中国建设银行
China Construction Bank

中國建設銀行股份有限公司

**CHINA CONSTRUCTION BANK CORPORATION**

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

(Stock Code: 939)

# ANNOUNCEMENT OF ANNUAL RESULTS 2013

## Summary of Results

The board of directors of China Construction Bank Corporation (the ''Bank'') is pleased to announce the audited results, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (collectively the ''Group'') for the year ended 31 December 2013. The annual results have been reviewed by the audit committee of the Bank's board of directors.

# 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 |
|---|---|---|---|---|---|---|
| **For the year** | | | | | | |
| 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 |
| **As at 31 December** | | | | | | |
| 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 | 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[1] | 1,316,724 | 1,093,365 | N/A | 924,505 | 762,704 | 608,253 |
| Risk-weighted assets[1] | 9,872,790 | 7,637,705 | N/A | 6,760,117 | 6,015,329 | 5,197,545 |
| **Per share (In RMB)** | | | | | | |
| 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 |

1. 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.

2. *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** |
|---|---|---|---|---|---|---|
| **Profitability indicators** | | | | | | |
| Return on average assets [1] | 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 [2] | 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 |
| **Capital adequacy indicators** | | | | | | |
| Common Equity Tier 1 ratio [3, 4] | 10.75 | 11.32 | N/A | 10.97 | 10.40 | 9.31 |
| Total capital ratio [3] | 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 |
| **Asset quality indicators** | | | | | | |
| 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.

## Consolidated statement of comprehensive income

*(Expressed in millions of RMB, unless otherwise stated)*

| | 2013 | 2012 (Restated) | Variance(%) |
|---|---|---|---|
| Interest income | **646,253** | 603,241 | 7.13 |
| Interest expense | **(256,709)** | (250,039) | 2.67 |
| **Net interest income** | **389,544** | 353,202 | 10.29 |
| Fee and commission income | **107,432** | 96,218 | 11.65 |
| Fee and commission expense | **(3,149)** | (2,711) | 16.16 |
| **Net fee and commission income** | **104,283** | 93,507 | 11.52 |
| 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 |
| **Operating income** | **511,140** | 462,533 | 10.51 |
| **Operating expenses** | **(188,185)** | (171,081) | 10.00 |
| | **322,955** | 291,452 | 10.81 |
| Impairment losses on: | | | |
| – Loans and advances to customers | **(42,666)** | (38,330) | 11.31 |
| – Others | **(543)** | (1,711) | (68.26) |
| **Impairment losses** | **(43,209)** | (40,041) | 7.91 |
| **Share of profits less losses of associates and joint ventures** | **60** | 28 | 114.29 |
| **Profit before tax** | **279,806** | 251,439 | 11.28 |
| Income tax expense | **(64,684)** | (57,837) | 11.84 |
| **Net profit** | **215,122** | 193,602 | 11.12 |

## Consolidated statement of comprehensive income (continued)

*(Expressed in millions of RMB, unless otherwise stated)*

| | 2013 | 2012 (Restated) | Variance(%) |
|---|---|---|---|
| **Other comprehensive income:** | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of post employment benefit obligations | **443** | (63) | (803.17) |
| Others | **11** | 32 | (65.63) |
| Subtotal | **454** | (31) | (1564.52) |
| 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) | 991.80 |
| Less: Income tax relating to available-for-sale financial assets | **7,175** | 636 | 1028.14 |
| Reclassification adjustments for losses included in profit or loss | **(1,188)** | (1,381) | (13.98) |
| Net loss on cash flow hedges | **(148)** | - | |
| Exchange difference on translating foreign operations | **(1,361)** | (201) | 577.11 |
| Subtotal | **(23,876)** | (3,543) | 573.89 |
| **Other comprehensive income for the year, net of tax** | **(23,422)** | (3,574) | 555.34 |
| **Total comprehensive income for the year** | **191,700** | 190,028 | 0.88 |
| Net profit attributable to: | | | |
| Equity shareholders of the Bank | **214,657** | 193,179 | 11.12 |
| Non-controlling interests | **465** | 423 | 9.93 |
| | **215,122** | 193,602 | 11.12 |
| Total comprehensive income attributable to: | | | |
| Equity shareholders of the Bank | **191,286** | 189,585 | 0.90 |
| Non-controlling interests | **414** | 443 | (6.55) |
| | **191,700** | 190,028 | 0.88 |
| **Basic and diluted earnings per share** (in RMB Yuan) | **0.86** | 0.77 | 11.69 |

