|  | 2013  |   | 2012  |   |
|--|-------|---|-------|---|
|  | Total | Percentage of gross loans and advances to customers | Total | Percentage of gross loans and advances to customers |
| Rescheduled loans and advances to customers                  | 1,009 | 0.01%   | 2,563 | 0.03%   |
| Of which:  |       |   |       |   |
| Rescheduled loans and advances overdue for more than 90 days | 247   | 0.00%   | 1,488 | 0.02%   |

##### Bank

|  | 2013  |   | 2012  |   |
|--|-------|---|-------|---|
|  | Total | Percentage of gross loans and advances to customers | Total | Percentage of gross loans and advances to customers |
| Rescheduled loans and advances to customers                  | 937   | 0.01%   | 2,477 | 0.03%   |
| Of which:  |       |   |       |   |
| Rescheduled loans and advances overdue for more than 90 days | 247   | 0.00%   | 1,480 | 0.02%   |

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**65 RISK MANAGEMENT (CONTINUED)**

(1) Credit risk (continued)

(g) *Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:*

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

|   | Group   |           | Bank    |           |
|---|---------|-----------|---------|-----------|
|   | 2013    | 2012      | 2013    | 2012      |
| Individually assessed and impaired gross amount | 38      | 82        | 35      | 82        |
| Allowances for impairment losses                | (34)    | (56)      | (31)    | (56)      |
| Subtotal  | 4       | 26        | 4       | 26        |
| Neither overdue nor impaired                    |         |           |         |           |
| – grade A to AAA                                | 656,824 | 957,554   | 745,727 | 961,185   |
| – grade B to BBB                                | 3,688   | 4,169     | 3,231   | 4,096     |
| – unrated                                       | 94,282  | 70,487    | 94,211  | 73,870    |
| Subtotal  | 754,794 | 1,032,210 | 843,169 | 1,039,151 |
| Total   | 754,798 | 1,032,236 | 843,173 | 1,039,177 |

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### (h) *Distribution of debt investments analysed by rating*

The Group adopts a credit rating approach to manage the credit risk of the debt investments portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

#### Group

|   | 2013      |         |        |       |              | Total     |
|---|-----------|---------|--------|-------|--------------|-----------|
|   | Unrated   | AAA     | AA     | A     | Lower than A |           |
| Individually assessed and impaired gross amount |           |         |        |       |              |           |
| - Banks and non-bank financial institutions     | 1,562     | -       | -      | 397   | 3,472        | 5,431     |
| - Other enterprises                             | 812       | 2,677   | -      | -     | -            | 3,489     |
|   | 2,374     | 2,677   | -      | 397   | 3,472        | 8,920     |
| Allowances for impairment losses                |           |         |        |       |              | (3,947)   |
| Subtotal  |           |         |        |       |              | 4,973     |
| Neither overdue nor impaired                    |           |         |        |       |              |           |
| - Government                                    | 1,052,672 | 2,583   | 20,061 | 218   | -            | 1,075,534 |
| - Central banks                                 | 189,460   | 3,989   | 2,600  | -     | 2,332        | 198,381   |
| - Policy banks                                  | 445,322   | -       | 465    | 63    | -            | 445,850   |
| - Banks and non-bank financial institutions     | 1,094,536 | 56,994  | 10,062 | 7,167 | 3,364        | 1,172,123 |
| - Cinda   | 18,852    | -       | -      | -     | -            | 18,852    |
| - Public sector entities                        | -         | 19      | 79     | -     | -            | 98        |
| - Other enterprises                             | 71,413    | 392,075 | 16,290 | 2,117 | 826          | 482,721   |
|   | 2,872,255 | 455,660 | 49,557 | 9,565 | 6,522        | 3,393,559 |
| Allowances for impairment losses                |           |         |        |       |              | (4,101)   |
| Subtotal  |           |         |        |       |              | 3,389,458 |
| Total   |           |         |        |       |              | 3,394,431 |

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**65 RISK MANAGEMENT (CONTINUED)**

(1) Credit risk (continued)

(h) *Distribution of debt investments analysed by rating (continued)*

**Group (continued)**

|   | 2012      |         |        |       |              | Total     |
|---|-----------|---------|--------|-------|--------------|-----------|
|   | Unrated   | AAA     | AA     | A     | Lower than A |           |
| Individually assessed and impaired gross amount |           |         |        |       |              |           |
| – Banks and non-bank financial institutions     | 477       | 9       | 201    | 2,623 | 9,243        | 12,553    |
| – Other enterprises                             | 233       | 2,820   | –      | –     | –            | 3,053     |
|   | 710       | 2,829   | 201    | 2,623 | 9,243        | 15,606    |
| Allowances for impairment losses                |           |         |        |       |              | (6,610)   |
| Subtotal  |           |         |        |       |              | 8,996     |
| Neither overdue nor impaired                    |           |         |        |       |              |           |
| – Government                                    | 930,308   | 1,538   | 7,233  | 157   | –            | 939,236   |
| – Central banks                                 | 311,712   | 3,549   | 19,246 | –     | 1,253        | 335,760   |
| – Policy banks                                  | 350,761   | –       | 258    | 67    | –            | 351,086   |
| – Banks and non-bank financial institutions     | 724,862   | 48,278  | 9,561  | 7,952 | 2,293        | 792,946   |
| – Cinda   | 57,622    | –       | –      | –     | –            | 57,622    |
| – Public sector entities                        | –         | –       | 84     | –     | 259          | 343       |
| – Other enterprises                             | 44,339    | 306,628 | 10,353 | 1,740 | 1,278        | 364,338   |
|   | 2,419,604 | 359,993 | 46,735 | 9,916 | 5,083        | 2,841,331 |
| Allowances for impairment losses                |           |         |        |       |              | (2,886)   |
| Subtotal  |           |         |        |       |              | 2,838,445 |
| Total   |           |         |        |       |              | 2,847,441 |

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### (h) Distribution of debt investments analysed by rating (continued)

##### Bank

|   | 2013      |         |        |       |              | Total     |
|---|-----------|---------|--------|-------|--------------|-----------|
|   | Unrated   | AAA     | AA     | A     | Lower than A |           |
| Individually assessed and impaired gross amount |           |         |        |       |              |           |
| - Banks and non-bank financial institutions     | 1,562     | -       | -      | 397   | 3,472        | 5,431     |
| - Other enterprises                             | 12        | 2,677   | -      | -     | -            | 2,689     |
|   | 1,574     | 2,677   | -      | 397   | 3,472        | 8,120     |
| Allowances for impairment losses                |           |         |        |       |              | (3,811)   |
| Subtotal  |           |         |        |       |              | 4,309     |
| Neither overdue nor impaired                    |           |         |        |       |              |           |
| - Government                                    | 1,052,672 | 925     | 2,422  | 218   | -            | 1,056,237 |
| - Central banks                                 | 189,068   | 986     | 2,365  | -     | 2,332        | 194,751   |
| - Policy banks                                  | 445,322   | -       | -      | 63    | -            | 445,385   |
| - Banks and non-bank financial institutions     | 1,089,076 | 53,295  | 6,089  | 6,105 | 3,364        | 1,157,929 |
| - Cinda   | 18,852    | -       | -      | -     | -            | 18,852    |
| - Public sector entities                        | -         | -       | 79     | -     | -            | 79        |
| - Other enterprises                             | 66,634    | 385,015 | 15,799 | 1,576 | 795          | 469,819   |
|   | 2,861,624 | 440,221 | 26,754 | 7,962 | 6,491        | 3,343,052 |
| Allowances for impairment losses                |           |         |        |       |              | (4,101)   |
| Subtotal  |           |         |        |       |              | 3,338,951 |
| Total   |           |         |        |       |              | 3,343,260 |

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**65 RISK MANAGEMENT (CONTINUED)**

(1) Credit risk (continued)

(h) *Distribution of debt investments analysed by rating (continued)*

**Bank (continued)**

|   | 2012      |         |        |       |              | Total     |
|---|-----------|---------|--------|-------|--------------|-----------|
|   | Unrated   | AAA     | AA     | A     | Lower than A |           |
| Individually assessed and impaired gross amount |           |         |        |       |              |           |
| - Banks and non-bank financial institutions     | 443       | 9       | 201    | 2,623 | 9,243        | 12,519    |
| - Other enterprises                             | 76        | 2,820   | -      | -     | -            | 2,896     |
|   | 519       | 2,829   | 201    | 2,623 | 9,243        | 15,415    |
| Allowances for impairment losses                |           |         |        |       |              | (6,579)   |
| Subtotal  |           |         |        |       |              | 8,836     |
| Neither overdue nor impaired                    |           |         |        |       |              |           |
| - Government                                    | 930,308   | 59      | 6,917  | 157   | -            | 937,441   |
| - Central banks                                 | 310,423   | 3,549   | 15,831 | -     | 1,253        | 331,056   |
| - Policy banks                                  | 350,761   | -       | -      | 67    | -            | 350,828   |
| - Banks and non-bank financial institutions     | 723,429   | 45,358  | 7,410  | 4,336 | 2,293        | 782,826   |
| - Cinda   | 57,622    | -       | -      | -     | -            | 57,622    |
| - Public sector entities                        | -         | -       | 84     | -     | 259          | 343       |
| - Other enterprises                             | 39,534    | 304,034 | 9,666  | 1,368 | 1,163        | 355,765   |
|   | 2,412,077 | 353,000 | 39,908 | 5,928 | 4,968        | 2,815,881 |
| Allowances for impairment losses                |           |         |        |       |              | (2,886)   |
| Subtotal  |           |         |        |       |              | 2,812,995 |
| Total   |           |         |        |       |              | 2,821,831 |

(i) *Credit risk arising from the Group's derivatives exposures*

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) *Settlement risk*

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## 65 RISK MANAGEMENT (CONTINUED)

### (2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Risk Management Department is responsible for formulating standardised market risk management policies and rules and supervising the implementation of market risk management policies and rules of the Bank. The Asset and Liability Management Department (the "ALM") and the International Business Department are responsible for managing the size and structure of the assets and liabilities in response to non-trading market risk. The Financial Market Department manages the Head Office's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions on a trade-by-trade basis with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

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**65 RISK MANAGEMENT (CONTINUED)**

**(2) Market risk (continued)**

*(a) VaR analysis*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

|  | 2013                 |         |         |         |
|--|----------------------|---------|---------|---------|
|  | As at<br>31 December | Average | Maximum | Minimum |
| Risk valuation of trading portfolio    | 128                  | 64      | 148     | 29      |
| Of which:                              |                      |         |         |         |
| – Interest rate risk                   | 117                  | 36      | 134     | 17      |
| – Foreign exchange risk <sup>(1)</sup> | 94                   | 53      | 107     | 17      |
| – Commodity risk                       | 7                    | 2       | 18      | –       |

|  | 2012                 |         |         |         |
|--|----------------------|---------|---------|---------|
|  | As at<br>31 December | Average | Maximum | Minimum |
| Risk valuation of trading portfolio    | 53                   | 63      | 116     | 26      |
| Of which:                              |                      |         |         |         |
| – Interest rate risk                   | 44                   | 42      | 77      | 16      |
| – Foreign exchange risk <sup>(1)</sup> | 32                   | 41      | 96      | 14      |
| – Commodity risk                       | –                    | 4       | 80      | –       |

(1) The reporting of risk in relation to bullion is included in foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and at a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

## 65 RISK MANAGEMENT (CONTINUED)

### (2) Market risk (continued)

#### *(b) Net interest income sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group for the year by RMB40,135 million (2012: RMB36,670 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group for the year would decrease or increase by RMB31,468 million (2012: RMB26,887 million).

The above interest rate sensitivity is for illustration purpose only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the department who manages the interest related risk or related business departments to mitigate interest rate risk have not been taken into account. In practice, the department who manage the interest related risk strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

#### *(c) Interest rate repricing gap analysis*

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the effective interest rate ("EIR") for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

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**65 RISK MANAGEMENT (CONTINUED)**

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

**Group**

|  | Note  | 2013                        |                      |                     |                                   |                                 | Total            |                      |
|--|-------|-----------------------------|----------------------|---------------------|-----------------------------------|---------------------------------|------------------|----------------------|
|  |       | Effective interest rate (j) | Non-interest bearing | Within three months | Between three months and one year | Between one year and five years |                  | More than five years |
| <b>Assets</b>  |       |                             |                      |                     |                                   |                                 |                  |                      |
| Cash and deposits with central banks                                   |       | 1.55%                       | 120,044              | 2,354,957           | -                                 | -                               | -                | 2,475,001            |
| Deposits and placements with banks and non-bank financial institutions |       | 3.85%                       | -                    | 320,488             | 146,374                           | 6,489                           | -                | 473,351              |
| Financial assets held under resale agreements                          |       | 4.22%                       | -                    | 279,292             | 2,155                             | -                               | -                | 281,447              |
| Loans and advances to customers  | (ii)  | 5.79%                       | -                    | 4,432,346           | 3,800,494                         | 58,818                          | 69,703           | 8,361,361            |
| Investments  | (iii) | 3.74%                       | 22,811               | 522,349             | 542,287                           | 1,277,382                       | 1,052,412        | 3,417,241            |
| Other assets   |       | -                           | 354,809              | -                   | -                                 | -                               | -                | 354,809              |
| <b>Total assets</b>  |       | <b>4.54%</b>                | <b>497,664</b>       | <b>7,909,432</b>    | <b>4,491,310</b>                  | <b>1,342,689</b>                | <b>1,122,115</b> | <b>15,363,210</b>    |
| <b>Liabilities</b>   |       |                             |                      |                     |                                   |                                 |                  |                      |
| Borrowings from central banks  |       | 3.61%                       | -                    | 75,197              | 3,960                             | -                               | -                | 79,157               |
| Deposits and placements from banks and non-bank financial institutions |       | 2.45%                       | -                    | 770,665             | 71,116                            | 6,231                           | -                | 848,012              |
| Financial liabilities at fair value through profit or loss             |       | 1.37%                       | 24,186               | 267,224             | 88,970                            | -                               | -                | 380,380              |
| Financial assets sold under repurchase agreements                      |       | 3.70%                       | -                    | 61,807              | 66                                | -                               | -                | 61,873               |
| Deposits from customers  |       | 1.89%                       | 74,794               | 8,587,466           | 2,462,729                         | 1,089,647                       | 8,401            | 12,223,037           |
| Debt securities issued   |       | 3.29%                       | -                    | 110,950             | 103,031                           | 5,699                           | 137,860          | 357,540              |
| Other liabilities  |       | -                           | 338,882              | -                   | -                                 | -                               | -                | 338,882              |
| <b>Total liabilities</b>   |       | <b>1.98%</b>                | <b>437,862</b>       | <b>9,873,309</b>    | <b>2,729,872</b>                  | <b>1,101,577</b>                | <b>146,261</b>   | <b>14,288,881</b>    |
| <b>Asset-liability gap</b>   |       | <b>2.56%</b>                | <b>59,802</b>        | <b>(1,963,877)</b>  | <b>1,761,438</b>                  | <b>241,112</b>                  | <b>975,854</b>   | <b>1,074,329</b>     |

