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中國工商銀行股份有限公司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

(Stock Code: 1398)

2013 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited announces the annual audited results of the Bank and its subsidiaries for the year ended 31 December 2013. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results. Summary of the Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by China Banking Regulatory Commission ("CBRC") is also presented in this Announcement.

1. Corporate Information

1.1 Basic Information

Stock name	工商銀行 (A Share)	ICBC (H Share)
Stock code	601398	1398
Stock exchange on which shares are listed	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited

1.2 Contact

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2. Financial Highlights

(Financial data and indicators in this Results Announcement are prepared in accordance with the International Financial Reporting Standards ("IFRSs") and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

2.1 Financial Data

	2013	2012	2011	2010	2009
Annual operating results					
(in RMB millions)					
Net interest income	443,335	417,828	362,764	303,749	245,821
Net fee and commission income	122,326	106,064	101,550	72,840	55,147
Operating income	578,901	529,720	470,601	380,748	309,411
Operating expenses	204,140	189,940	169,613	139,480	120,819
Impairment losses	38,321	33,745	31,121	27,988	23,285
Operating profit	336,440	306,035	269,867	213,280	165,307
Profit before tax	338,537	308,687	272,311	215,426	167,294
Net profit	262,965	238,691	208,445	166,025	129,396
Net profit attributable to equity holders of the parent company	262,649	238,532	208,265	165,156	128,645
Net cash flows from operating activities	<u>(1,947)</u>	<u>533,508</u>	<u>348,123</u>	<u>278,176</u>	<u>403,862</u>
As at the end of the reporting period (in RMB millions)					
Total assets	18,917,752	17,542,217	15,476,868	13,458,622	11,785,053
Total loans and advances to customers	9,922,374	8,803,692	7,788,897	6,790,506	5,728,626
Allowance for impairment losses on loans	240,959	220,403	194,878	167,134	145,452
Investment	4,322,244	4,083,887	3,915,902	3,732,268	3,599,173
Total liabilities	17,639,289	16,413,758	14,519,045	12,636,965	11,106,119
Due to customers	14,620,825	13,642,910	12,261,219	11,145,557	9,771,277
Due to banks and other financial institutions	1,269,255	1,486,805	1,341,290	1,048,002	1,001,634
Equity attributable to equity holders of the parent company	1,274,134	1,124,997	956,742	820,430	673,893
Share capital	351,390	349,620	349,084	349,019	334,019
Net capital base ⁽¹⁾	1,572,265	1,299,014	1,112,463	872,373	731,956
Risk-weighted assets ⁽¹⁾	<u>11,982,187</u>	<u>9,511,205</u>	<u>8,447,263</u>	<u>7,112,357</u>	<u>5,921,330</u>
Per share data					
(in RMB yuan)					
Net asset value per share ⁽²⁾	3.63	3.22	2.74	2.35	2.02
Basic earnings per share ⁽³⁾	0.75	0.68	0.60	0.48	0.38
Diluted earnings per share ⁽³⁾	<u>0.74</u>	<u>0.67</u>	<u>0.59</u>	<u>0.48</u>	<u>0.38</u>
Credit rating					
S&P ⁽⁴⁾	A/Stable	A/Stable	A/Stable	A/Stable	A-/Positive
Moody's ⁽⁴⁾	A1/Stable	A1/Stable	A1/Stable	A1/Stable	A1/Positive

Notes: (1) Data of 2013 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC and those for 2009-2012 were calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

(2) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.

(3) In consideration of the rights issue in 2010, the data of 2009 were restated.

(4) The rating results are in the form of “long-term foreign currency deposits rating/outlook”.

2.2 Financial Indicators

	2013	2012	2011	2010	2009
Profitability (%)					
Return on average total assets ⁽¹⁾	1.44	1.45	1.44	1.32	1.20
Return on weighted average equity ⁽²⁾	21.92	23.02	23.44	22.79	20.15
Net interest spread ⁽³⁾	2.40	2.49	2.49	2.35	2.16
Net interest margin ⁽⁴⁾	2.57	2.66	2.61	2.44	2.26
Return on risk-weighted assets ⁽⁵⁾	2.45	2.66	2.68	2.55	2.43
Ratio of net fee and commission income to operating income	21.13	20.02	21.58	19.13	17.82
Cost-to-income ratio ⁽⁶⁾	<u>28.80</u>	<u>29.24</u>	<u>29.91</u>	<u>30.99</u>	<u>33.18</u>
Asset quality (%)					
Non-performing loans (“NPL”) ratio ⁽⁷⁾	0.94	0.85	0.94	1.08	1.54
Allowance to NPL ⁽⁸⁾	257.19	295.55	266.92	228.20	164.41
Allowance to total loans ratio ⁽⁹⁾	<u>2.43</u>	<u>2.50</u>	<u>2.50</u>	<u>2.46</u>	<u>2.54</u>
Capital adequacy (%)					
Capital adequacy ratio ⁽¹⁰⁾	13.12	13.66	13.17	12.27	12.36
Total equity to total assets ratio	6.76	6.43	6.19	6.11	5.76
Risk-weighted assets to total assets ratio ⁽¹⁰⁾	<u>63.34</u>	<u>54.22</u>	<u>54.58</u>	<u>52.85</u>	<u>50.24</u>