## Consolidated statement of financial position

*(Expressed in millions of RMB, unless otherwise stated)*

| | 2013 | 2012 (Restated) | Variance(%) |
|---|---|---|---|
| **Assets:** | | | |
| Cash and deposits with central banks | **2,475,001** | 2,458,069 | 0.69 |
| Deposits with banks and non-bank financial institutions | **321,286** | 585,898 | (45.16) |
| Precious metals | **35,637** | 38,419 | (7.24) |
| Placements with banks and non-bank financial institutions | **152,065** | 129,653 | 17.29 |
| Financial assets at fair value through profit or loss | **364,050** | 27,572 | 1220.36 |
| Positive fair value of derivatives | **18,910** | 12,671 | 49.24 |
| Financial assets held under resale agreements | **281,447** | 316,685 | (11.13) |
| Interest receivable | **80,731** | 68,264 | 18.26 |
| Loans and advances to customers | **8,361,361** | 7,309,879 | 14.38 |
| Available-for-sale financial assets | **760,292** | 701,041 | 8.45 |
| Held-to-maturity investments | **2,100,538** | 1,918,322 | 9.50 |
| Debt securities classified as receivables | **189,737** | 219,713 | (13.64) |
| Interests in associates and jointly controlled entities | **2,624** | 2,366 | 10.90 |
| Fixed assets | **135,678** | 113,946 | 19.07 |
| Land use rights | **15,731** | 16,232 | (3.09) |
| Intangible assets | **2,053** | 2,061 | (0.39) |
| Goodwill | **1,610** | 1,651 | (2.48) |
| Deferred tax assets | **38,448** | 27,051 | 42.13 |
| Other assets | **26,011** | 23,335 | 11.47 |
| **Total assets** | **15,363,210** | 13,972,828 | 9.95 |

## Consolidated statement of financial position (continued)

*(Expressed in millions of RMB, unless otherwise stated)*

| | 2013 | 2012<br>(Restated) | Variance(%) |
|---|---|---|---|
| **Liabilities:** | | | |
| Borrowings from central banks | **79,157** | 6,281 | 1160.26 |
| Deposits from banks and non-bank financial institutions | **692,095** | 977,487 | (29.20) |
| Placements from banks and non-bank financial institutions | **155,917** | 120,256 | 29.65 |
| Financial liabilities at fair value through profit or loss | **380,380** | 37,251 | 921.13 |
| Negative fair value of derivatives | **19,872** | 11,541 | 72.19 |
| Financial assets sold under repurchase agreements | **61,873** | 2,360 | 2521.74 |
| Deposits from customers | **12,223,037** | 11,343,079 | 7.76 |
| Accrued staff costs | **34,080** | 32,772 | 3.99 |
| Taxes payable | **60,209** | 53,271 | 13.02 |
| Interest payable | **153,627** | 123,215 | 24.68 |
| Provisions | **5,014** | 5,058 | (0.87) |
| Debt securities issued | **357,540** | 262,991 | 35.95 |
| Deferred tax liabilities | **138** | 332 | (58.43) |
| Other liabilities | **65,942** | 47,389 | 39.15 |
| **Total liabilities** | **14,288,881** | 13,023,283 | 9.72 |
| **Equity:** | | | |
| Share capital | **250,011** | 250,011 | 0.00 |
| Capital reserve | **135,523** | 135,217 | 0.23 |
| Investment revaluation reserve | **(19,290)** | 3,023 | (738.11) |
| Surplus reserve | **107,970** | 86,718 | 24.51 |
| General reserve | **153,835** | 80,483 | 91.14 |
| Retained earnings | **444,084** | 391,034 | 13.57 |
| Exchange reserve | **(6,182)** | (4,818) | 28.31 |
| Total equity attributable to equity shareholders of the Bank | **1,065,951** | 941,668 | 13.20 |
| Non-controlling interests | **8,378** | 7,877 | 6.36 |
| **Total equity** | **1,074,329** | 949,545 | 13.14 |
| **Total liabilities and equity** | **15,363,210** | 13,972,828 | 9.95 |