## 65 RISK MANAGEMENT (CONTINUED)

### (2) Market risk (continued)

#### (c) Interest rate repricing gap analysis (continued)

##### Group (continued)

|  | Note  | 2012 (Restated)             |                      |                     |                                   |                                 | Total             |
|--|-------|-----------------------------|----------------------|---------------------|-----------------------------------|---------------------------------|-------------------|
|  |       | Effective interest rate (i) | Non-interest bearing | Within three months | Between three months and one year | Between one year and five years |                   |
| <b>Assets</b>  |       |                             |                      |                     |                                   |                                 |                   |
| Cash and deposits with central banks                                   |       | 1.51%                       | 186,811              | 2,271,258           | -                                 | -                               | 2,458,069         |
| Deposits and placements with banks and non-bank financial institutions |       | 3.62%                       | -                    | 556,220             | 150,292                           | 9,039                           | 715,551           |
| Financial assets held under resale agreements                          |       | 4.26%                       | -                    | 275,316             | 41,369                            | -                               | 316,685           |
| Loans and advances to customers  | (ii)  | 6.29%                       | -                    | 3,848,626           | 3,346,574                         | 46,068                          | 7,309,879         |
| Investments  | (iii) | 3.58%                       | 21,572               | 275,869             | 659,380                           | 932,291                         | 2,869,014         |
| Other assets   |       | -                           | 303,630              | -                   | -                                 | -                               | 303,630           |
| <b>Total assets</b>  |       | <b>4.70%</b>                | <b>512,013</b>       | <b>7,227,289</b>    | <b>4,197,615</b>                  | <b>987,398</b>                  | <b>13,972,828</b> |
| <b>Liabilities</b>   |       |                             |                      |                     |                                   |                                 |                   |
| Borrowings from central banks  |       | 1.22%                       | -                    | 4,117               | 2,164                             | -                               | 6,281             |
| Deposits and placements from banks and non-bank financial institutions |       | 3.13%                       | -                    | 1,002,507           | 85,452                            | 9,784                           | 1,097,743         |
| Financial liabilities at fair value through profit or loss             |       | 1.41%                       | 20,000               | 15,664              | 1,587                             | -                               | 37,251            |
| Financial assets sold under repurchase agreements                      |       | 3.86%                       | -                    | 2,189               | 171                               | -                               | 2,360             |
| Deposits from customers  |       | 1.98%                       | 61,385               | 7,904,321           | 2,328,493                         | 1,041,442                       | 11,343,079        |
| Debt securities issued   |       | 3.48%                       | -                    | 54,137              | 43,740                            | 26,670                          | 262,991           |
| Other liabilities  |       | -                           | 273,578              | -                   | -                                 | -                               | 273,578           |
| <b>Total liabilities</b>   |       | <b>2.12%</b>                | <b>354,963</b>       | <b>8,982,935</b>    | <b>2,461,607</b>                  | <b>1,077,896</b>                | <b>13,023,283</b> |
| <b>Asset-liability gap</b>   |       | <b>2.58%</b>                | <b>157,050</b>       | <b>(1,755,646)</b>  | <b>1,736,008</b>                  | <b>(90,498)</b>                 | <b>949,545</b>    |

- (i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.
- (ii) For loans and advances to customers, the “within three months” category includes overdue amounts (net of allowances for impairment losses) of RMB33,014 million as at 31 December 2013 (2012: RMB32,017 million).
- (iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, debt securities classified as receivables and investments in associates and joint ventures.

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**65 RISK MANAGEMENT (CONTINUED)**

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

**Bank**

|  | Note  | 2013                        |                      |                     |                                   |                                 | Total            |                      |
|--|-------|-----------------------------|----------------------|---------------------|-----------------------------------|---------------------------------|------------------|----------------------|
|  |       | Effective interest rate (j) | Non-interest bearing | Within three months | Between three months and one year | Between one year and five years |                  | More than five years |
| <b>Assets</b>  |       |                             |                      |                     |                                   |                                 |                  |                      |
| Cash and deposits with central banks                                   |       | 1.56%                       | 118,085              | 2,351,412           | -                                 | -                               | -                | 2,469,497            |
| Deposits and placements with banks and non-bank financial institutions |       | 3.55%                       | -                    | 396,196             | 164,017                           | 2,001                           | -                | 562,214              |
| Financial assets held under resale agreements                          |       | 4.21%                       | -                    | 278,899             | 2,060                             | -                               | -                | 280,959              |
| Loans and advances to customers  | (ii)  | 5.86%                       | -                    | 4,183,932           | 3,719,832                         | 52,504                          | 69,147           | 8,025,415            |
| Investments  | (iii) | 3.76%                       | 28,336               | 513,309             | 522,551                           | 1,263,447                       | 1,043,953        | 3,371,596            |
| Other assets   |       | -                           | 373,716              | -                   | -                                 | -                               | -                | 373,716              |
| <b>Total assets</b>  |       | <b>4.56%</b>                | <b>520,137</b>       | <b>7,723,748</b>    | <b>4,408,460</b>                  | <b>1,317,952</b>                | <b>1,113,100</b> | <b>15,083,397</b>    |
| <b>Liabilities</b>   |       |                             |                      |                     |                                   |                                 |                  |                      |
| Borrowings from central banks  |       | 3.62%                       | -                    | 74,913              | 3,820                             | -                               | -                | 78,733               |
| Deposits and placements from banks and non-bank financial institutions |       | 2.36%                       | -                    | 770,385             | 50,264                            | 6,317                           | -                | 826,966              |
| Financial liabilities at fair value through profit or loss             |       | 1.37%                       | 21,627               | 267,134             | 88,970                            | -                               | -                | 377,731              |
| Financial assets sold under repurchase agreements                      |       | 3.93%                       | -                    | 55,408              | 49                                | -                               | -                | 55,457               |
| Deposits from customers  |       | 1.89%                       | 52,003               | 8,485,968           | 2,422,140                         | 1,087,339                       | 8,327            | 12,055,777           |
| Debt securities issued   |       | 3.37%                       | -                    | 98,178              | 81,607                            | 4,761                           | 137,860          | 322,406              |
| Other liabilities  |       | -                           | 307,726              | -                   | -                                 | -                               | -                | 307,726              |
| <b>Total liabilities</b>   |       | <b>1.98%</b>                | <b>381,356</b>       | <b>9,751,986</b>    | <b>2,646,850</b>                  | <b>1,098,417</b>                | <b>146,187</b>   | <b>14,024,796</b>    |
| <b>Asset-liability gap</b>   |       | <b>2.58%</b>                | <b>138,781</b>       | <b>(2,028,238)</b>  | <b>1,761,610</b>                  | <b>219,535</b>                  | <b>966,913</b>   | <b>1,058,601</b>     |

## 65 RISK MANAGEMENT (CONTINUED)

### (2) Market risk (continued)

#### (c) Interest rate repricing gap analysis (continued)

##### Bank (continued)

|  | Note  | 2012 (Restated)             |                      |                     |                                   |                                 | Total            |                      |
|--|-------|-----------------------------|----------------------|---------------------|-----------------------------------|---------------------------------|------------------|----------------------|
|  |       | Effective interest rate (i) | Non-interest bearing | Within three months | Between three months and one year | Between one year and five years |                  | More than five years |
| <b>Assets</b>  |       |                             |                      |                     |                                   |                                 |                  |                      |
| Cash and deposits with central banks                                   |       | 1.51%                       | 174,909              | 2,268,367           | -                                 | -                               | -                | 2,443,276            |
| Deposits and placements with banks and non-bank financial institutions |       | 3.61%                       | -                    | 562,619             | 154,634                           | 5,300                           | -                | 722,553              |
| Financial assets held under resale agreements                          |       | 4.26%                       | -                    | 275,255             | 41,369                            | -                               | -                | 316,624              |
| Loans and advances to customers  | (ii)  | 6.33%                       | -                    | 3,722,030           | 3,309,848                         | 42,133                          | 68,306           | 7,142,317            |
| Investments  | (iii) | 3.58%                       | 26,019               | 263,703             | 655,096                           | 928,676                         | 974,356          | 2,847,850            |
| Other assets   |       | -                           | 314,130              | -                   | -                                 | -                               | -                | 314,130              |
| <b>Total assets</b>  |       | <b>4.70%</b>                | <b>515,058</b>       | <b>7,091,974</b>    | <b>4,160,947</b>                  | <b>976,109</b>                  | <b>1,042,662</b> | <b>13,786,750</b>    |
| <b>Liabilities</b>   |       |                             |                      |                     |                                   |                                 |                  |                      |
| Borrowings from central banks  |       | 1.18%                       | -                    | 4,107               | 2,062                             | -                               | -                | 6,169                |
| Deposits and placements from banks and non-bank financial institutions |       | 3.04%                       | -                    | 978,894             | 70,012                            | 9,231                           | -                | 1,058,137            |
| Financial liabilities at fair value through profit or loss             |       | 1.41%                       | 17,282               | 15,664              | 1,587                             | -                               | -                | 34,533               |
| Financial assets sold under repurchase agreements                      |       | 3.84%                       | -                    | 720                 | 171                               | -                               | -                | 891                  |
| Deposits from customers  |       | 1.99%                       | 39,421               | 7,854,948           | 2,314,521                         | 1,034,105                       | 7,005            | 11,250,000           |
| Debt securities issued   |       | 3.56%                       | -                    | 48,782              | 33,474                            | 24,324                          | 138,444          | 245,024              |
| Other liabilities  |       | -                           | 256,539              | -                   | -                                 | -                               | -                | 256,539              |
| <b>Total liabilities</b>   |       | <b>2.11%</b>                | <b>313,242</b>       | <b>8,903,115</b>    | <b>2,421,827</b>                  | <b>1,067,660</b>                | <b>145,449</b>   | <b>12,851,293</b>    |
| <b>Asset-liability gap</b>   |       | <b>2.59%</b>                | <b>201,816</b>       | <b>(1,811,141)</b>  | <b>1,739,120</b>                  | <b>(91,551)</b>                 | <b>897,213</b>   | <b>935,457</b>       |

- (i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.
- (ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB32,281 million as at 31 December 2013 (2012: RMB31,466 million).
- (iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables and investments in subsidiaries.

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**65 RISK MANAGEMENT (CONTINUED)**

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the Treasury Department's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The currency exposures of the Group's and the Bank's assets and liabilities as at the end of the reporting period are as follows:

**Group**

|  | Note | 2013              |                            |                               | Total             |
|--|------|-------------------|----------------------------|-------------------------------|-------------------|
|  |      | RMB               | USD<br>(RMB<br>equivalent) | Others<br>(RMB<br>equivalent) |                   |
| <b>Assets</b>  |      |                   |                            |                               |                   |
| Cash and deposits with central banks                                   |      | 2,413,749         | 42,686                     | 18,566                        | 2,475,001         |
| Deposits and placements with banks and non-bank financial institutions | (i)  | 690,739           | 41,085                     | 22,974                        | 754,798           |
| Loans and advances to customers  |      | 7,638,028         | 578,993                    | 144,340                       | 8,361,361         |
| Investments  |      | 3,347,244         | 37,588                     | 32,409                        | 3,417,241         |
| Other assets   |      | 274,723           | 25,181                     | 54,905                        | 354,809           |
| <b>Total assets</b>  |      | <b>14,364,483</b> | <b>725,533</b>             | <b>273,194</b>                | <b>15,363,210</b> |
| <b>Liabilities</b>   |      |                   |                            |                               |                   |
| Borrowings from central banks  |      | 64,036            | 12,204                     | 2,917                         | 79,157            |
| Deposits and placements from banks and non-bank financial institutions | (ii) | 673,603           | 159,230                    | 77,052                        | 909,885           |
| Financial liabilities at fair value through profit or loss             |      | 342,910           | 34,499                     | 2,971                         | 380,380           |
| Deposits from customers  |      | 11,796,856        | 262,112                    | 164,069                       | 12,223,037        |
| Debt securities issued   |      | 229,256           | 93,641                     | 34,643                        | 357,540           |
| Other liabilities  |      | 325,287           | 11,355                     | 2,240                         | 338,882           |
| <b>Total liabilities</b>   |      | <b>13,431,948</b> | <b>573,041</b>             | <b>283,892</b>                | <b>14,288,881</b> |
| <b>Net position</b>  |      | <b>932,535</b>    | <b>152,492</b>             | <b>(10,698)</b>               | <b>1,074,329</b>  |
| Net notional amount of derivatives                                     |      | 63,418            | (122,067)                  | 99,519                        | 40,870            |

## 65 RISK MANAGEMENT (CONTINUED)

### (2) Market risk (continued)

#### (d) Currency risk (continued)

##### Group (continued)

|  | Note | 2012 (Restated)   |                            |                               | Total             |
|--|------|-------------------|----------------------------|-------------------------------|-------------------|
|  |      | RMB               | USD<br>(RMB<br>equivalent) | Others<br>(RMB<br>equivalent) |                   |
| <b>Assets</b>  |      |                   |                            |                               |                   |
| Cash and deposits with central banks                                   |      | 2,367,297         | 71,040                     | 19,732                        | 2,458,069         |
| Deposits and placements with banks and non-bank financial institutions | (i)  | 965,168           | 37,253                     | 29,815                        | 1,032,236         |
| Loans and advances to customers  |      | 6,776,966         | 362,894                    | 170,019                       | 7,309,879         |
| Investments  |      | 2,791,334         | 26,502                     | 51,178                        | 2,869,014         |
| Other assets   |      | 218,268           | 18,729                     | 66,633                        | 303,630           |
| <b>Total assets</b>  |      | <b>13,119,033</b> | <b>516,418</b>             | <b>337,377</b>                | <b>13,972,828</b> |
| <b>Liabilities</b>   |      |                   |                            |                               |                   |
| Borrowings from central banks  |      | 419               | 5,789                      | 73                            | 6,281             |
| Deposits and placements from banks and non-bank financial institutions | (ii) | 859,782           | 143,732                    | 96,589                        | 1,100,103         |
| Financial liabilities at fair value through profit or loss             |      | 32,214            | 2,077                      | 2,960                         | 37,251            |
| Deposits from customers  |      | 10,943,649        | 210,074                    | 189,356                       | 11,343,079        |
| Debt securities issued   |      | 200,704           | 41,251                     | 21,036                        | 262,991           |
| Other liabilities  |      | 243,504           | 4,881                      | 25,193                        | 273,578           |
| <b>Total liabilities</b>   |      | <b>12,280,272</b> | <b>407,804</b>             | <b>335,207</b>                | <b>13,023,283</b> |
| <b>Net position</b>  |      | <b>838,761</b>    | <b>108,614</b>             | <b>2,170</b>                  | <b>949,545</b>    |
| Net notional amount of derivatives                                     |      | 25,805            | (81,825)                   | 56,931                        | 911               |

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

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**65 RISK MANAGEMENT (CONTINUED)**

(2) Market risk (continued)

(d) Currency risk (continued)