Notes: (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

- (2) Calculated by dividing net profit attributable to equity holders of the parent company by the weighted average balance of equity attributable to equity holders of the parent company, which is calculated in accordance with the “Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)” issued by China Securities Regulatory Commission (“CSRC”).
- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expense (less business tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPL by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPL.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Data of 2013 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC and those for 2009-2012 were calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

2.3 Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the year ended 31 December 2013 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

3. Business Review

In the past year, in face of still-complicated economic situations at home and abroad, increasingly active financial innovation and further diversified landscape of market competition, the Management accelerated business transformation and innovation, intensified internal management and improved service competitiveness towards the objectives defined by the Board of Directors based on the current situation. The Bank achieved stable growth in operating results while gaining new edges for sustainable development in the future.

Profit continued to grow steadily. The Bank realized a net profit of RMB262,965 million, representing an increase of 10.2%. Return on weighted average equity was 21.92% and basic earnings per share were RMB0.75, up RMB0.07 compared with the previous year. These results were hard-earned. In response to multiple factors that were adverse to profit growth last year, the Bank speeded up transformation to develop fee-based businesses that create more value for customers and itself, and improved pricing management to accommodate the quicker interest rate liberalization. Thanks to the efforts to increase income and reduce cost, the Bank

generated RMB443,335 million in net interest income, representing an increase of 6.1%; net fee and commission income was RMB122,326 million, up 15.3%, increasing by 1.11 percentage points to 21.13% as a percentage of operating income, and the structure of earnings was further optimized. Net profit of overseas institutions (excluding the investment in Standard Bank Group Limited) and domestic comprehensive subsidiaries rose by 52.2% and 76.2% respectively, far exceeding the Group average and delivering remarkably stronger profit contributions and strategic synergies to the Group. Cost-to-income ratio fell by 0.44 percentage points compared with the same period of last year to 28.80%, maintaining a leading level among comparable peers.

Quality of credits has improved. The Bank improved credit management, optimized credit structure and increased the vitality of credit business in support of the real economy. First, credit funds were used more efficiently. New RMB loans made by domestic branches in the year were RMB924,403 million, representing an increase of 11.7%; accumulated loans totaled RMB8.7 trillion, up RMB974 billion over 2012, an amount in excess of total new loans granted in the year. New loans as well as recovered and re-issued loans were mainly directed to industries and projects that meet China's industry policies as well as transformation and upgrading requirements. Second, industry portfolio was continuously optimized. Medium and long-term loans were mainly made to ongoing and continued projects. 85% of new corporate loans went to advanced manufacturing, modern services, culture and strategic emerging industries. In addition, industry limits were put on local government financing vehicles and industries with overcapacities, bringing down the size and proportion of outstanding loans to these areas. Third, retail credit expanded fast. Continuous improvements in financial services for small and micro enterprises pushed outstanding small and micro enterprises loans to RMB1.87 trillion; innovative supports for personal consumption made personal loans increased by RMB440,498 million or 19.3%, which accounted for 39.4% of total new loans. Always sticking to the bottom line of risk management, the Bank maintained steadily good quality of assets by strengthening efforts to prevent risks in overcapacity industries and small and micro enterprises prone to economic cycles, with emphasis on preventing, controlling and mitigating risks in the course of promoting healthy development of enterprises and industries through M&A facilities and innovative credit products, supplemented by recovery and disposal of non-performing loans through various channels.

Business innovation further gained pace. Based on its in-depth research of challenges and opportunities posed by the multi-layered capital market development, accelerating interest rate liberalization and Internet finance on banking operation, the Bank pushed forward with all-round business innovation in a new way of thinking and, in particular, launched a batch of Internet finance products including the E-business platform, consumer micro-finance based on direct spending and POS acquiring loan to small merchants. The convenience and user friendliness of products were improved to better cater for changing financial needs of customers. Retail banking, financial asset services and other emerging businesses achieved rapid growth by leveraging on innovative synergies created by diversified operation and cross-selling opportunities among the broad customer base. 580 million bank cards were issued and bank card-based consumption amounted to RMB5.77 trillion, representing an increase of 23.2% and 39.7%, respectively. The number of credit cards issued broke the mark of 88 million and credit card-based transactions exceeded RMB1.61 trillion, both constantly ranking first in the Asia Pacific. RMB5.79 trillion of banking wealth management products were sold. Private

banking assets managed by the Bank stood at RMB541.3 billion, up 14.4%. Precious metal transactions totaled RMB1.31 trillion in value and 136,600 tons in quantity, up 20.2% and 35.5% over the previous year respectively. Assets under the custody of the Bank were RMB4.6 trillion, up 16.8%. Pension funds under the Bank's trusteeship were RMB54.6 billion and the number of personal pension accounts managed reached 12.38 million, remaining superior in the banking industry. Meanwhile, the Bank paid extra attention to the coordinated development of conventional and emerging businesses and demonstrated strong growth amid fierce competition by tapping into potential in deposits, payment, settlement and other basic business fields. As at the end of 2013, the balance of customer deposits was RMB14.62 trillion, representing an increase of RMB977,915 million or 7.2% and continues to lead the banking industry.