## Consolidated statement of changes in equity

*(Expressed in millions of RMB, unless otherwise stated)*

| | Attributable to equity shareholders of the Bank | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Capital reserve** | **Investment revaluation reserve** | **Surplus reserve** | **General reserve** | **Retained earnings** | **Exchange reserve** | **Non-controlling interests** | **Total equity** |
| **As at 31 December 2012** | **250,011** | **135,281** | **3,023** | **86,718** | **80,483** | **391,034** | **(4,818)** | **7,877** | **949,609** |
| Change in accounting policy | **-** | **(64)** | **-** | **-** | **-** | **-** | **-** | **-** | **(64)** |
| **31 December 2012 (Restated)** | **250,011** | **135,217** | **3,023** | **86,718** | **80,483** | **391,034** | **(4,818)** | **7,877** | **949,545** |
| **Movements during the year** | **-** | **306** | **(22,313)** | **21,252** | **73,352** | **53,050** | **(1,364)** | **501** | **124,784** |
| **(1) Total comprehensive income for the year** | **-** | **306** | **(22,313)** | **-** | **-** | **214,657** | **(1,364)** | **414** | **191,700** |
| **(2) Changes in share capital** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **105** | **105** |
| i Non-controlling interests of new subsidiaries | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **51** | **51** |
| ii Change in shareholdings in Subsidiaries | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **54** | **54** |
| **(3) Profit distribution** | **-** | **-** | **-** | **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)** |
| **As at 31 December 2013** | **250,011** | **135,523** | **(19,290)** | **107,970** | **153,835** | **444,084** | **(6,182)** | **8,378** | **1,074,329** |

## Consolidated statement of changes in equity (continued)

*(Expressed in millions of RMB, unless otherwise stated)*

| | Attributable to equity shareholders of the Bank | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Capital reserve** | **Investment revaluation reserve** | **Surplus reserve** | **General reserve** | **Retained earnings** | **Exchange reserve** | **Non-controlling interests** | **Total equity** |
| **As at 31 December 2011** | 250,011 | 135,178 | 6,383 | 67,576 | 67,342 | 289,266 | (4,615) | 5,520 | 816,661 |
| Change in accounting policy | - | (1) | - | - | - | - | - | - | (1) |
| **31 December 2011 (Restated)** | 250,011 | 135,177 | 6,383 | 67,576 | 67,342 | 289,266 | (4,615) | 5,520 | 816,660 |
| **Movements during the year** | - | 40 | (3,360) | 19,142 | 13,141 | 101,768 | (203) | 2,357 | 132,885 |
| **(1) Total comprehensive income for the year** | - | (31) | (3,360) | - | - | 193,179 | (203) | 443 | 190,028 |
| **(2) Changes in share capital** | - | 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) |
| **(3) Profit distribution** | - | - | - | 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) |
| **As at 31 December 2012 (Restated)** | 250,011 | 135,217 | 3,023 | 86,718 | 80,483 | 391,034 | (4,818) | 7,877 | 949,545 |

## Consolidated statement of cash flows

*(Expressed in millions of RMB, unless otherwise stated)*

| | **2013** | **2012** |
|---|---|---|
| ***Cash flows from operating activities*** | | |
| Profit before tax | **279,806** | 251,439 |
| *Adjustments for:* | | |
| – Impairment losses | **43,209** | 40,041 |
| – Depreciation and amortisation | **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 | **(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 | **(1,395)** | (3,536) |
| – Net gain on disposal of fixed assets and other long-term assets | **(169)** | (67) |
| | **346,892** | 306,604 |
| *Changes in operating assets:* | | |
| 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) |
| *Changes in operating liabilities:* | | |
| 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 |
| **Net cash from operating activities** | **45,929** | 368,813 |

## Consolidated statement of cash flows (continued)

*(Expressed in millions of RMB, unless otherwise stated)*

| | 2013 | 2012 |
|---|---|---|
| ***Cash flows from investing activities*** | | |
| 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) |
| **Net cash used in investing activities** | **(278,182)** | (155,855) |
| ***Cash flows from financing activities*** | | |
| 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) |
| **Net cash used in financing activities** | **(72,541)** | (20,787) |
| **Effect of exchange rate changes on cash and cash equivalents** | **(3,353)** | (1,714) |
| **Net (decrease)/increase in cash and cash equivalents** | **(308,147)** | 190,457 |
| **Cash and cash equivalents as at 1 January** | **748,920** | 558,463 |
| **Cash and cash equivalents as at 31 December** | **440,773** | 748,920 |
| **Cash flows from operating activities include:** | | |
| Interest received | **632,076** | 588,972 |
| Interest paid, excluding interest expense on bonds issued | **(218,715)** | (201,861) |

***Notes:***

**1** The IFRS financial statements of the Group for the year ended 31 December 2013 will be available on the website of The Stock Exchange of Hong Kong Limited. 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.