**Bank**

|  | Note | 2013              |                            |                               | Total             |
|--|------|-------------------|----------------------------|-------------------------------|-------------------|
|  |      | RMB               | USD<br>(RMB<br>equivalent) | Others<br>(RMB<br>equivalent) |                   |
| <b>Assets</b>  |      |                   |                            |                               |                   |
| Cash and deposits with central banks                                   |      | 2,410,124         | 42,676                     | 16,697                        | 2,469,497         |
| Deposits and placements with banks and non-bank financial institutions | (i)  | 738,662           | 79,246                     | 25,265                        | 843,173           |
| Loans and advances to customers  |      | 7,474,265         | 473,228                    | 77,922                        | 8,025,415         |
| Investments  |      | 3,331,288         | 20,031                     | 20,277                        | 3,371,596         |
| Other assets   |      | 287,936           | 35,823                     | 49,957                        | 373,716           |
| <b>Total assets</b>  |      | <b>14,242,275</b> | <b>651,004</b>             | <b>190,118</b>                | <b>15,083,397</b> |
| <b>Liabilities</b>   |      |                   |                            |                               |                   |
| Borrowings from central banks  |      | 63,612            | 12,204                     | 2,917                         | 78,733            |
| Deposits and placements from banks and non-bank financial institutions | (ii) | 652,822           | 154,232                    | 75,369                        | 882,423           |
| Financial liabilities at fair value through profit or loss             |      | 342,994           | 34,473                     | 264                           | 377,731           |
| Deposits from customers  |      | 11,740,978        | 240,597                    | 74,202                        | 12,055,777        |
| Debt securities issued   |      | 209,022           | 81,192                     | 32,192                        | 322,406           |
| Other liabilities  |      | 298,675           | 8,403                      | 648                           | 307,726           |
| <b>Total liabilities</b>   |      | <b>13,308,103</b> | <b>531,101</b>             | <b>185,592</b>                | <b>14,024,796</b> |
| <b>Net position</b>  |      | <b>934,172</b>    | <b>119,903</b>             | <b>4,526</b>                  | <b>1,058,601</b>  |
| Net notional amount of derivatives                                     |      | 48,626            | (76,668)                   | 68,576                        | 40,534            |

## 65 RISK MANAGEMENT (CONTINUED)

### (2) Market risk (continued)

#### (d) Currency risk (continued)

##### Bank (continued)

|  | Note | 2012 (Restated)   |                            |                               | Total             |
|--|------|-------------------|----------------------------|-------------------------------|-------------------|
|  |      | RMB               | USD<br>(RMB<br>equivalent) | Others<br>(RMB<br>equivalent) |                   |
| <b>Assets</b>  |      |                   |                            |                               |                   |
| Cash and deposits with central banks                                   |      | 2,352,692         | 71,033                     | 19,551                        | 2,443,276         |
| Deposits and placements with banks and non-bank financial institutions | (i)  | 979,815           | 39,930                     | 19,432                        | 1,039,177         |
| Loans and advances to customers  |      | 6,689,719         | 335,185                    | 117,413                       | 7,142,317         |
| Investments  |      | 2,788,354         | 23,672                     | 35,823                        | 2,847,849         |
| Other assets   |      | 237,427           | 17,139                     | 59,565                        | 314,131           |
| <b>Total assets</b>  |      | <b>13,048,007</b> | <b>486,959</b>             | <b>251,784</b>                | <b>13,786,750</b> |
| <b>Liabilities</b>   |      |                   |                            |                               |                   |
| Borrowings from central banks  |      | 306               | 5,790                      | 73                            | 6,169             |
| Deposits and placements from banks and non-bank financial institutions | (ii) | 831,012           | 137,212                    | 90,804                        | 1,059,028         |
| Financial liabilities at fair value through profit or loss             |      | 32,215            | 2,077                      | 241                           | 34,533            |
| Deposits from customers  |      | 10,923,026        | 193,900                    | 133,074                       | 11,250,000        |
| Debt securities issued   |      | 185,617           | 39,683                     | 19,724                        | 245,024           |
| Other liabilities  |      | 247,726           | 3,527                      | 5,286                         | 256,539           |
| <b>Total liabilities</b>   |      | <b>12,219,902</b> | <b>382,189</b>             | <b>249,202</b>                | <b>12,851,293</b> |
| <b>Net position</b>  |      | <b>828,105</b>    | <b>104,770</b>             | <b>2,582</b>                  | <b>935,457</b>    |
| Net notional amount of derivatives                                     |      | 28,700            | (82,459)                   | 54,616                        | 857               |

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

### (3) Liquidity risk

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or obtain sufficient funds at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM Department. The ALM Department is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;
- optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and
- managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

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**65 RISK MANAGEMENT (CONTINUED)**

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment as at the end of the reporting period:

**Group**

|  | 2013             |                     |                  |                              |                                   |                            |                      | Total             |
|--|------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|-------------------|
|  | Indefinite       | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |                   |
| <b>Assets</b>  |                  |                     |                  |                              |                                   |                            |                      |                   |
| Cash and deposits with central banks                                   | 2,273,802        | 201,199             | -                | -                            | -                                 | -                          | -                    | 2,475,001         |
| Deposits and placements with banks and non-bank financial institutions | -                | 27,128              | 186,236          | 103,997                      | 143,951                           | 11,770                     | 269                  | 473,351           |
| Financial assets held under resale agreements                          | -                | -                   | 275,970          | 3,322                        | 2,155                             | -                          | -                    | 281,447           |
| Loans and advances to customers  | 32,338           | 270,466             | 294,347          | 603,488                      | 2,230,532                         | 2,108,254                  | 2,821,936            | 8,361,361         |
| <b>Investments</b>   |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Financial assets at fair value through profit or loss                | 6,521            | -                   | 77,927           | 137,091                      | 101,473                           | 38,201                     | 2,837                | 364,050           |
| - Available-for-sale financial assets                                  | 17,355           | -                   | 13,207           | 36,722                       | 139,628                           | 341,617                    | 211,763              | 760,292           |
| - Held-to-maturity investments   | 544              | -                   | 10,462           | 35,385                       | 176,412                           | 1,073,751                  | 803,984              | 2,100,538         |
| - Debt securities classified as receivables                            | 1,058            | -                   | 2                | 7,100                        | 5,322                             | 70,432                     | 105,823              | 189,737           |
| - Investments in associates and joint ventures                         | 2,624            | -                   | -                | -                            | -                                 | -                          | -                    | 2,624             |
| Other assets   | 196,990          | 33,127              | 23,729           | 41,044                       | 53,038                            | 5,466                      | 1,415                | 354,809           |
| <b>Total assets</b>  | <b>2,531,232</b> | <b>531,920</b>      | <b>881,880</b>   | <b>968,149</b>               | <b>2,852,511</b>                  | <b>3,649,491</b>           | <b>3,948,027</b>     | <b>15,363,210</b> |
| <b>Liabilities</b>   |                  |                     |                  |                              |                                   |                            |                      |                   |
| Borrowings from central banks  | -                | -                   | 70,311           | 4,886                        | 3,960                             | -                          | -                    | 79,157            |
| Deposits and placements from banks and non-bank financial institutions | -                | 458,703             | 239,605          | 71,784                       | 71,689                            | 6,231                      | -                    | 848,012           |
| Financial liabilities at fair value through profit or loss             | -                | 24,186              | 107,428          | 159,796                      | 88,970                            | -                          | -                    | 380,380           |
| Financial assets sold under repurchase agreements                      | -                | -                   | 60,356           | 1,451                        | 66                                | -                          | -                    | 61,873            |
| Deposits from customers  | -                | 6,653,089           | 944,140          | 1,060,733                    | 2,458,328                         | 1,093,697                  | 13,050               | 12,223,037        |
| <b>Debt securities issued</b>  |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Certificates of deposit issued                                       | -                | -                   | 37,525           | 42,833                       | 98,893                            | 13,867                     | 631                  | 193,749           |
| - Bonds issued   | -                | -                   | -                | -                            | 499                               | 3,434                      | -                    | 3,933             |
| - Subordinated bonds issued  | -                | -                   | -                | 12,000                       | 9,998                             | -                          | 137,860              | 159,858           |
| Other liabilities  | 138              | 107,215             | 32,631           | 42,494                       | 116,335                           | 38,671                     | 1,398                | 338,882           |
| <b>Total liabilities</b>   | <b>138</b>       | <b>7,243,193</b>    | <b>1,491,996</b> | <b>1,395,977</b>             | <b>2,848,738</b>                  | <b>1,155,900</b>           | <b>152,939</b>       | <b>14,288,881</b> |
| <b>Long/(short) position</b>   | <b>2,531,094</b> | <b>(6,711,273)</b>  | <b>(610,116)</b> | <b>(427,828)</b>             | <b>3,773</b>                      | <b>2,493,591</b>           | <b>3,795,088</b>     | <b>1,074,329</b>  |
| <b>Notional amount of derivatives</b>                                  |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Interest rate contracts  | -                | -                   | 6,575            | 38,615                       | 167,937                           | 45,075                     | 4,252                | 262,454           |
| - Exchange rate contracts  | -                | -                   | 470,675          | 363,364                      | 873,156                           | 26,844                     | 5,946                | 1,739,985         |
| - Other contracts  | -                | -                   | 3,978            | 2,459                        | 8,684                             | 653                        | -                    | 15,774            |
| <b>Total</b>   | <b>-</b>         | <b>-</b>            | <b>481,228</b>   | <b>404,438</b>               | <b>1,049,777</b>                  | <b>72,572</b>              | <b>10,198</b>        | <b>2,018,213</b>  |

## 65 RISK MANAGEMENT (CONTINUED)

### (3) Liquidity risk (continued)

#### (a) Maturity analysis (continued)

##### Group (continued)

|  | 2012 (Restated)  |                     |                  |                              |                                   |                            |                      | Total             |
|--|------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|-------------------|
|  | Indefinite       | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |                   |
| <b>Assets</b>  |                  |                     |                  |                              |                                   |                            |                      |                   |
| Cash and deposits with central banks                                   | 2,154,098        | 303,971             | -                | -                            | -                                 | -                          | -                    | 2,458,069         |
| Deposits and placements with banks and non-bank financial institutions | -                | 35,116              | 313,407          | 206,031                      | 144,297                           | 16,352                     | 348                  | 715,551           |
| Financial assets held under resale agreements                          | -                | -                   | 218,245          | 57,071                       | 41,369                            | -                          | -                    | 316,685           |
| Loans and advances to customers  | 30,078           | 196,222             | 247,909          | 533,660                      | 2,007,674                         | 1,806,324                  | 2,488,012            | 7,309,879         |
| <b>Investments</b>   |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Financial assets at fair value through profit or loss                | 6,980            | -                   | 141              | 881                          | 9,630                             | 8,549                      | 1,391                | 27,572            |
| - Available-for-sale financial assets                                  | 19,226           | -                   | 12,390           | 31,634                       | 134,744                           | 309,731                    | 193,316              | 701,041           |
| - Held-to-maturity investments   | 1,628            | -                   | 13,201           | 31,989                       | 381,915                           | 779,035                    | 710,554              | 1,918,322         |
| - Debt securities classified as receivables                            | 368              | -                   | -                | 894                          | -                                 | 69,669                     | 148,782              | 219,713           |
| - Investments in associates and joint ventures                         | 2,366            | -                   | -                | -                            | -                                 | -                          | -                    | 2,366             |
| Other assets   | 164,230          | 36,316              | 16,689           | 33,883                       | 43,337                            | 6,538                      | 2,637                | 303,630           |
| <b>Total assets</b>  | <b>2,378,974</b> | <b>571,625</b>      | <b>821,982</b>   | <b>896,043</b>               | <b>2,762,966</b>                  | <b>2,996,198</b>           | <b>3,545,040</b>     | <b>13,972,828</b> |
| <b>Liabilities</b>   |                  |                     |                  |                              |                                   |                            |                      |                   |
| Borrowings from central banks  | -                | -                   | 1,689            | 2,428                        | 2,164                             | -                          | -                    | 6,281             |
| Deposits and placements from banks and non-bank financial institutions | -                | 431,321             | 482,961          | 60,519                       | 113,158                           | 9,784                      | -                    | 1,097,743         |
| Financial liabilities at fair value through profit or loss             | -                | 20,000              | 9,401            | 6,263                        | 1,587                             | -                          | -                    | 37,251            |
| Financial assets sold under repurchase agreements                      | -                | -                   | 1,779            | 410                          | 171                               | -                          | -                    | 2,360             |
| Deposits from customers  | -                | 5,891,342           | 1,036,919        | 1,035,687                    | 2,326,505                         | 1,041,891                  | 10,735               | 11,343,079        |
| <b>Debt securities issued</b>  |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Certificates of deposit issued                                       | -                | -                   | 12,098           | 30,170                       | 52,082                            | 6,271                      | 602                  | 101,223           |
| - Bonds issued   | -                | -                   | -                | -                            | -                                 | 1,934                      | -                    | 1,934             |
| - Subordinated bonds issued  | -                | -                   | -                | -                            | -                                 | 21,992                     | 137,842              | 159,834           |
| Other liabilities  | 332              | 158,752             | 16,071           | 19,884                       | 57,711                            | 18,549                     | 2,279                | 273,578           |
| <b>Total liabilities</b>   | <b>332</b>       | <b>6,501,415</b>    | <b>1,560,918</b> | <b>1,155,361</b>             | <b>2,553,378</b>                  | <b>1,100,421</b>           | <b>151,458</b>       | <b>13,023,283</b> |
| <b>Long/(short) position</b>   | <b>2,378,642</b> | <b>(5,929,790)</b>  | <b>(738,936)</b> | <b>(259,318)</b>             | <b>209,588</b>                    | <b>1,895,777</b>           | <b>3,393,582</b>     | <b>949,545</b>    |
| <b>Notional amount of derivatives</b>                                  |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Interest rate contracts  | -                | -                   | 6,728            | 57,024                       | 249,443                           | 40,951                     | 14,061               | 368,207           |
| - Exchange rate contracts  | -                | -                   | 227,623          | 223,317                      | 513,178                           | 45,284                     | 7,901                | 1,017,303         |
| - Other contracts  | -                | -                   | 6,296            | 1,625                        | 3,331                             | 901                        | -                    | 12,153            |
| <b>Total</b>   | <b>-</b>         | <b>-</b>            | <b>240,647</b>   | <b>281,966</b>               | <b>765,952</b>                    | <b>87,136</b>              | <b>21,962</b>        | <b>1,397,663</b>  |

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65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank

|  | 2013             |                     |                  |                              |                                   |                            |                      | Total             |
|--|------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|-------------------|
|  | Indefinite       | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |                   |
| <b>Assets</b>  |                  |                     |                  |                              |                                   |                            |                      |                   |
| Cash and deposits with central banks                                   | 2,271,563        | 197,934             | -                | -                            | -                                 | -                          | -                    | 2,469,497         |
| Deposits and placements with banks and non-bank financial institutions | -                | 34,693              | 206,969          | 146,795                      | 166,207                           | 7,281                      | 269                  | 562,214           |
| Financial assets held under resale agreements                          | -                | -                   | 275,879          | 3,020                        | 2,060                             | -                          | -                    | 280,959           |
| Loans and advances to customers  | 30,494           | 270,259             | 254,957          | 514,890                      | 2,132,335                         | 2,015,925                  | 2,806,555            | 8,025,415         |
| Investments  |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Financial assets at fair value through profit or loss                | -                | -                   | 77,841           | 136,925                      | 102,392                           | 36,965                     | 2,731                | 356,854           |
| - Available-for-sale financial assets                                  | 9,987            | -                   | 9,626            | 33,969                       | 125,033                           | 327,363                    | 208,767              | 714,745           |
| - Held-to-maturity investments   | 544              | -                   | 10,462           | 35,385                       | 174,609                           | 1,072,803                  | 801,938              | 2,095,741         |
| - Debt securities classified as receivables                            | 368              | -                   | -                | 7,000                        | 5,022                             | 67,652                     | 102,210              | 182,252           |
| - Investments in subsidiaries  | 22,004           | -                   | -                | -                            | -                                 | -                          | -                    | 22,004            |
| Other assets   | 223,224          | 29,724              | 23,262           | 40,219                       | 51,782                            | 4,090                      | 1,415                | 373,716           |
| <b>Total assets</b>  | <b>2,558,184</b> | <b>532,610</b>      | <b>858,996</b>   | <b>918,203</b>               | <b>2,759,440</b>                  | <b>3,532,079</b>           | <b>3,923,885</b>     | <b>15,083,397</b> |
| <b>Liabilities</b>   |                  |                     |                  |                              |                                   |                            |                      |                   |
| Borrowings from central banks  | -                | -                   | 70,212           | 4,701                        | 3,820                             | -                          | -                    | 78,733            |
| Deposits and placements from banks and non-bank financial institutions | -                | 463,411             | 241,523          | 64,968                       | 50,747                            | 6,317                      | -                    | 826,966           |
| Financial liabilities at fair value through profit or loss             | -                | 21,627              | 107,297          | 159,837                      | 88,970                            | -                          | -                    | 377,731           |
| Financial assets sold under repurchase agreements                      | -                | -                   | 55,161           | 247                          | 49                                | -                          | -                    | 55,457            |
| Deposits from customers  | -                | 6,627,593           | 898,020          | 1,005,768                    | 2,420,030                         | 1,091,390                  | 12,976               | 12,055,777        |
| Debt securities issued   |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Certificates of deposit issued                                       | -                | -                   | 35,709           | 35,080                       | 75,050                            | 13,083                     | 631                  | 159,553           |
| - Bonds issued   | -                | -                   | -                | -                            | 499                               | 2,496                      | -                    | 2,995             |
| - Subordinated bonds issued  | -                | -                   | -                | 12,000                       | 9,998                             | -                          | 137,860              | 159,858           |
| Other liabilities  | -                | 102,470             | 30,244           | 37,658                       | 97,572                            | 38,385                     | 1,397                | 307,726           |
| <b>Total liabilities</b>   | <b>-</b>         | <b>7,215,101</b>    | <b>1,438,166</b> | <b>1,320,259</b>             | <b>2,746,735</b>                  | <b>1,151,671</b>           | <b>152,864</b>       | <b>14,024,796</b> |
| <b>Long/(short) position</b>   | <b>2,558,184</b> | <b>(6,682,491)</b>  | <b>(579,170)</b> | <b>(402,056)</b>             | <b>12,705</b>                     | <b>2,380,408</b>           | <b>3,771,021</b>     | <b>1,058,601</b>  |
| Notional amount of derivatives   |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Interest rate contracts  | -                | -                   | 6,264            | 35,983                       | 164,528                           | 43,752                     | 4,252                | 254,779           |
| - Exchange rate contracts  | -                | -                   | 414,744          | 290,086                      | 768,642                           | 22,146                     | 5,946                | 1,501,564         |
| - Other contracts  | -                | -                   | 3,925            | 2,314                        | 7,420                             | -                          | -                    | 13,659            |
| <b>Total</b>   | <b>-</b>         | <b>-</b>            | <b>424,933</b>   | <b>328,383</b>               | <b>940,590</b>                    | <b>65,898</b>              | <b>10,198</b>        | <b>1,770,002</b>  |

## 65 RISK MANAGEMENT (CONTINUED)

### (3) Liquidity risk (continued)

#### (a) Maturity analysis (continued)

##### Bank (continued)

|  | 2012 (Restated)  |                     |                  |                              |                                   |                            |                      | Total             |
|--|------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|-------------------|
|  | Indefinite       | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |                   |
| <b>Assets</b>  |                  |                     |                  |                              |                                   |                            |                      |                   |
| Cash and deposits with central banks                                   | 2,152,409        | 290,867             | -                | -                            | -                                 | -                          | -                    | 2,443,276         |
| Deposits and placements with banks and non-bank financial institutions | -                | 33,752              | 314,081          | 209,233                      | 152,526                           | 12,613                     | 348                  | 722,553           |
| Financial assets held under resale agreements                          | -                | -                   | 218,184          | 57,071                       | 41,369                            | -                          | -                    | 316,624           |
| Loans and advances to customers  | 29,880           | 194,200             | 236,804          | 515,289                      | 1,958,134                         | 1,754,212                  | 2,453,798            | 7,142,317         |
| Investments  |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Financial assets at fair value through profit or loss                | -                | -                   | 141              | 519                          | 7,788                             | 6,381                      | 1,377                | 16,206            |
| - Available-for-sale financial assets                                  | 16,184           | -                   | 10,455           | 26,855                       | 130,369                           | 306,414                    | 191,139              | 681,416           |
| - Held-to-maturity investments   | 1,628            | -                   | 13,201           | 31,989                       | 381,728                           | 778,544                    | 708,721              | 1,915,811         |
| - Debt securities classified as receivables                            | 368              | -                   | -                | 894                          | -                                 | 69,214                     | 147,265              | 217,741           |
| - Investments in subsidiaries  | 16,676           | -                   | -                | -                            | -                                 | -                          | -                    | 16,676            |
| Other assets   | 179,489          | 35,642              | 16,356           | 33,454                       | 42,389                            | 4,219                      | 2,581                | 314,130           |
| <b>Total assets</b>  | <b>2,396,634</b> | <b>554,461</b>      | <b>809,222</b>   | <b>875,304</b>               | <b>2,714,303</b>                  | <b>2,931,597</b>           | <b>3,505,229</b>     | <b>13,786,750</b> |
| <b>Liabilities</b>   |                  |                     |                  |                              |                                   |                            |                      |                   |
| Borrowings from central banks  | -                | -                   | 1,689            | 2,418                        | 2,062                             | -                          | -                    | 6,169             |
| Deposits and placements from banks and non-bank financial institutions | -                | 433,634             | 472,789          | 44,628                       | 97,855                            | 9,231                      | -                    | 1,058,137         |
| Financial liabilities at fair value through profit or loss             | -                | 17,282              | 9,401            | 6,263                        | 1,587                             | -                          | -                    | 34,533            |
| Financial assets sold under repurchase agreements                      | -                | -                   | 338              | 382                          | 171                               | -                          | -                    | 891               |
| Deposits from customers  | -                | 5,866,430           | 1,013,451        | 1,009,759                    | 2,315,504                         | 1,034,554                  | 10,302               | 11,250,000        |
| Debt securities issued   |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Certificates of deposit issued                                       | -                | -                   | 10,342           | 27,619                       | 41,387                            | 4,245                      | 602                  | 84,195            |
| - Bonds issued   | -                | -                   | -                | -                            | -                                 | 995                        | -                    | 995               |
| - Subordinated bonds issued  | -                | -                   | -                | -                            | -                                 | 21,992                     | 137,842              | 159,834           |
| Other liabilities  | -                | 157,183             | 14,483           | 17,423                       | 47,257                            | 17,915                     | 2,278                | 256,539           |
| <b>Total liabilities</b>   | <b>-</b>         | <b>6,474,529</b>    | <b>1,522,493</b> | <b>1,108,492</b>             | <b>2,505,823</b>                  | <b>1,088,932</b>           | <b>151,024</b>       | <b>12,851,293</b> |
| <b>Long/(short) position</b>   | <b>2,396,634</b> | <b>(5,920,068)</b>  | <b>(713,271)</b> | <b>(233,188)</b>             | <b>208,480</b>                    | <b>1,842,665</b>           | <b>3,354,205</b>     | <b>935,457</b>    |
| Notional amount of derivatives   |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Interest rate contracts  | -                | -                   | 6,224            | 55,988                       | 245,228                           | 38,664                     | 14,061               | 360,165           |
| - Exchange rate contracts  | -                | -                   | 192,202          | 193,244                      | 466,497                           | 45,222                     | 7,901                | 905,066           |
| - Other contracts  | -                | -                   | 6,080            | 1,507                        | 3,080                             | -                          | -                    | 10,667            |
| <b>Total</b>   | <b>-</b>         | <b>-</b>            | <b>204,506</b>   | <b>250,739</b>               | <b>714,805</b>                    | <b>83,886</b>              | <b>21,962</b>        | <b>1,275,898</b>  |

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**65 RISK MANAGEMENT (CONTINUED)**

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet credit commitments of the Group and the Bank as at the balance sheet date. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

**Group**

|  | 2013              |                    |                     |                  |                                    |                                   |                                 |                      |
|--|-------------------|--------------------|---------------------|------------------|------------------------------------|-----------------------------------|---------------------------------|----------------------|
|  | Carrying amount   | Gross cash outflow | Repayable on demand | Within one month | Between one month and three months | Between three months and one year | Between one year and five years | More than five years |
| <b>Non-derivative financial liabilities</b>                            |                   |                    |                     |                  |                                    |                                   |                                 |                      |
| Borrowings from central banks  | 79,157            | 79,537             | -                   | 70,576           | 4,909                              | 4,052                             | -                               | -                    |
| Deposits and placements from banks and non-bank financial institutions | 848,012           | 852,612            | 459,039             | 240,148          | 72,900                             | 74,164                            | 6,361                           | -                    |
| Financial liabilities at fair value through profit or loss             | 380,380           | 387,188            | 24,186              | 108,270          | 162,019                            | 92,713                            | -                               | -                    |
| Financial assets sold under repurchase agreements                      | 61,873            | 61,891             | -                   | 60,372           | 1,453                              | 66                                | -                               | -                    |
| Deposits from customers  | 12,223,037        | 12,543,365         | 6,654,567           | 956,794          | 1,089,270                          | 2,564,169                         | 1,262,662                       | 15,903               |
| Debt securities issued   |                   |                    |                     |                  |                                    |                                   |                                 |                      |
| - Certificates of deposit issued                                       | 193,749           | 196,291            | -                   | 37,609           | 43,047                             | 100,127                           | 14,721                          | 787                  |
| - Bond issued  | 3,933             | 4,234              | -                   | -                | -                                  | 627                               | 3,607                           | -                    |
| - Subordinated bonds issued  | 159,858           | 211,824            | -                   | -                | 13,504                             | 15,972                            | 27,040                          | 155,308              |
| Other financial liabilities  | 81,203            | 81,203             | 78,978              | 233              | 289                                | 1,201                             | -                               | 502                  |
| <b>Total</b>   | <b>14,031,202</b> | <b>14,418,145</b>  | <b>7,216,770</b>    | <b>1,474,002</b> | <b>1,387,391</b>                   | <b>2,853,091</b>                  | <b>1,314,391</b>                | <b>172,500</b>       |
| Off-balance sheet loan commitments and credit card commitments (Note)  |                   | 919,330            | 690,271             | 75,850           | 29,924                             | 74,029                            | 45,692                          | 3,564                |
| Guarantees, acceptances and other credit commitments (Note)            |                   | 1,390,897          | -                   | 386,481          | 285,487                            | 421,491                           | 252,247                         | 45,191               |

## 65 RISK MANAGEMENT (CONTINUED)

### (3) Liquidity risk (continued)

#### (b) Contractual undiscounted cash flow (continued)

##### Group (continued)

|  | 2012              |                    |                     |                  |                              |                                   |                            |                      |
|--|-------------------|--------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|
|  | Carrying amount   | Gross cash outflow | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |
| <b>Non-derivative financial liabilities</b>                            |                   |                    |                     |                  |                              |                                   |                            |                      |
| Borrowings from central banks  | 6,281             | 6,300              | –                   | 1,691            | 2,433                        | 2,176                             | –                          | –                    |
| Deposits and placements from banks and non-bank financial institutions | 1,097,743         | 1,109,936          | 431,462             | 484,962          | 63,808                       | 118,462                           | 11,242                     | –                    |
| Financial liabilities at fair value through profit or loss             | 37,251            | 37,346             | 20,000              | 9,424            | 6,300                        | 1,622                             | –                          | –                    |
| Financial assets sold under repurchase agreements                      | 2,360             | 2,368              | –                   | 1,783            | 413                          | 172                               | –                          | –                    |
| Deposits from customers  | 11,343,079        | 11,642,843         | 5,892,287           | 1,048,580        | 1,061,124                    | 2,422,581                         | 1,204,970                  | 13,301               |
| Debt securities issued   |                   |                    |                     |                  |                              |                                   |                            |                      |
| – Certificates of deposit issued                                       | 101,223           | 102,272            | –                   | 12,126           | 30,300                       | 52,706                            | 6,490                      | 650                  |
| – Bonds issued   | 1,934             | 2,093              | –                   | –                | –                            | 62                                | 2,031                      | –                    |
| – Subordinated bonds issued  | 159,834           | 219,300            | –                   | –                | 1,504                        | 5,972                             | 49,756                     | 162,068              |
| Other financial liabilities  | 64,411            | 64,411             | 63,006              | 185              | 147                          | 567                               | –                          | 506                  |
| <b>Total</b>   | <b>12,814,116</b> | <b>13,186,869</b>  | <b>6,406,755</b>    | <b>1,558,751</b> | <b>1,166,029</b>             | <b>2,604,320</b>                  | <b>1,274,489</b>           | <b>176,525</b>       |
| Off-balance sheet loan commitments and credit card commitments (Note)  |                   |                    |                     |                  |                              |                                   |                            |                      |
|  |                   | 784,964            | 595,291             | 64,216           | 24,747                       | 66,119                            | 30,846                     | 3,745                |
| Guarantees, acceptances and other credit commitments (Note)            |                   |                    |                     |                  |                              |                                   |                            |                      |
|  |                   | 1,231,335          | –                   | 272,506          | 238,663                      | 422,979                           | 234,378                    | 62,809               |

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**65 RISK MANAGEMENT (CONTINUED)**

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow (continued)*

**Bank**

|  | 2013              |                    |                     |                  |                              |                                   |                            |                      |
|--|-------------------|--------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|
|  | Carrying amount   | Gross cash outflow | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |
| <b>Non-derivative financial liabilities</b>                            |                   |                    |                     |                  |                              |                                   |                            |                      |
| Borrowings from central banks  | 78,733            | 79,104             | -                   | 70,475           | 4,720                        | 3,909                             | -                          | -                    |
| Deposits and placements from banks and non-bank financial institutions | 826,966           | 829,855            | 463,560             | 242,119          | 65,737                       | 51,932                            | 6,507                      | -                    |
| Financial liabilities at fair value through profit or loss             | 377,731           | 384,540            | 21,627              | 108,139          | 162,061                      | 92,713                            | -                          | -                    |
| Financial assets sold under repurchase agreements                      | 55,457            | 55,473             | -                   | 55,175           | 249                          | 49                                | -                          | -                    |
| Deposits from customers  | 12,055,777        | 12,375,042         | 6,629,070           | 910,625          | 1,034,089                    | 2,525,313                         | 1,260,117                  | 15,828               |
| Debt securities issued   |                   |                    |                     |                  |                              |                                   |                            |                      |
| - Certificates of deposit issued                                       | 159,553           | 161,643            | -                   | 35,790           | 35,257                       | 75,937                            | 13,872                     | 787                  |
| - Bonds issued   | 2,995             | 3,235              | -                   | -                | -                            | 597                               | 2,638                      | -                    |
| - Subordinated bonds issued  | 159,858           | 211,824            | -                   | -                | 13,504                       | 15,972                            | 27,040                     | 155,308              |
| Other financial liabilities  | 54,767            | 54,767             | 52,722              | 219              | 245                          | 1,079                             | -                          | 502                  |
| <b>Total</b>   | <b>13,771,837</b> | <b>14,155,483</b>  | <b>7,166,979</b>    | <b>1,422,542</b> | <b>1,315,862</b>             | <b>2,767,501</b>                  | <b>1,310,174</b>           | <b>172,425</b>       |
| Off-balance sheet loan commitments and credit card commitments (Note)  |                   | 883,644            | 690,271             | 45,608           | 29,725                       | 73,060                            | 41,416                     | 3,564                |
| Guarantees, acceptances and other credit commitments (Note)            |                   | 1,470,588          | -                   | 392,496          | 314,952                      | 453,868                           | 264,030                    | 45,242               |