**2** Except for the new IFRSs and amendments effective for the year ended 31 December 2013 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2012.

**3** Unless otherwise stated, the financial figures are expressed in millions of RMB.

**4** For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan.

## 5 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 |
| Total | **1,395** | 3,536 |

## 6 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 |

## 7 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 | **64,684** | 57,837 |

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.

(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.

## 8 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 |

## 9 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 |
| Total | **2,018,213** | **18,910** | **19,872** | 1,397,663 | 12,671 | 11,541 |

(2) Analysed by credit risk-weighted assets

| | **2013** |
|---|---|
| Counterparty credit default risk-weighted assets | |
| – Interest rate contracts | **1,387** |
| – Exchange rate contracts | **17,739** |
| – Other contracts | **1,238** |
| Subtotal | **20,364** |
| Credit value adjustment | **8,688** |
| Total | **29,052** |

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.

## 10 Deposits from customers

| | **2013** | 2012 |
|---|---|---|
| Demand deposits | | |
| – Corporate customers | **4,167,686** | 3,816,312 |
| – Personal customers | **2,525,115** | 2,107,369 |
| Subtotal | **6,692,801** | 5,923,681 |
| Time deposits (including call deposits) | | |
| – Corporate customers | **2,457,076** | 2,392,797 |
| – Personal customers | **3,073,160** | 3,026,601 |
| Subtotal | **5,530,236** | 5,419,398 |
| Total | **12,223,037** | 11,343,079 |

Deposits from customers include:

| | | **2013** | 2012 |
|---|---|---|---|
| (1) | Pledged deposits | | |
| | – Deposits for acceptance | **129,392** | 124,367 |
| | – Deposits for letter of credit | **55,018** | 42,616 |
| | – Deposits for guarantee | **36,308** | 34,443 |
| | – Others | **199,256** | 192,272 |
| | Total | **419,974** | 393,698 |
| (2) | Outward remittance and remittance payables | **11,908** | 8,722 |

## 11 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.

| | **2013** | 2012 |
|---|---|---|
| Loan commitments | | |
| – with an original maturity within one year | **179,790** | 168,906 |
| – with an original maturity of one year or over | **302,109** | 272,360 |
| Credit card commitments | **437,431** | 343,698 |
| | **919,330** | 784,964 |
| Bank acceptances | **360,499** | 344,848 |
| Financing guarantees | **129,557** | 165,294 |
| Non-financing guarantees | **484,370** | 441,367 |
| Sight letters of credit | **29,243** | 28,246 |
| Usance letters of credit | **351,543** | 203,972 |
| Others | **35,685** | 47,608 |
| Total | **2,310,227** | 2,016,299 |

(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** |
|---|---|
| Credit risk-weighted amount of contingent liabilities and commitments | **899,272** |

## 11 Commitments and contingent liabilities (continued)

(3) Operating lease commitments

The Group 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:

| | **2013** | 2012 |
|---|---|---|
| Within one year | **4,596** | 3,973 |
| After one year but within two years | **3,749** | 2,976 |
| After two years but within three years | **2,999** | 2,268 |
| After three years but within five years | **3,557** | 2,699 |
| After five years | **2,543** | 1,662 |
| Total | **17,444** | 13,578 |

(4) Capital commitments

As at the end of the reporting period, the Group had capital commitments as follows:

| | **2013** | 2012 |
|---|---|---|
| Contracted for | **4,618** | 4,351 |
| Authorised but not contracted for | **2,770** | 6,332 |
| Total | **7,388** | 10,683 |

(5) Underwriting obligations

As at 31 December 2013, there was no unexpired underwriting commitment of the Group (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, but not yet matured as at 31 December 2013, were RMB50,794 million (2012: RMB49,022 million).

## 11 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. The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group 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.

## 12 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.

(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.

## 12 Operating segments (continued)

(1) Geographical segments (continued)

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.