## 65 RISK MANAGEMENT (CONTINUED)

### (3) Liquidity risk (continued)

#### (b) Contractual undiscounted cash flow (continued)

##### Bank (continued)

|  | 2012              |                    |                     |                  |                              |                                   |                            |                      |
|--|-------------------|--------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|
|  | Carrying amount   | Gross cash outflow | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |
| <b>Non-derivative financial liabilities</b>                            |                   |                    |                     |                  |                              |                                   |                            |                      |
| Borrowings from central banks  | 6,169             | 6,186              | -                   | 1,691            | 2,422                        | 2,073                             | -                          | -                    |
| Deposits and placements from banks and non-bank financial institutions | 1,058,137         | 1,069,171          | 433,775             | 474,597          | 47,609                       | 102,666                           | 10,524                     | -                    |
| Financial liabilities at fair value through profit or loss             | 34,533            | 34,628             | 17,282              | 9,424            | 6,300                        | 1,622                             | -                          | -                    |
| Financial assets sold under repurchase agreements                      | 891               | 896                | -                   | 339              | 385                          | 172                               | -                          | -                    |
| Deposits from customers  | 11,250,000        | 11,549,328         | 5,867,374           | 1,025,093        | 1,035,105                    | 2,411,301                         | 1,197,587                  | 12,868               |
| Debt securities issued   |                   |                    |                     |                  |                              |                                   |                            |                      |
| - Certificates of deposit issued                                       | 84,195            | 84,948             | -                   | 10,365           | 27,724                       | 41,800                            | 4,409                      | 650                  |
| - Bonds issued   | 995               | 1,064              | -                   | -                | -                            | 32                                | 1,032                      | -                    |
| - Subordinated bonds issued  | 159,834           | 219,300            | -                   | -                | 1,504                        | 5,972                             | 49,756                     | 162,068              |
| Other financial liabilities  | 50,167            | 50,167             | 48,836              | 164              | 126                          | 535                               | -                          | 506                  |
| <b>Total</b>   | <b>12,644,921</b> | <b>13,015,688</b>  | <b>6,367,267</b>    | <b>1,521,673</b> | <b>1,121,175</b>             | <b>2,566,173</b>                  | <b>1,263,308</b>           | <b>176,092</b>       |
| Off-balance sheet loan commitments and credit card commitments (Note)  |                   | 755,435            | 595,291             | 35,593           | 24,544                       | 65,473                            | 30,789                     | 3,745                |
| Guarantees, acceptances and other credit commitments (Note)            |                   | 1,233,273          | -                   | 272,557          | 239,686                      | 424,312                           | 233,911                    | 62,807               |

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amount to be paid.

### (4) Operational risk

Operational risk includes the risks resulted from flawed or erroneous internal processes, people and systems, or external events.

The Group strengthened its operational risk control over key business areas and key positions according to regulatory requirements and the development trend of operational risk. The Group continued to promote the usage of operational risk management tools and improve the overall operational risk management information system. The Group also promoted business continuity management in order to secure the safe operation of various businesses:

- The Group re-evaluated the assessments over key risk and established in-depth special inspection and audit in order to strengthen the risk management over the respective business lines. At the same time, the Group continued to strengthen the check and balance among various departments and positions as the risk and business process changed. Positions and related responsibilities that are incompatible were re-assessed and adjusted dynamically;
- The Group improved the operational risk management platform, promoted the application of operational risk management tools and developed advanced calculation model and matching system applications. The Group carried out in-depth overall self-assessments in order to continuously improve the effectiveness and efficiency of the business processes. It reinforced the risk forecast over key business areas by the risk indicators in order to continuously improve the management's abilities over professional and specialised management;

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#### 65 RISK MANAGEMENT (CONTINUED)

##### (4) Operational risk (continued)

- The Group promoted its business continuity management system and enhances the effective responses against risks of low frequency and high severity. The Group strengthened the tools of analysis over business impact, risk assessment, risk simulation and drills. It carried out the self-assessment over business continuity management system and steadily promoted the development of contingency plans and emergency drills; and
- The Group continued to implement the anti-money laundering (AML) policies and improved the system mechanisms and internal controls, focusing on the establishment of AML guidance. The Group has further developed the specialised control for anti-money laundering (AML), researched on and improved AML risk policies, established AML nature analysis, etc, to improve the Group's ability to prevent money laundering activities and terrorism financing activities.

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

###### (a) Valuation technique, input and process

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Supervisory Board takes charge of supervising the performance of the Board and Senior Management. According to the requirements of the Board and the Supervisory Board, Management's responsibility is to organise and implement the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

The major valuation techniques and inputs used by the Group are set out in Note 4(3)(g) and Note 4(22)(c). For the year ended 31 December 2013, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2012.

###### (b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

## 65 RISK MANAGEMENT (CONTINUED)

### (5) Fair value of financial instruments (continued)

#### (c) *Financial instruments not measured at fair value*

##### (i) *Financial assets*

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, held-to-maturity investments and debt securities classified as receivables.

##### **Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements**

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

##### **Loans and advances to customers**

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

##### **Investments**

The following table shows the carrying values and the fair values of the debt securities classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values. The Group measures the fair values of debt securities classified as receivables and held-to-maturity investments using the Level 2 or Level 3 of the fair value hierarchy.

##### **Group**

|   | Carrying value |           | Fair value |           |
|---|----------------|-----------|------------|-----------|
|   | 2013           | 2012      | 2013       | 2012      |
| Debt securities classified as receivables | 189,737        | 219,713   | 174,379    | 209,123   |
| Held-to-maturity investments              | 2,100,538      | 1,918,322 | 1,998,696  | 1,915,573 |
| Total                                     | 2,290,275      | 2,138,035 | 2,173,075  | 2,124,696 |

##### **Bank**

|   | Carrying value |           | Fair value |           |
|---|----------------|-----------|------------|-----------|
|   | 2013           | 2012      | 2013       | 2012      |
| Debt securities classified as receivables | 182,252        | 217,741   | 166,587    | 207,166   |
| Held-to-maturity investments              | 2,095,741      | 1,915,811 | 1,993,931  | 1,913,050 |
| Total                                     | 2,277,993      | 2,133,552 | 2,160,518  | 2,120,216 |

##### (ii) *Financial liabilities*

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values as at the end of the reporting period, except that the fair value of subordinated bonds issued as at 31 December 2013 was RMB146,810 million (2012: RMB156,262 million), which was lower than their carrying value of RMB159,858 million (2012: RMB159,834 million). The Group measures the fair values of subordinated bonds issued using the Level 2 of the fair value hierarchy.

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**65 RISK MANAGEMENT (CONTINUED)**

(5) Fair value of financial instruments (continued)

(d) *Financial instruments measured at fair value*

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

**Group**

|   | 2013          |                  |               | Total            |
|---|---------------|------------------|---------------|------------------|
|   | Level 1       | Level 2          | Level 3       |                  |
| <b>Assets</b>   |               |                  |               |                  |
| Financial assets at fair value through profit or loss                           |               |                  |               |                  |
| <i>Financial assets held for trading purpose</i>                                |               |                  |               |                  |
| – Debt securities   | 236           | 76,296           | –             | 76,532           |
| – Equity instruments and funds  | 562           | 55               | –             | 617              |
| <i>Financial assets designated as at fair value through profit or loss</i>      |               |                  |               |                  |
| – Debt securities   | 788           | –                | 1,644         | 2,432            |
| – Equity instruments  | 1,958         | –                | 3,945         | 5,903            |
| – Other debt instruments  | –             | 278,566          | –             | 278,566          |
| Positive fair value of derivatives  | –             | 17,921           | 989           | 18,910           |
| Available-for-sale financial assets   |               |                  |               |                  |
| – Debt securities   | 33,912        | 708,501          | 4,213         | 746,626          |
| – Equity instruments and funds  | 7,912         | 285              | 4,041         | 12,238           |
| <b>Total</b>  | <b>45,368</b> | <b>1,081,624</b> | <b>14,832</b> | <b>1,141,824</b> |
| <b>Liabilities</b>  |               |                  |               |                  |
| Financial liabilities at fair value through profit or loss                      |               |                  |               |                  |
| <i>Financial liabilities designated as at fair value through profit or loss</i> | –             | 377,820          | 2,560         | 380,380          |
| Negative fair value of derivatives  | –             | 18,883           | 989           | 19,872           |
| <b>Total</b>  | <b>–</b>      | <b>396,703</b>   | <b>3,549</b>  | <b>400,252</b>   |

|   | 2012          |                |               | Total          |
|---|---------------|----------------|---------------|----------------|
|   | Level 1       | Level 2        | Level 3       |                |
| <b>Assets</b>   |               |                |               |                |
| Financial assets at fair value through profit or loss                           |               |                |               |                |
| <i>Financial assets held for trading purpose</i>                                |               |                |               |                |
| – Debt securities   | 195           | 16,209         | –             | 16,404         |
| – Equity instruments and funds  | 821           | –              | –             | 821            |
| <i>Financial assets designated as at fair value through profit or loss</i>      |               |                |               |                |
| – Debt securities   | 996           | 51             | 3,141         | 4,188          |
| – Equity instruments  | 885           | 514            | 4,760         | 6,159          |
| Positive fair value of derivatives  | –             | 10,840         | 1,831         | 12,671         |
| Available-for-sale financial assets   |               |                |               |                |
| – Debt securities   | 6,378         | 678,103        | 4,333         | 688,814        |
| – Equity instruments and funds  | 8,657         | 1,587          | 472           | 10,716         |
| <b>Total</b>  | <b>17,932</b> | <b>707,304</b> | <b>14,537</b> | <b>739,773</b> |
| <b>Liabilities</b>  |               |                |               |                |
| Financial liabilities at fair value through profit or loss                      |               |                |               |                |
| <i>Financial liabilities designated as at fair value through profit or loss</i> | –             | 34,533         | 2,718         | 37,251         |
| Negative fair value of derivatives  | –             | 9,710          | 1,831         | 11,541         |
| <b>Total</b>  | <b>–</b>      | <b>44,243</b>  | <b>4,549</b>  | <b>48,792</b>  |

## 65 RISK MANAGEMENT (CONTINUED)

### (5) Fair value of financial instruments (continued)

#### (d) Financial instruments measured at fair value (continued)

##### Bank

|   | 2013          |                  |              | Total            |
|---|---------------|------------------|--------------|------------------|
|   | Level 1       | Level 2          | Level 3      |                  |
| <b>Assets</b>   |               |                  |              |                  |
| Financial assets at fair value through profit or loss                           |               |                  |              |                  |
| <i>Financial assets held for trading purpose</i>                                |               |                  |              |                  |
| – Debt securities   | –             | 76,288           | –            | 76,288           |
| <i>Financial assets designated as at fair value through profit or loss</i>      |               |                  |              |                  |
| – Other debt instruments  | –             | 280,566          | –            | 280,566          |
| Positive fair value of derivatives  | –             | 15,514           | 989          | 16,503           |
| Available-for-sale financial assets   |               |                  |              |                  |
| – Debt securities   | 9,795         | 695,864          | 2,754        | 708,413          |
| – Equity instruments and funds  | 5,321         | –                | 19           | 5,340            |
| <b>Total</b>  | <b>15,116</b> | <b>1,068,232</b> | <b>3,762</b> | <b>1,087,110</b> |
| <b>Liabilities</b>  |               |                  |              |                  |
| Financial liabilities at fair value through profit or loss                      |               |                  |              |                  |
| <i>Financial liabilities designated as at fair value through profit or loss</i> | –             | 377,731          | –            | 377,731          |
| Negative fair value of derivatives  | –             | 15,807           | 989          | 16,796           |
| <b>Total</b>  | <b>–</b>      | <b>393,538</b>   | <b>989</b>   | <b>394,527</b>   |

|   | 2012          |                |              | Total          |
|---|---------------|----------------|--------------|----------------|
|   | Level 1       | Level 2        | Level 3      |                |
| <b>Assets</b>   |               |                |              |                |
| Financial assets at fair value through profit or loss                           |               |                |              |                |
| <i>Financial assets held for trading purpose</i>                                |               |                |              |                |
| – Debt securities   | –             | 16,206         | –            | 16,206         |
| Positive fair value of derivatives  | –             | 9,836          | 1,831        | 11,667         |
| Available-for-sale financial assets   |               |                |              |                |
| – Debt securities   | 5,743         | 664,722        | 1,608        | 672,073        |
| – Equity instruments and funds  | 7,780         | –              | 67           | 7,847          |
| <b>Total</b>  | <b>13,523</b> | <b>690,764</b> | <b>3,506</b> | <b>707,793</b> |
| <b>Liabilities</b>  |               |                |              |                |
| Financial liabilities at fair value through profit or loss                      |               |                |              |                |
| <i>Financial liabilities designated as at fair value through profit or loss</i> | –             | 34,533         | –            | 34,533         |
| Negative fair value of derivatives  | –             | 8,214          | 1,831        | 10,045         |
| <b>Total</b>  | <b>–</b>      | <b>42,747</b>  | <b>1,831</b> | <b>44,578</b>  |

For the year ended 31 December 2013 and 2012, there were no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group and the Bank.