**12 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** | **-** |
| **Net interest income** | **67,957** | **50,251** | **59,643** | **63,211** | **66,429** | **24,443** | **51,674** | **5,936** | **389,544** |
| 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** |
| **Operating income** | **95,890** | **67,088** | **77,430** | **80,739** | **81,730** | **30,796** | **68,496** | **8,971** | **511,140** |
| 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** |
| **Profit before tax** | **36,768** | **38,469** | **45,019** | **42,191** | **46,375** | **15,597** | **51,492** | **3,895** | **279,806** |
| 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** |
| | 2013 | | | | | | | | |
| 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)** |
| Total assets | | | | | | | | | **15,363,210** |
| 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)** |
| Total liabilities | | | | | | | | | **14,288,881** |
| Off-balance sheet credit commitments | **555,843** | **422,332** | **569,194** | **283,736** | **282,660** | **110,931** | **13,000** | **72,531** | **2,310,227** |

**12 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 | - |
| **Net interest income** | 62,447 | 43,471 | 50,405 | 53,316 | 56,688 | 22,148 | 59,921 | 4,806 | 353,202 |
| 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 |
| **Operating income** | 89,886 | 59,920 | 65,721 | 69,149 | 70,942 | 28,405 | 72,038 | 6,472 | 462,533 |
| 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 |
| **Profit before tax** | 36,905 | 32,907 | 36,917 | 35,411 | 39,686 | 14,586 | 51,851 | 3,176 | 251,439 |
| 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) |
| Total assets | | | | | | | | | 13,972,828 |
| 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) |
| Total liabilities | | | | | | | | | 13,023,283 |
| Off-balance sheet credit commitments | 517,083 | 376,871 | 441,783 | 255,566 | 249,619 | 104,579 | 13,002 | 57,796 | 2,016,299 |

## 12 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.

## 12 Operating segments (continued)

(2) Business segments (continued)

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| 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) | - |
| **Net interest income** | 202,965 | 134,452 | 51,095 | 1,032 | 389,544 |
| 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 |
| **Operating income** | 244,229 | 175,696 | 75,117 | 16,098 | 511,140 |
| 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 |
| **Profit before tax** | 145,939 | 64,635 | 69,107 | 125 | 279,806 |
| Capital expenditure | 8,179 | 23,905 | 605 | 4,891 | 37,580 |
| Depreciation and amortisation | 3,773 | 11,026 | 279 | 338 | 15,416 |

| | 2013 | | | | |
|---|---|---|---|---|---|
| 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 |

**12 Operating segments (continued)**

(2) Business segments (continued)

| | 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) | - |
| **Net interest income** | 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 |
| **Operating income** | 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 |
| **Profit before tax** | 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 |
| | 2012 (Restated) | | | | |
| 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 |

# Unaudited supplementary financial information

## (a) Liquidity ratios

| | **As at 31 December 2013** | **Average for the year ended 31 December 2013** | As at 31 December 2012 | Average for the year ended 31 December 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.

**(b) Currency concentrations**

| | **2013** | | | |
|---|---|---|---|---|
| | **USD (RMB equivalent)** | **HKD (RMB equivalent)** | **Others (RMB equivalent)** | **Total** |
| **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** |

| | 2012 | | | |
|---|---|---|---|---|
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
| 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.

## (c) 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** | | | |
|---|---|---|---|---|
| | **Banks and non-bank financial institutions** | **Public sector entities** | **Others** | **Total** |
| 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** |

| | 2012 | | | |
|---|---|---|---|---|
| | Banks and non-bank financial institutions | Public sector entities | Others | Total |
| 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 |
| Total | 51,894 | 2,009 | 289,678 | 343,581 |

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.

### (d) 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 |
| Total | **61,627** | 52,361 |

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.

# 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 31 December 2013** | **Year ended 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 |
| **Operating income** | 511,140 | 462,533 | 10.51 |
| 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 |
| **Profit before tax** | 279,806 | 251,439 | 11.28 |
| Income tax expense | (64,684) | (57,837) | 11.84 |
| **Net profit** | 215,122 | 193,602 | 11.12 |
| Other comprehensive income for the year, net of tax | (23,422) | (3,574) | 555.34 |
| **Total comprehensive income for the year** | 191,700 | 190,028 | 0.88 |

### 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 (%) |
| **Assets** | | | | | | |
| 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 | |
| **Liabilities** | | | | | | |
| 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 | |
| **Net interest income** | | **389,544** | | | **353,202** | |
| **Net interest spread** | | | **2.56** | | | **2.58** |
| **Net interest margin** | | | **2.74** | | | **2.75** |

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**[1] | **Interest rate factor**[1] | **Change in interest income/expense** |
|---|---|---|---|
| **Assets** | | | |
| 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) |
| **Change in interest income** | 72,962 | (29,950) | 43,012 |
| **Liabilities** | | | |
| 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 |
| **Change in interest expense** | 23,257 | (16,587) | 6,670 |
| **Change in net interest income** | 49,705 | (13,363) | 36,342 |

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 Average balance | Interest income | Average yield (%) | Year ended 31 December 2012 Average balance | Interest income | Average yield (%) |
|---|---|---|---|---|---|---|
| **Corporate loans and advances** | 5,155,270 | 316,540 | 6.14 | 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 |
| **Personal loans and advances** | 2,245,054 | 129,438 | 5.77 | 1,833,083 | 112,586 | 6.14 |
| **Discounted bills** | 140,464 | 7,510 | 5.35 | 127,147 | 8,694 | 6.84 |
| **Overseas operations and subsidiaries** | 563,385 | 15,561 | 2.76 | 376,472 | 13,056 | 3.47 |
| **Gross loans and advances to customers** | 8,104,173 | 469,049 | 5.79 | 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 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.

*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.

| (In millions of RMB, except percentages) | **Year ended 31 December 2013** | | | **Year ended 31 December 2012** | | |
|---|---|---|---|---|---|---|
| | **Average balance** | **Interest expense** | **Average cost (%)** | **Average balance** | **Interest expense** | **Average cost (%)** |
| **Corporate deposits** | 6,047,456 | 107,476 | 1.78 | 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 |
| **Personal deposits** | 5,420,535 | 110,042 | 2.03 | 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 |
| **Overseas operations and subsidiaries** | 222,729 | 3,070 | 1.38 | 155,787 | 2,151 | 1.38 |
| **Total deposits from customers** | 11,690,720 | 220,588 | 1.89 | 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-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.

**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 31 December 2013 | Year ended 31 December 2012 | Change (%) |
|---|---|---|---|
| Fee and commission income | 107,432 | 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 |
| **Total net non-interest income** | 121,596 | 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 31 December 2013 | Year ended 31 December 2012 | Change (%) |
|---|---|---|---|
| **Fee and commission income** | 107,432 | 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 |
| **Fee and commission expense** | (3,149) | (2,711) | 16.16 |
| **Net fee and commission income** | 104,283 | 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 31 December 2013** | **Year ended 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 |
| **Total other net non-interest income** | 17,313 | 15,824 | 9.41 |

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 31 December 2013 | Year ended 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 |
| **Operating expenses** | 188,185 | 171,081 |
| **Cost-to-income ratio (%)** | 29.65 | 29.60 |

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.

### Impairment losses

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

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

| | As at 31 December 2013 | | As at 31 December 2012 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | **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 [1] | 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 [2] | 276,702 | 1.80 | 237,732 | 1.70 |
| **Total assets** | 15,363,210 | 100.00 | 13,972,828 | 100.00 |

1. 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.
2. 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** |
| **Corporate loans and advances** | 5,399,631 | 62.86 | 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 |
| **Personal loans and advances** | 2,464,654 | 28.69 | 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[1] | 152,627 | 1.77 | 128,801 | 1.71 |
| **Discounted bills** | 116,962 | 1.36 | 137,558 | 1.83 |
| **Overseas operations and subsidiaries** | 608,810 | 7.09 | 393,878 | 5.24 |
| **Gross loans and advances to customers** | 8,590,057 | 100.00 | 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.

*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.

| | As at 31 December 2013 | | As at 31 December 2012 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | **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 |
| **Gross loans and advances to customers** | 8,590,057 | 100.00 | 7,512,312 | 100.00 |

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

| | Year ended 31 December 2013 | | | |
|---|---|---|---|---|
| | | Allowances for impaired loans and advances | | |
| (In millions of RMB) | **Allowances for loans and advances which are collectively assessed** | **which are collectively assessed** | **which are individually assessed** | **Total** |
| 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 |
| **As at 31 December** | 171,027 | 5,532 | 52,137 | 228,696 |

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 Amount | As at 31 December 2013 % of total | As at 31 December 2012 Amount | As at 31 December 2012 % 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 | - | - |
| **Total investments** | 3,414,617 | 100.00 | 2,866,648 | 100.00 |

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 Amount | As at 31 December 2013 % of total | As at 31 December 2012 Amount | As at 31 December 2012 % 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 |
| **Total investments** | 3,414,617 | 100.00 | 2,866,648 | 100.00 |