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**65 RISK MANAGEMENT (CONTINUED)**

(5) Fair value of financial instruments (continued)

(d) *Financial instruments measured at fair value (continued)*

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

**Group**

|  | 2013  |                              |                                    |                                     |                              |              |  |                                    |                   |
|--|---|------------------------------|------------------------------------|-------------------------------------|------------------------------|--------------|--|------------------------------------|-------------------|
|  | Financial assets designated as at fair value through profit or loss |                              |                                    | Available-for-sale financial assets |                              | Total assets | Financial liabilities designated as at fair value through profit or loss |                                    | Total liabilities |
|  | Debt securities   | Equity instruments and funds | Positive fair value of derivatives | Debt securities                     | Equity instruments and funds |              | Financial liabilities designated as at fair value through profit or loss | Negative fair value of derivatives |                   |
| As at 1 January 2013   | 3,141   | 4,760                        | 1,831                              | 4,333                               | 472                          | 14,537       | (2,718)  | (1,831)                            | (4,549)           |
| Total gains or losses:   |   |                              |                                    |                                     |                              |              |  |                                    |                   |
| In profit or loss  | (179)   | (449)                        | (724)                              | 420                                 | (55)                         | (987)        | 158  | 724                                | 882               |
| In other comprehensive income  | -   | -                            | -                                  | (158)                               | 26                           | (132)        | -  | -                                  | -                 |
| Purchases  | 207   | 3,904                        | -                                  | 2,509                               | 3,638                        | 10,258       | -  | -                                  | -                 |
| Sales and settlements  | (1,525)   | (4,272)                      | (118)                              | (2,891)                             | (48)                         | (8,854)      | -  | 118                                | 118               |
| Transfer in  | -   | 2                            | -                                  | -                                   | 8                            | 10           | -  | -                                  | -                 |
| As at 31 December 2013   | 1,644   | 3,945                        | 989                                | 4,213                               | 4,041                        | 14,832       | (2,560)  | (989)                              | (3,549)           |
| Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period | (35)  | (245)                        | (724)                              | 385                                 | (55)                         | (674)        | 158  | 724                                | 882               |
|  | 2012  |                              |                                    |                                     |                              |              |  |                                    |                   |
|  | Financial assets designated as at fair value through profit or loss |                              |                                    | Available-for-sale financial assets |                              | Total assets | Financial liabilities designated as at fair value through profit or loss |                                    | Total liabilities |
|  | Debt securities   | Equity instruments and funds | Positive fair value of derivatives | Debt securities                     | Equity instruments and funds |              | Financial liabilities designated as at fair value through profit or loss | Negative fair value of derivatives |                   |
| As at 1 January 2012   | 4,483   | 6,319                        | 2,418                              | 4,565                               | 552                          | 18,337       | (2,719)  | (2,450)                            | (5,169)           |
| Total gains or losses:   |   |                              |                                    |                                     |                              |              |  |                                    |                   |
| In profit or loss  | 120   | (714)                        | (423)                              | (24)                                | -                            | (1,041)      | (28)   | 371                                | 343               |
| In other comprehensive income  | -   | -                            | -                                  | 194                                 | 20                           | 214          | -  | -                                  | -                 |
| Purchases  | 485   | 581                          | -                                  | 2,545                               | 721                          | 4,332        | -  | -                                  | -                 |
| Sales and settlements  | (1,947)   | (1,171)                      | (164)                              | (2,947)                             | (810)                        | (7,039)      | 29   | 248                                | 277               |
| Transfer out   | -   | (255)                        | -                                  | -                                   | (11)                         | (266)        | -  | -                                  | -                 |
| As at 31 December 2012   | 3,141   | 4,760                        | 1,831                              | 4,333                               | 472                          | 14,537       | (2,718)  | (1,831)                            | (4,549)           |
| Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period | 75  | (227)                        | (214)                              | (24)                                | -                            | (390)        | (28)   | 161                                | 133               |

## 65 RISK MANAGEMENT (CONTINUED)

### (5) Fair value of financial instruments (continued)

#### (d) Financial instruments measured at fair value (continued)

##### Bank

|  | 2013                               |                                     |                              |              |  |                                    |                   |
|--|------------------------------------|-------------------------------------|------------------------------|--------------|--|------------------------------------|-------------------|
|  | Positive fair value of derivatives | Available-for-sale financial assets |                              | Total assets | Negative fair value of derivatives                                       | Total liabilities                  |                   |
|  |                                    | Debt securities                     | Equity instruments and funds |              |  |                                    |                   |
| As at 1 January 2013   | 1,831                              | 1,608                               | 67                           | 3,506        | (1,831)  | (1,831)                            |                   |
| Total gains or losses:   |                                    |                                     |                              |              |  |                                    |                   |
| In profit or loss  | (724)                              | 458                                 | (38)                         | (304)        | 724  | 724                                |                   |
| In other comprehensive income  | -                                  | (182)                               | (10)                         | (192)        | -  | -                                  |                   |
| Purchases  | -                                  | 1,301                               | -                            | 1,301        | -  | -                                  |                   |
| Sales and settlements  | (118)                              | (431)                               | -                            | (549)        | 118  | 118                                |                   |
| As at 31 December 2013   | 989                                | 2,754                               | 19                           | 3,762        | (989)  | (989)                              |                   |
| Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period | (724)                              | 423                                 | (38)                         | (339)        | 724  | 724                                |                   |
|  | 2012                               |                                     |                              |              |  |                                    |                   |
|  | Positive fair value of derivatives | Available-for-sale financial assets |                              | Total assets | Financial liabilities designated as at fair value through profit or loss | Negative fair value of derivatives | Total liabilities |
|  |                                    | Debt securities                     | Equity instruments and funds |              |  |                                    |                   |
| As at 1 January 2012   | 2,366                              | 1,705                               | 62                           | 4,133        | (29)   | (2,362)                            | (2,391)           |
| Total gains or losses:   |                                    |                                     |                              |              |  |                                    |                   |
| In profit or loss  | (371)                              | 7                                   | -                            | (364)        | -  | 371                                | 371               |
| In other comprehensive income  | -                                  | 202                                 | 1                            | 203          | -  | -                                  | -                 |
| Purchases  | -                                  | -                                   | 4                            | 4            | -  | -                                  | -                 |
| Sales and settlements  | (164)                              | (306)                               | -                            | (470)        | 29   | 160                                | 189               |
| As at 31 December 2012   | 1,831                              | 1,608                               | 67                           | 3,506        | -  | (1,831)                            | (1,831)           |
| Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period | (182)                              | 7                                   | -                            | (175)        | -  | 182                                | 182               |

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses of the statement of comprehensive income.

## 65 RISK MANAGEMENT (CONTINUED)

### (6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements which are not offset in accordance with IFRS.

As at 31 December 2013, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

### (7) Capital management

The Group has implemented a comprehensive capital management policy, covering the management of regulatory capital, economic capital and accounting capital, including but not limited to management of capital adequacy ratio, capital planning, capital raising and economic capital.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with CBRC's "Measures for Capital Management of Commercial Banks (trial)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%. Systemically important domestic banks should also meet the 1% additional capital requirement, with their Common Equity Tier 1 capital. Meanwhile, in accordance with CBRC's "Notice of relevant transitional arrangement for implementation of Measures for Capital Management of Commercial Banks (trial)", a capital conservation buffer will be introduced progressively during the transitional period, which will be raised through Common Equity Tier 1 capital. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, accumulating internal capital and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group and the Bank are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need. The Group regularly compares its position with its capital adequacy ratio target to ensure capital will be adequate for future or otherwise to plan for supplementation of capital.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking in account capital planning and operating environment. This helps to optimise the Group's total capital and structure, as well as improve the competitiveness of the Group's cost of capital.

## 65 RISK MANAGEMENT (CONTINUED)

### (7) Capital management (continued)

The Group's consolidated regulatory capital positions calculated in accordance with the guidance issued by the CBRC as at the end of the reporting period are as follows:

|   | Notes  | 2013      |
|---|--------|-----------|
| Common Equity Tier 1 ratio  | (a)(b) | 10.75%    |
| Tier 1 ratio  | (a)(b) | 10.75%    |
| Total capital ratio   | (a)(b) | 13.34%    |
| <b>Common Equity Tier 1 capital</b>   |        |           |
| – Qualifying common share capital   |        | 250,011   |
| – Capital reserve and investment revaluation reserve  |        | 116,321   |
| – Surplus reserve   |        | 107,970   |
| – General reserve   |        | 153,825   |
| – Retained earnings   |        | 442,554   |
| – Minority interest given recognition in Common Equity Tier 1 capital   |        | 3,729     |
| – Foreign exchange reserve  |        | (5,948)   |
| <b>Deductions for Common Equity Tier 1 capital</b>  |        |           |
| – Goodwill  | (c)    | 1,415     |
| – Other intangible assets (excluding land use right)  | (c)    | 1,609     |
| – Cash flow hedge reserve   |        | (148)     |
| – Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation |        | 3,902     |
| <b>Additional Tier 1 capital</b>  |        |           |
| – Minority interest given recognition in Additional Tier 1 capital  |        | 16        |
| <b>Tier 2 capital</b>   |        |           |
| – Directly issued qualifying Tier 2 instruments including related stock surplus   |        | 144,000   |
| – Provisions in Tier 2  |        | 110,918   |
| – Minority interest given recognition in Tier 2 capital   |        | 106       |
| Common Equity Tier 1 capital after deduction  | (d)    | 1,061,684 |
| Tier 1 capital after deduction  | (d)    | 1,061,700 |
| Total capital after deduction   | (d)    | 1,316,724 |
| Risk-weighted assets  | (e)    | 9,872,790 |

Notes:

- The Common Equity Tier 1 Capital adequacy ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 Capital adequacy ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Capital adequacy ratio is calculated by dividing the Total capital after deduction by risk-weighted assets.
- The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).
- Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
- Common Equity Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deduction is calculated by netting off the corresponding deduction items from the total capital.
- Risk-weighted assets include credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets.

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#### 66 EVENTS AFTER THE REPORTING PERIOD

On 26 February 2014, the Group and the Bank have exercised the option to redeem the 3.20% fixed rate subordinated bonds issued in February 2009, with the nominal value of RMB12 billion.

#### 67 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to confirm with the changes in accounting policy (Note 4(23)), the presentation and disclosures in the current period.

#### 68 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

#### 69 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in the financial statements.

| <b>Standards</b>  | <b>Effective for annual period beginning on or after</b> |
|---|--|
| Amendments to IAS 19, "Employee benefits – to plans that require employees or third parties to contribute towards the cost of benefits"   | 1 January 2014   |
| Amendments to IAS 32, "Financial instruments: Presentation – offsetting financial asset and financial liability"                          | 1 January 2014   |
| Amendments to IAS 36, "Impairment of assets"  | 1 January 2014   |
| Amendments to IAS 39, "Financial instruments: recognition and measurement – novation of derivatives and continuation of hedge accounting" | 1 January 2014   |
| IFRS 9, "Financial instruments"   | Left open pending the finalisation of the requirements   |
| Amendments to IFRS 10, 12 and IAS 27 – "Investment entities"  | 1 January 2014   |
| International Financial Reporting Interpretations Committee 12, "Levies"  | 1 January 2014   |

The Group is in the process of making an assessment on the impact of these new and revised IFRSs upon initial application.

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

## 1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the “Bank”) prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the “Group”), in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People’s Republic of China (the “PRC”) and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2013 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively “PRC GAAP and regulations”).

There is no difference in the net profit for the year ended 31 December 2013 or total equity as at 31 December 2013 between the Group’s consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations respectively.

## 2 LIQUIDITY RATIOS

|   | As at<br>31 December<br>2013 | Average for<br>the year ended<br>31 December<br>2013 | As at<br>31 December<br>2012 | Average for<br>the year ended<br>31 December<br>2012 |
|---|------------------------------|--|------------------------------|--|
| RMB current assets to RMB current liabilities                           | 46.57%                       | 49.25%   | 56.73%                       | 56.65%   |
| Foreign currency current assets to foreign currency current liabilities | 55.20%                       | 49.16%   | 58.81%                       | 58.53%   |

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC.

The Hong Kong Banking (Disclosure) Rules (the “Rules”) took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which is the arithmetic mean of each calendar month’s liquidity ratio. The Group prepared the liquidity ratios on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

## 3 CURRENCY CONCENTRATIONS

|                         | 2013                       |                            |                               | Total     |
|-------------------------|----------------------------|----------------------------|-------------------------------|-----------|
|                         | USD<br>(RMB<br>equivalent) | HKD<br>(RMB<br>equivalent) | Others<br>(RMB<br>equivalent) |           |
| Spot assets             | 731,627                    | 141,255                    | 71,352                        | 944,234   |
| Spot liabilities        | (540,063)                  | (174,454)                  | (117,234)                     | (831,751) |
| Forward purchases       | 740,072                    | 57,311                     | 105,430                       | 902,813   |
| Forward sales           | (924,064)                  | (11,030)                   | (55,931)                      | (991,025) |
| Net options position    | 200                        | –                          | –                             | 200       |
| Net long position       | 7,772                      | 13,082                     | 3,617                         | 24,471    |
| Net structural position | 5,775                      | 3,775                      | (1,645)                       | 7,905     |

## Unaudited supplementary financial information

(Expressed in millions of RMB unless otherwise stated)

**3 CURRENCY CONCENTRATIONS (CONTINUED)**

|                           | 2012                       |                            |                               | Total     |
|---------------------------|----------------------------|----------------------------|-------------------------------|-----------|
|                           | USD<br>(RMB<br>equivalent) | HKD<br>(RMB<br>equivalent) | Others<br>(RMB<br>equivalent) |           |
| Spot assets               | 524,730                    | 153,916                    | 125,957                       | 804,603   |
| Spot liabilities          | (432,029)                  | (161,150)                  | (178,574)                     | (771,753) |
| Forward purchases         | 409,707                    | 9,581                      | 232,258                       | 651,546   |
| Forward sales             | (499,732)                  | (5,363)                    | (179,561)                     | (684,656) |
| Net options position      | 28                         | –                          | (1)                           | 27        |
| Net long/(short) position | 2,704                      | (3,016)                    | 79                            | (233)     |
| Net structural position   | 12                         | 4,520                      | 7                             | 4,539     |

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the “HKMA”). The net structural position of the Group includes the structural positions of the Bank’s overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

**4 CROSS-BORDER CLAIMS**

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC (“Macau”) and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if claims are guaranteed by a party in a country which is different from that of the counterparty or if claims are on an overseas branch of a bank whose head office is located in another country.

|                                       | 2013   |                              |         | Total   |
|---------------------------------------|--|------------------------------|---------|---------|
|                                       | Banks and<br>non-bank<br>financial<br>institutions | Public<br>sector<br>entities | Others  |         |
| Asia Pacific excluding Mainland China | 18,759   | 1,760                        | 166,365 | 186,884 |
| – of which attributed to Hong Kong    | 9,142  | 322                          | 138,643 | 148,107 |
| Europe                                | 2,471  | 74                           | 15,389  | 17,934  |
| North and South America               | 15,232   | 239                          | 61,755  | 77,226  |
| Total                                 | 36,462   | 2,073                        | 243,509 | 282,044 |

#### 4 CROSS-BORDER CLAIMS (CONTINUED)

|                                       | 2012                                      |                        |                | Total          |
|---------------------------------------|---|------------------------|----------------|----------------|
|                                       | Banks and non-bank financial institutions | Public sector entities | Others         |                |
| Asia Pacific excluding Mainland China | 24,628                                    | 1,832                  | 190,776        | 217,236        |
| – of which attributed to Hong Kong    | 16,581                                    | –                      | 161,805        | 178,386        |
| Europe                                | 1,762                                     | 94                     | 18,593         | 20,449         |
| North and South America               | 25,504                                    | 83                     | 80,309         | 105,896        |
| <b>Total</b>                          | <b>51,894</b>                             | <b>2,009</b>           | <b>289,678</b> | <b>343,581</b> |

The above cross-border claims are disclosed in accordance with the requirements of the rules. According to these requirements, “others” includes the transactions with sovereign counterparties.