*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 |
| **Total debt securities investments** | 3,115,865 | 100.00 | 2,847,441 | 100.00 |

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 |
| **Total debt securities investments** | 3,115,865 | 100.00 | 2,847,441 | 100.00 |

***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[1] | 798,419 | 5.59 | 317,110 | 2.43 |
| **Total liabilities** | 14,288,881 | 100.00 | 13,023,283 | 100.00 |

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

As at 12 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 12 December 2013 | As at 12 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) |
| **Total equity attributable to equity shareholders of the Bank** | 1,065,951 | 941,668 |
| Non-controlling interests | 8,378 | 7,877 |
| **Total equity** | 1,074,329 | 949,545 |

As at 12 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.

| | As at 31 December 2013 | | As at 31 December 2012 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | **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 |
| **Gross loans and advances to customers** | 8,590,057 | 100.00 | 7,512,312 | 100.00 |
| **Non-performing loans** | 85,264 | | 74,618 | |
| **Non-performing loan ratio** | | 0.99 | | 0.99 |

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.

### 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, except percentages) | As at 12 December 2013 | | | As at 12 December 2012 | | |
|---|---|---|---|---|---|---|
| | Loans | NPLs | NPL ratio (%) | Loans | NPLs | NPL ratio (%) |
| **Corporate loans and advances** | 5,399,631 | 76,481 | 1.42 | 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 |
| **Personal loans and advances** | 2,464,654 | 8,002 | 0.32 | 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 |
| **Discounted bills** | 116,962 | - | - | 137,558 | - | - |
| **Overseas operations and subsidiaries** | 608,810 | 781 | 0.13 | 393,878 | 1,148 | 0.29 |
| **Total** | 8,590,057 | 85,264 | 0.99 | 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, except percentages) | As at 31 December 2013 | | | | As at 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Loans | % of total | NPLs | NPL ratio (%) | Loans | % of total | NPLs | NPL ratio (%) |
| **Corporate loans** | 5,399,631 | 62.86 | 76,481 | 1.42 | 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 |
| **Personal loans** | 2,464,654 | 28.69 | 8,002 | 0.32 | 2,017,826 | 26.86 | 5,895 | 0.29 |
| **Discounted bills** | 116,962 | 1.36 | - | - | 137,558 | 1.83 | - | - |
| **Overseas operations and subsidiaries** | 608,810 | 7.09 | 781 | 0.13 | 393,878 | 5.24 | 1,148 | 0.29 |
| **Total** | 8,590,057 | 100.00 | 85,264 | 0.99 | 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.

## 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.

# 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 |
| **Profit before tax** | 279,806 | 100.00 | 251,439 | 100.00 |

## 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. Operating income increased by 12.57% year-on-year. In this amount, net interest income from corporate banking 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 enterprise’s 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.

## 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. Operating income 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, point 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 technologic 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.

## Treasury Business

Profit before tax arising from treasury business achieved RMB69,107 million, decreased by 9.39% over the previous year, and accounted for 24.70% of the Group's profit before tax, a decrease of 5.63 percentage points over last year. 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 products 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 products 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 the account precious metals 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.

## Overseas Business and Domestic Subsidiaries

### Overseas business

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 has conducted integration between Hong Kong Branch and CCB Asia, and transferred the main business of Hong Kong Branch to CCB Asia. 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 *Security 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.

## 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 residue 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, products 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 |
| **Profit before tax** | 279,806 | 100.00 | 251,439 | 100.00 |

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 |
| **Total assets**[1] | 20,023,147 | 100.00 | 18,305,934 | 100.00 |

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 |
| **Gross loans and advances to customers** | 8,590,057 | 100.00 | 85,264 | 0.99 | 7,512,312 | 100.00 | 74,618 | 0.99 |

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 |
| **Total deposits from customers** | 12,223,037 | 100.00 | 11,343,079 | 100.00 |

## 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.

***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.

## 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.

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 |
| **Total** | 14,663 | 100.00 | 368,410 | 100.00 |

### 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.

# 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 31 December 2013 |
|---|---|
| **Common Equity Tier 1 ratio** | 10.75% |
| **Tier 1 ratio** | 10.75% |
| **Total capital ratio** | 13.34% |
| | |
| **Common Equity Tier 1 capital** | |
| Qualifying common share capital | 250,011 |
| Capital reserve[1] | 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[2] | (5,948) |
| | |
| **Deductions for Common Equity Tier 1 capital** | |
| Goodwill[3] | 1,415 |
| Other intangible assets (excluding land use right)[3] | 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 |
| | |
| **Additional Tier 1 capital** | |
| Minority interest given recognition in Additional Tier 1 capital | 16 |
| | |
| **Tier 2 capital** | |
| 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 deductions[4]** | 1,061,684 |
| **Tier 1 capital after deductions[4]** | 1,061,700 |
| **Total capital after deductions[4]** | 1,316,724 |
| | |
| **Risk-weighted assets[5]** | 9,872,790 |

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 1capital 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*.