#### 5 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

|                     | 2013          | 2012          |
|---------------------|---------------|---------------|
| Yangtze River Delta | 31,208        | 24,635        |
| Pearl River Delta   | 7,253         | 5,115         |
| Central             | 6,950         | 6,433         |
| Western             | 4,702         | 4,569         |
| Northeastern        | 4,470         | 3,663         |
| Bohai Rim           | 4,139         | 5,677         |
| Head office         | 2,642         | 1,964         |
| Overseas            | 263           | 305           |
| <b>Total</b>        | <b>61,627</b> | <b>52,361</b> |

The above analysis represents the gross amount of loans and advances overdue for more than three months.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

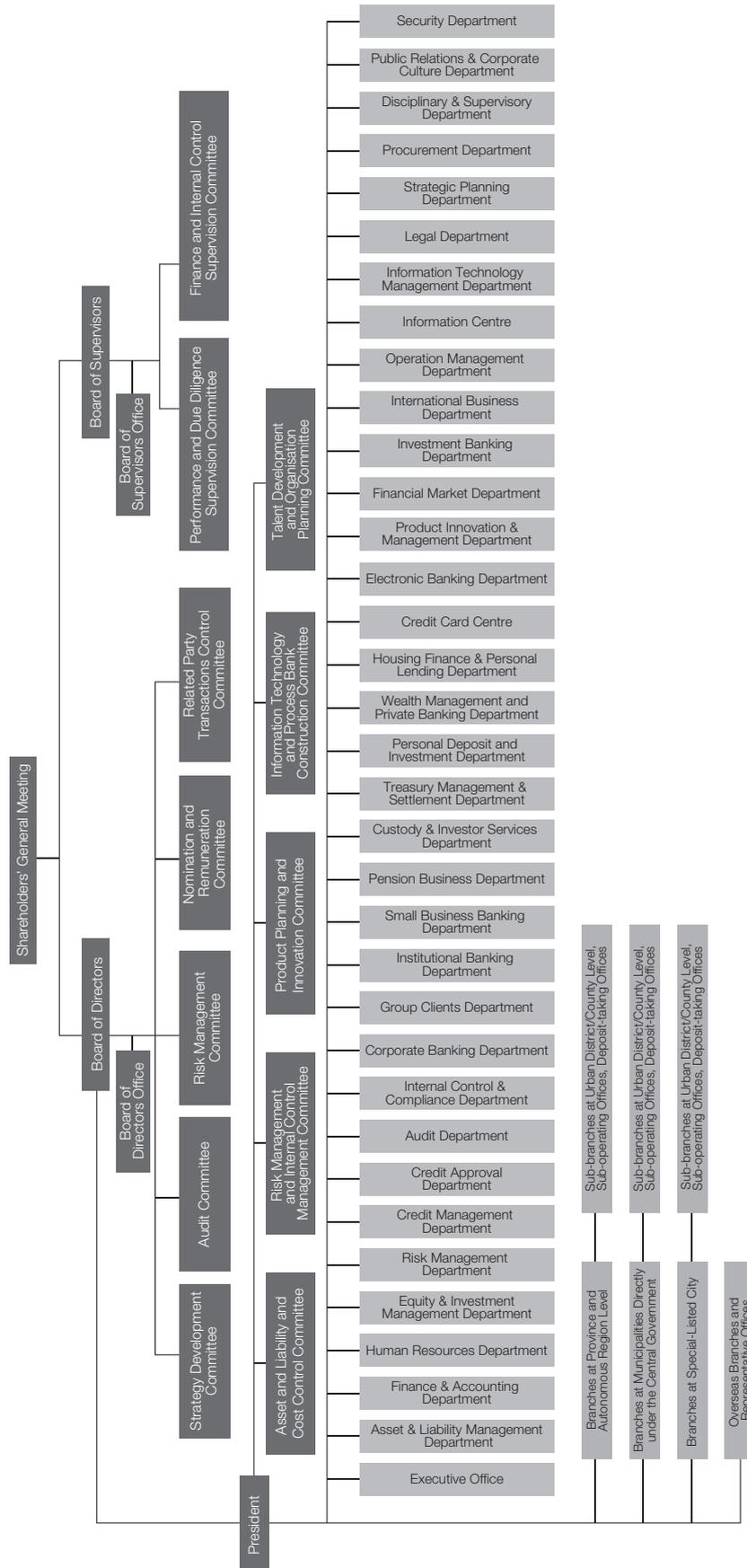
Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

#### 6 NON-BANK MAINLAND CHINA EXPOSURE

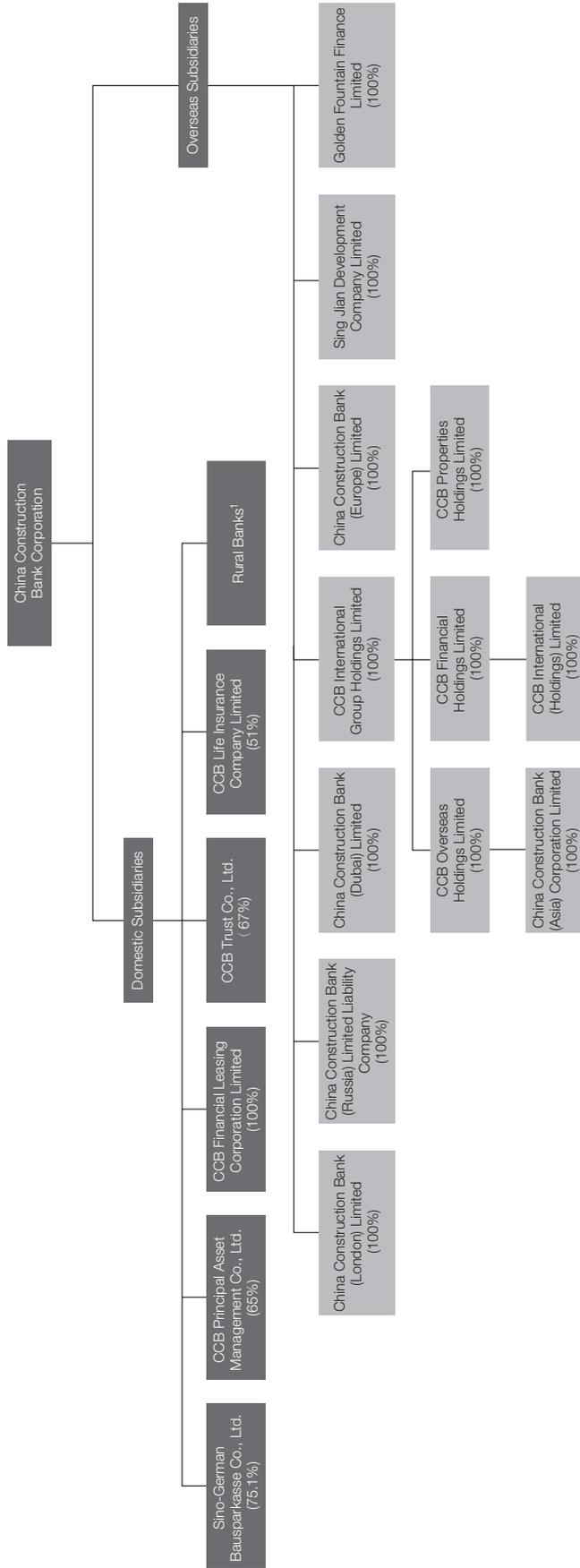
The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2013, substantial amounts of the Bank’s exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

# ORGANISATIONAL STRUCTURE

## CCB'S MANAGEMENT STRUCTURE



## CCB'S EQUITY INVESTMENT STRUCTURE



1. As at 31 December 2013, the Bank has set up a total of 27 rural banks. For more information, please refer to the rural banks listed in “Branches and Subsidiaries-Subsidiaries” of this annual report.

## BRANCHES AND SUBSIDIARIES

## TIER-ONE BRANCHES IN MAINLAND CHINA

| Branches            | Address  | Telephone       | Facsimile       |
|---------------------|--|-----------------|-----------------|
| Anhui Branch        | No. 255, Huizhou Road, Hefei<br>Postcode: 230001                       | (0551) 62874100 | (0551) 62872014 |
| Beijing Branch      | No. 4, Building 28, Xuanwumen West Street, Beijing<br>Postcode: 100053 | (010) 63603682  | (010) 63603656  |
| Chongqing Branch    | No. 123, Minzu Road, Yuzhong District, Chongqing<br>Postcode: 400010   | (023) 63771855  | (023) 63771835  |
| Dalian Branch       | No. 1, Jiefang Street, Zhongshan District, Dalian<br>Postcode: 116001  | (0411) 88066666 | (0411) 82804560 |
| Fujian Branch       | No. 142, Guping Road, Fuzhou<br>Postcode: 350003                       | (0591) 87838467 | (0591) 87856865 |
| Gansu Branch        | No. 77, Qin'an Road, Lanzhou<br>Postcode: 730030                       | (0931) 4891555  | (0931) 4891862  |
| Guangdong Branch    | No. 509, Dongfengzhong Road, Guangzhou<br>Postcode: 510045             | (020) 83018888  | (020) 83013950  |
| Guangxi Branch      | No. 92, Minzu Road, Nanning<br>Postcode: 530022                        | (0771) 5513110  | (0771) 5513012  |
| Guizhou Branch      | No. 148, Zhonghua North Road, Guiyang<br>Postcode: 550001              | (0851) 6696000  | (0851) 6696377  |
| Hainan Branch       | CCB Plaza, No. 8, Guomao Road, Haikou<br>Postcode: 570125              | (0898) 68587268 | (0898) 68587569 |
| Hebei Branch        | No. 40, Ziqiang Road, Shijiazhuang<br>Postcode: 050000                 | (0311) 87888866 | (0311) 88601001 |
| Henan Branch        | No. 80, Huayuan Road, Zhengzhou<br>Postcode: 450003                    | (0371) 65556699 | (0371) 65556688 |
| Heilongjiang Branch | No. 67, Hongjun Street, Nan'gang District, Harbin<br>Postcode: 150001  | (0451) 53619009 | (0451) 53625552 |
| Hubei Branch        | No. 709, Jianshe Street, Wuhan<br>Postcode: 430015                     | (027) 65775888  | (027) 65775881  |
| Hunan Branch        | No. 2, Baisha Road, Changsha<br>Postcode: 410005                       | (0731) 84419378 | (0731)84419141  |
| Jilin Branch        | No. 810, Xi'an Road, Changchun<br>Postcode: 130061                     | (0431) 88574498 | (0431) 88988748 |
| Jiangsu Branch      | No. 188, Hongwu Road, Nanjing<br>Postcode: 210002                      | (025) 84200545  | (025) 84209316  |
| Jiangxi Branch      | No. 366, Bayi Street, Nanchang<br>Postcode: 330006                     | (0791) 86848200 | (0791) 86848318 |
| Liaoning Branch     | No. 176, Zhongshan Road, Heping District, Shenyang<br>Postcode: 110002 | (024) 22787600  | (024) 22856915  |

| Branches                     | Address   | Telephone       | Facsimile       |
|------------------------------|---|-----------------|-----------------|
| <b>Inner Mongolia Branch</b> | No. 9, Zhao Wuda Street, Huhhot<br>Postcode: 010010   | (0471) 6200256  | (0471) 6200257  |
| <b>Ningbo Branch</b>         | No. 31, Guangji Street, Ningbo<br>Postcode: 315010  | (0574) 87313888 | (0574) 87325019 |
| <b>Ningxia Branch</b>        | No. 98, Nanxun West Street, Yinchuan<br>Postcode: 750001  | (0951) 4126111  | (0951) 4106165  |
| <b>Qingdao Branch</b>        | No. 222, Shenzhen Road, Laoshan District, Qingdao<br>Postcode: 266061                                   | (0532) 68671888 | (0532) 82670157 |
| <b>Qinghai Branch</b>        | No. 59, West Street, Xining<br>Postcode: 810000   | (0971) 8261181  | (0971) 8261225  |
| <b>Three Gorges Branch</b>   | No. 1, Xiling First Road, Yichang, Hubei<br>Postcode: 443000  | (0717) 6758809  | (0717) 6738137  |
| <b>Shandong Branch</b>       | No. 178, Luoyuan Street, Jinan<br>Postcode: 250012  | (0531) 82088108 | (0531) 86169108 |
| <b>Shaanxi Branch</b>        | No. 38, South Guangji Street, Xi'an<br>Postcode: 710002   | (029) 87617515  | (029) 87617514  |
| <b>Shanxi Branch</b>         | No. 126, Yingze Street, Taiyuan<br>Postcode: 030001   | (0351) 4957800  | (0351) 4957871  |
| <b>Shanghai Branch</b>       | No.900, Lujiazui Ring Road, Shanghai<br>Postcode: 200120  | (021) 58880000  | (021) 58781818  |
| <b>Shenzhen Branch</b>       | A Section, Rongchao Business Centre, 6003 Yitian Road,<br>Futian District, Shenzhen<br>Postcode: 518026 | (0755) 23828888 | (0755) 23828111 |
| <b>Sichuan Branch</b>        | Sichuan CCB Building, No. 86, Tidu Street, Chengdu<br>Postcode: 610016                                  | (028) 86767161  | (028) 86767187  |
| <b>Suzhou Branch</b>         | No. 18, Suzhou Road West, Suzhou<br>Postcode: 215021  | (0512) 62788786 | (0512) 62788783 |
| <b>Tianjin Branch</b>        | Plus 1 No. 19, Nanjing Road, Hexi District, Tianjin<br>Postcode: 300203                                 | (022) 23401166  | (022) 23401811  |
| <b>Xiamen Branch</b>         | No. 98, Lujiang Road, Xiamen<br>Postcode: 361001  | (0592) 2158668  | (0592) 2158862  |
| <b>Tibet Branch</b>          | No. 21, Beijing West Road, Lhasa<br>Postcode: 850008  | (0891) 6838792  | (0891) 6836818  |
| <b>Xinjiang Branch</b>       | No. 99, Minzhu Road, Urumqi<br>Postcode: 830002   | (0991) 2848666  | (0991) 2819160  |
| <b>Yunnan Branch</b>         | CCB Plaza, Jinbi Road, Kunming<br>Postcode: 650021  | (0871) 63060858 | (0871) 63060333 |
| <b>Zhejiang Branch</b>       | No. 33, Jiefang East Road, Hangzhou<br>Postcode: 310016   | (0571) 85313263 | (0571) 85313001 |

Financial statements and others  
Branches and Subsidiaries

**BRANCHES OUTSIDE MAINLAND CHINA**

|                                |   |
|--------------------------------|---|
| <b>Frankfurt Branch</b>        | Bockenheimer Landstrasse 51-53, 60325 Frankfurt am Main, Germany<br>Telephone : (49) 69-9714950<br>Facsimile : (49) 69-97149588, 97149577                 |
| <b>Ho Chi Minh City Branch</b> | 1105-1106 Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam<br>Telephone : (84) 8-38295533<br>Facsimile : (84) 8-38275533         |
| <b>Hong Kong Branch</b>        | 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong<br>Telephone : (852) 39186939<br>Facsimile : (852) 39186001                                 |
| <b>Johannesburg Branch</b>     | 95 Grayston Drive, Morningside, Sandton, South Africa 2196<br>Telephone : (27) 11-5209400<br>Facsimile : (27) 11-5209411                                  |
| <b>Luxembourg Branch</b>       | 1 Boulevard Royal, L-2449 Luxembourg<br>Telephone : (352) 286688<br>Facsimile : (352) 28668801  |
| <b>Melbourne Branch</b>        | 410 Collins Street, Melbourne VIC 3000, Australia<br>Telephone : (61) 3-94528500<br>Facsimile : (61) 3-96706608   |
| <b>New York Branch</b>         | 33/F, 1095 Avenue of the Americas, New York, USA NY 10036<br>Telephone : (1) 646-7812400<br>Facsimile : (1) 212-2078288                                   |
| <b>Osaka Branch</b>            | 1F, Itoh Building, 3-6-14 Minamihonmachi, Chuo-ku, Osaka-shi, Osaka, 541-0054, Japan<br>Telephone : (81) 6-61209080<br>Facsimile : (81) 6-62439080        |
| <b>Seoul Branch</b>            | 7/F, Seoul Finance Centre #84, Taepyungro 1-ga, Chung-gu, Seoul 100-768, Korea<br>Telephone : (82) 2-67301718<br>Facsimile : (82) 2-67301701              |
| <b>Singapore Branch</b>        | 9 Raffles Place, #33-01/02, Republic Plaza, Singapore 048619<br>Telephone : (65) 65358133<br>Facsimile : (65) 65356533                                    |
| <b>Sydney Branch</b>           | Level 33, Deutsche Bank Place, 126 Phillip Street, Sydney, NSW 2000, Australia<br>Telephone : (61) 2-80316100<br>Facsimile : (61) 2-92239099              |
| <b>Taipei Branch</b>           | 2/F-A3, No.106, Sec.5, Xinyi Road, Xinyi Dist., Taipei 11047, Taiwan<br>Telephone : (886) 2-87292008<br>Facsimile : (886) 2-27235399                      |
| <b>Tokyo Branch</b>            | West Tower, Otemachi First Square, 1-5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004 Japan<br>Telephone : (81) 3-52935218<br>Facsimile : (81) 3-32145157 |