### 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 31 December 2013** |
|---|---|
| **Leverage Ratio**[1] | 6.01% |
| Tier 1 capital | 1,068,477 |
| Deductions from tier 1 capital | (6,778) |
| **Tier 1 capital after deductions** | 1,061,700 |
| On-balance sheet assets after adjustment[2] | 15,361,296 |
| Off-balance sheet items after adjustment[3] | 2,310,227 |
| **On and off-balance sheet assets after adjustment**[4] | 17,664,745 |

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.

# 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 (%) |
| **I. Shares subject to selling restrictions** | - | - | - | - | - | - | - | - | - |
| **II. Shares not subject to selling restrictions** | | | | | | | | | |
| 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 [1] | 148,501,890,381 | 59.40 | - | - | - | (51,965,000) | (51,965,000) | 148,449,925,381 | 59.38 |
| **III. Total number of shares** | 250,010,977,486 | 100.00 | - | - | - | - | - | 250,010,977,486 | 100.00 |

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.

## 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 shares subject to selling restrictions** | **Number of 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[1] | Foreign legal person | 29.04 | 72,608,412,031 (H-shares) | None | Unknown |
| Temasek [1] | Foreign legal person | 7.15 | 17,878,670,050 (H-shares) | None | None |
| State Grid [1,2] | 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 [1] | 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 |

1. 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.

2. 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.
3. 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 RMB 149,769,242.8 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 RMB 39,391,118.4 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[1,2] | 35.33 |
| 3 | Agricultural Bank of China Limited [1,2] | 40.28 |
| 4 | Bank of China Limited [1,2] | 67.72 |
| 5 | China Construction Bank Corporation [1,2] | 57.26 |
| 6 | China Everbright Bank Company Limited [1,2] | 41.66[3] |
| 7 | China Export & Credit Insurance Corporation | 73.63 |
| 8 | China Reinsurance (Group) Corporation | 84.91 |
| 9 | New China Life Insurance Company Limited [1,2] | 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.

# OTHER INFORMATION

## 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.

## Corporate Governance

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.

## 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.

## 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.

If the declaration of cash dividend is approved by the annual general meeting, the dividend shall be paid to shareholders whose names appear on the registrar after the closing of the stock market on 9 July 2014. The Bank's register of members will be closed from 4 July 2014 to 9 July 2014, both days inclusive, during which period no transfer of H-shares will be effected. In order to receive the final dividend, holders of H-shares of the Bank, who have not registered the transfer documents, must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 3 July 2014. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## Annual General Meeting and Closure of Register of Members

The 2013 annual general meeting will be held on 26 June 2014. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 27 May 2014 to 26 June 2014 (both days inclusive), during which period no transfer of shares will be effected. In order to attend the 2013 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 26 May 2013. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## Annual Report and Announcement

This results announcement is available on the "HKExnews" website of The Stock Exchange of Hong Kong Limited www.hkexnews.com.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com. The annual report prepared in accordance with IFRS and PRC GAAP will both be published on the "HKExnews" website of The Stock Exchange of Hong Kong Limited www.hkexnews.com.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com in due course.

## Review of Annual Results

The audit committee has reviewed the Annual Report 2013 of the Bank. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, the Bank's external auditors, have audited the financial statements of the Bank prepared in accordance with PRC GAAP and those prepared in accordance with IFRS respectively, and have issued unqualified audit reports.

By order of the board of directors

**CHINA CONSTRUCTION BANK CORPORATION**

**Zhang Jianguo**

*Vice chairman, executive director and president*

28 March 2014

As of the date of this announcement, the Bank's executive directors are Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Zhu Hongbo and Mr. Hu Zheyi; non-executive directors are Mr. Qi Shouyin, Ms. Zhang Yanling, Ms. Chen Yuanling, Mr. Xu Tie, Mr. Guo Yanpeng and Mr. Dong Shi; and independent non-executive directors are 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.