## SUBSIDIARIES

|   |   |
|---|---|
| <b>CCB Financial Leasing Corporation Limited</b>                  | 6/F, Building 4, ChangAn XingRong Center, No.1, Naoshikou Street, Xicheng District, Beijing<br>Postcode : 100031<br>Telephone : (010) 67594583/76<br>Facsimile : (010) 66275808/9<br>Website : www.ccbleasing.com |
| <b>CCB International (Holdings) Limited</b>                       | 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong<br>Telephone : (852) 25326100<br>Facsimile : (852) 25301496<br>Website : www.ccbintl.com.hk   |
| <b>CCB Life Insurance Company Limited</b>                         | 8/F, GC Tower, No.1088 Yuanshen Road, Pudong New District, Shanghai<br>Postcode : 200122<br>Telephone : (021) 38991666<br>Facsimile : (021) 33922185<br>Website : www.ccb-life.com.cn                             |
| <b>CCB Principal Asset Management Co., Ltd.</b>                   | 16/F, Winland International Finance Centre, No. 7, Financial Street, Xicheng District, Beijing<br>Postcode : 100033<br>Telephone : (010) 66228888<br>Facsimile : (010) 66228889<br>Website : www.ccbfund.cn       |
| <b>CCB Trust Co., Ltd.</b>  | No. 45, Jiushiqiao Street, Hefei, Anhui Province<br>Postcode : 230001<br>Telephone : (0551) 5295555<br>Facsimile : (0551) 2679542<br>Website : www.ccbtrust.com.cn  |
| <b>China Construction Bank (Asia) Corporation Limited</b>         | 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong<br>Telephone : (852) 39186939<br>Facsimile : (852) 39186001   |
| <b>China Construction Bank (Dubai) Limited</b>                    | 31st floor, Al Fattan Currency House, DIFC, P.O.Box: 128220, Dubai, UAE<br>Telephone : (971) 4-5674888<br>Facsimile : (971) 4-5674777   |
| <b>China Construction Bank (Europe) S.A.</b>                      | 1 Boulevard Royal, L-2449 Luxembourg L2449<br>Telephone : (352) 286688<br>Facsimile : (352) 28668801  |
| <b>China Construction Bank (London) Limited</b>                   | 18/F, 40 Bank Street, Canary Wharf, London E14 5NR, UK<br>Telephone : (44) 20-70386000<br>Facsimile : (44) 20-70386001  |
| <b>China Construction Bank (Russia) Limited Liability Company</b> | Lubyanskiy proyezd, 11/1, building 1, 101000 Moscow Russia<br>Telephone : (7) 495-6759-800<br>Facsimile : (7) 495-6759-810  |
| <b>Sing Jian Development Company Limited</b>                      | 29/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong<br>Telephone : (852) 37182797<br>Facsimile : (852) 37182799   |

Financial statements and others  
Branches and Subsidiaries

|  |  |
|--|--|
| <b>Sino-German Bausparkasse Co., Ltd.</b>                          | No. 19, Guizhou Road, Heping District, Tianjin<br>Postcode : 300051<br>Telephone : (022) 58086699<br>Facsimile : (022) 58086808<br>Website : www.sgb.cn                          |
| <b>Anhui Fanchang Jianxin Rural Bank Company Limited</b>           | 1/F, Oversea-Chinese International Hotel, Fanyang Town, Fanchang County, Anhui Province<br>Postcode : 241200<br>Telephone : (0553) 7853939<br>Facsimile : (0553) 7853939         |
| <b>Chongqing Wanzhou Jianxin Rural Bank Company Limited</b>        | Podium Building A, Return House, Binjiang Road, Sunjiashufang, Wanzhou District, Chongqing City<br>Postcode : 404000<br>Telephone : (023) 58690690<br>Facsimile : (023) 58690692 |
| <b>Hebei Fengning Jianxin Rural Bank Company Limited</b>           | No. 5-7, Fengheyuan Community, Xinfeng Road, Dage Town, Fengning County, Hebei Province<br>Postcode : 068350<br>Telephone : (0314) 5975005<br>Facsimile : (0314) 5975005         |
| <b>Henan Xinye Jianxin Rural Bank Company Limited</b>              | North Chaoyang Road, Xinye County, Henan Province<br>Postcode : 473500<br>Telephone : (0377) 60917789<br>Facsimile : (0377) 60917111   |
| <b>Heilongjiang Zhaodong Jianxin Rural Bank Company Limited</b>    | Building E, Jiangshandijing, Zhengyang South Road 15, Zhaodong City, Heilongjiang Province<br>Postcode : 151100<br>Telephone : (0455) 7917001<br>Facsimile : (0455) 7917001      |
| <b>Hunan Taojiang Jianxin Rural Bank Corporation Limited</b>       | Junction of Furong Road and Taohui Road, Taohuaijiang Town, Taojiang County, Hunan Province<br>Postcode : 413400<br>Telephone : (0737) 8213820<br>Facsimile : (0737) 8213820     |
| <b>Jiangsu Gaochun Wujiazui Jianxin Rural Bank Company Limited</b> | No. 97, Danyanghu North Road, Chunxi Town, Gaochun County, Jiangsu Province<br>Postcode : 211300<br>Telephone : (025) 57336988<br>Facsimile : (025) 57336981                     |
| <b>Jiangsu Haimen Jianxin Rural Bank Company Limited</b>           | No. 248, Middle Jiefang Road, Haimen Town, Haimen City, Jiangsu Province<br>Postcode : 226100<br>Telephone : (0513) 81262289<br>Facsimile : (0513) 81262292                      |
| <b>Jiangsu Taixing Jianxin Rural Bank Company Limited</b>          | No. 177, Zhongxing Avenue, Taixing City, Jiangsu Province<br>Postcode : 225400<br>Telephone : (0523) 80737889<br>Facsimile : (0523) 87091017                                     |
| <b>Jiangsu Wujin Jianxin Rural Bank Company Limited</b>            | No. 104, Hutang Changwu North Road, Wujin District, Changzhou City, Jiangsu Province<br>Postcode : 213161<br>Telephone : (0519) 86711369<br>Facsimile : (0519) 86707719          |

|   |  |
|---|--|
| <b>Jiangsu Xishan Jianxin Rural Bank Company Limited</b>    | No. 10-20, 21, 22, Youyi South Road, Dongting Street, Xishan District, Wuxi City, Jiangsu Province<br>Postcode : 214101<br>Telephone : (0510) 88824910<br>Facsimile : (0510) 88824910          |
| <b>Ningbo Cixi Jianxin Rural Bank Company Limited</b>       | No. 1582, Bei Er Huan East Road, Baishalu Jiedao, Cixi County, Ningbo City, Zhejiang Province<br>Postcode : 315311<br>Telephone : (0574) 63993505<br>Facsimile : (0574) 63993506               |
| <b>Ningbo Ninghai Jianxin Rural Bank Company Limited</b>    | No. 600, Qixiang North Road, Ninghai County, Ningbo City, Zhejiang Province<br>Postcode : 315613<br>Telephone : (0574) 82535268<br>Facsimile : (0574) 82535268                                 |
| <b>Shaanxi Ansai Jianxin Rural Bank Company Limited</b>     | Chengbei District, Ansai County, Shaanxi Province<br>Postcode : 717400<br>Telephone : (0911) 6211077<br>Facsimile : (0911) 6211077   |
| <b>Shandong Tengzhou Jianxin Rural Bank Company Limited</b> | No. 42, North Shanguo Road, Tengzhou City, Shandong Province<br>Postcode : 277500<br>Telephone : (0632) 3598159<br>Facsimile : (0632) 3598159  |
| <b>Shandong Wendeng Jianxin Rural Bank Company Limited</b>  | No. 29, Wenshan East Road, Wendeng City, Shandong Province<br>Postcode : 264400<br>Telephone : (0631) 8360189<br>Facsimile : (0631) 8360189  |
| <b>Shandong Zhaoyuan Jianxin Rural Bank Company Limited</b> | Wenfeng Investment Building, Wenquan Road, Zhaoyuan Economic Development Zone, Yantai City, Shandong Province<br>Postcode : 265400<br>Telephone : (0535) 8063938<br>Facsimile : (0535) 8255208 |
| <b>Shandong Zhucheng Jianxin Rural Bank Company Limited</b> | No. 39, Xinghua East Road, Zhucheng City, Shandong Province<br>Postcode : 262200<br>Telephone : (0536) 2160601<br>Facsimile : (0536) 2160621   |
| <b>Shandong Zoucheng Jianxin Rural Bank Company Limited</b> | No. 518, Taiping East Road, Zoucheng City, Jining City, Shandong Province<br>Postcode : 273500<br>Telephone : (0537) 5219639<br>Facsimile : (0537) 5219876                                     |
| <b>Shanghai Pudong Jianxin Rural Bank Company Limited</b>   | No. 26, Beishi Street, Chuansha Town, Pudong New District, Shanghai<br>Postcode : 201200<br>Telephone : (021) 58385876<br>Facsimile : (021) 58385938   |
| <b>Suzhou Changshu Jianxin Rural Bank Company Limited</b>   | No. 33, North Haiyu Road, Changshu City, Jiangsu Province<br>Postcode : 215500<br>Telephone : (0512) 51910510<br>Facsimile : (0512) 51910526   |

## Financial statements and others

### Branches and Subsidiaries

|   |   |
|---|---|
| <b>Zhejiang Cangnan Jianxin Rural Bank Corporation Limited</b>              | No. 102-104, Building 2, Yihe City Homeland, Yucang Road, Lingxi Town, Cangnan County, Zhejiang Province<br>Postcode : 325800<br>Telephone : (0577) 68857896<br>Facsimile : (0577) 68857893 |
| <b>Zhejiang Chun'an Jianxin Rural Bank Company Limited</b>                  | No. 15-51, Xinan South Road, Qiandaohu Town, Chunan County, Zhejiang Province<br>Postcode : 311700<br>Telephone : (0571) 65090006<br>Facsimile : (0571) 65092226                            |
| <b>Zhejiang Jiangshan Jianxin Rural Bank Company Limited</b>                | No. 56, the First Street, South Hushan Street, Jiangshan County, Zhejiang Province<br>Postcode : 324100<br>Telephone : (0570) 4037890<br>Facsimile : (0570) 4037895                         |
| <b>Zhejiang Lishui Liandu Jianxin Rural Bank Company Limited</b>            | No. 519, Renmin Street, Liandu District, Lishui City, Zhejiang Province<br>Postcode : 323000<br>Telephone : (0578) 2227227<br>Facsimile : (0578) 2227228                                    |
| <b>Zhejiang Qingtian Jianxin Oversea-Chinese Rural Bank Company Limited</b> | No. 59-75, Shengzhi Street, Qingtian County, Zhejiang Province<br>Postcode : 323900<br>Telephone : (0578) 6812966<br>Facsimile : (0578) 6812910   |
| <b>Zhejiang Wuyi Jianxin Rural Bank Company Limited</b>                     | 1/F, No. 4 Area, Business Hall, Jiefang Middle Street, Wuyi County, Zhejiang Province<br>Postcode : 321200<br>Telephone : (0579) 87679091<br>Facsimile : (0579) 87679091                    |

# Financial statements and others

## DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

|   |   |
|---|---|
| “Bank”                                      | China Construction Bank Corporation   |
| “Baosteel Group”                            | Baosteel Group Corporation  |
| “Board”                                     | Board of directors  |
| “Basis Point”                               | Measurement unit of changes in interest rate or exchange rate, equivalent to 1% of one percentage point   |
| “CBRC”                                      | China Banking Regulatory Commission   |
| “CCB Asia”                                  | China Construction Bank (Asia) Corporation Limited  |
| “CCB Dubai”                                 | China Construction Bank (Dubai) Limited   |
| “CCB Europe”                                | China Construction Bank (Europe) S.A.   |
| “CCB Financial Leasing”                     | CCB Financial Leasing Corporation Limited   |
| “CCB International”                         | CCB International (Holdings) Limited  |
| “CCB Life”                                  | CCB Life Insurance Company Limited  |
| “CCB London”                                | China Construction Bank (London) Limited  |
| “CCB Principal Asset Management”            | CCB Principal Asset Management Co., Ltd.  |
| “CCB Russia”                                | China Construction Bank (Russia) Limited Liability Company  |
| “CCB Trust”                                 | CCB Trust Co., Limited  |
| “CIC”                                       | China Investment Corporation  |
| “Company Law”                               | The Company Law of the People’s Republic of China   |
| “Cost Advisory Service”                     | The professional advisory services, provided by the project cost advisory agency when entrusted, on the investment of construction projects and the determination and control of project cost |
| “CSRC”                                      | China Securities Regulatory Commission  |
| “Financial Services for Housing Reform”     | A general term for credit activities of money collection, financing, etc., in connection with the reform of housing system  |
| “Group”, “CCB”                              | China Construction Bank Corporation and its subsidiaries  |
| “Hong Kong Stock Exchange”                  | The Stock Exchange of Hong Kong Limited   |
| “Huijin”                                    | Central Huijin Investment Ltd.  |
| “IFRS”                                      | International Financial Reporting Standards   |
| “Listing Rules of Hong Kong Stock Exchange” | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |

## Financial statements and others

### Definitions

|                            |   |
|----------------------------|---|
| “MOF”                      | Ministry of Finance of the People’s Republic of China   |
| “PBOC”                     | People’s Bank of China  |
| “PRC GAAP”                 | <i>Accounting Standards for Business Enterprises</i> promulgated by the MOF on 15 February 2006 and other relevant requirements |
| “RMB”                      | Renminbi  |
| “SAFE”                     | State Administration of Foreign Exchange  |
| “SFO”                      | Securities and Futures Ordinance  |
| “Sino-German Bausparkasse” | Sino-German Bausparkasse Co., Ltd.  |
| “State Grid”               | State Grid Corporation of China   |
| “Temasek”                  | Temasek Holdings (Private) Limited  |
| “Yangtze Power”            | China Yangtze Power Co., Limited  |

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. We use words such as “will”, “may”, “expect”, “try”, “strive”, and similar expressions to identify forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements. These factors include, among others: changes in general economic conditions in the markets in which the Group operates, changes in the government’s adjustments and control policies and in laws and regulations, and factors specific to the Group. Furthermore, readers are specially cautioned on all kinds of risks disclosed in this annual report, including but not limited to the risks set out in the “Risk Management” of the annual report.

Stock Code: 939 China Construction Bank Corporation  
(A joint stock company incorporated in the People's  
Republic of China with limited liability)