Foundation of services and management was further fortified. A tall tower rises from a heap of earth. Respecting the inherent logic of financial development, the Bank has continuously cemented the groundwork for services and management to create greater potential for growth. With regard to customer base expansion, the Bank improved the multi-tiered and multi-faceted service system, stepped up marketing to prospective customers and further strengthened and optimized the customer base. The number of personal customers was 430 million, up 9.9%; the number of corporate customers was 4,735,000, up 8.1%, including 965,000 cash management accounts, up 18.7%. With regard to channel building, the Bank kick-started the outlet competitiveness enhancement program to accelerate self-service channel building in new urban areas and key county areas, launched innovative mobile banking services, including Wechat banking, and ultimately shape a network of integrated on and off-line channels. With regard to service improvement, the "Year of Service Quality Enhancement" campaign with a focus on improving window services was carried out to continuously enhance quality and efficiency of services. As at the end of 2013, active customers who conducted over 80% of their transactions off counter represented 29.3% of total customers, up 4.7 percentage points compared to the previous year. With regard to IT support, the Bank carried out the "IT-driven Banking" program to reengineer business processes and management systems using big data, cloud computing and mobile Internet, in a bid to tap deep into customer value and sharpen our competitive edge. With regards to risk management, pursuant to regulatory requirements on global systemically important banks, the Bank used advanced risk measurement techniques and big data analysis to comprehensively manage and control credit risk, market risk, operational risk, liquidity risk and reputational risk and further boosted the Group's enterprise risk management capability.

We recognize change as an unchangeable characteristic of all times, and regard reform as an eternal trend. Sustainability depends on the ability to adapt to changes and move in the direction of the prevailing trend. In 2014, we will cement our feet to the ground amid the changing situation, face up to pressures in tackling challenges, gain stronger impetus in overcoming difficulties and spur vitality in pursuing innovative development. We will further shift the Bank from a big asset holder to a great asset manager, from capital-intensive to capital-efficient businesses, from interest margin income-dominated to diverse and balanced profit growth and from a local conventional commercial bank to a large universal financial group that operates globally, increase the robustness, harmony and sustainability of growth and endeavor to create good results for shareholders and the larger community.

4. Discussion and Analysis

4.1 Income Statement Analysis

In face of complicated and rigorous operating environment, the Bank intensified the reform in an all-round manner based on serving the real economy and satisfying customers' financial needs, and accelerated the operational transformation. Moreover, by relying on product innovation and service enhancement, the Bank continued to improve profit growth structure and implemented stricter cost management and risk prevention and control, accomplishing stable profit growth. In 2013, the Bank realized a net profit of RMB262,965 million, representing an increase of RMB24,274 million or 10.2% as compared to the previous year, return on average total assets stood at 1.44%, and return on weighted average equity was 21.92%. Operating income amounted to RMB578,901 million, representing an increase of 9.3%. Specifically, net interest income was RMB443,335 million, representing an increase of 6.1%. Non-interest income reached RMB135,566 million, representing an increase of 21.2%. Operating expenses amounted to RMB204,140 million, representing an increase of 7.5%, and the cost-to-income ratio decreased by 0.44 percentage points to 28.80%. Allowance for impairment losses was RMB38,321 million, representing an increase of 13.6%. Income tax expense increased by RMB5,576 million or 8.0% to RMB75,572 million.

Net Interest Income

Confronted by the accelerated interest rate liberalization reform and increasingly fierce market competition, the Bank constantly strengthened asset and liability management, proactively adjusted its credit structure and optimized its investment portfolio structure. Meanwhile, the Bank reinforced liquidity management and interest rate pricing management, strived to control liability cost and achieved stable growth in net interest income. In 2013, net interest income increased by RMB25,507 million or 6.1% to RMB443,335 million, accounting for 76.6% of the Bank's operating income. Interest income increased by RMB45,672 million or 6.3% to RMB767,111 million, and interest expenses increased by RMB20,165 million or 6.6% to RMB323,776 million.

The table below sets out the average balance of interest-generating assets and interest-bearing liabilities, interest income and expense, as well as average yield and average cost, respectively.

Item	<i>In RMB millions, except for percentages</i>					
	Average balance	2013 Interest income/expense	Average yield/cost (%)	Average balance	2012 Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	9,457,500	548,640	5.80	8,386,531	519,852	6.20
Investment	3,969,162	148,514	3.74	3,839,495	138,159	3.60
Investment in bonds not related to restructuring	3,711,336	142,713	3.85	3,488,859	130,267	3.73
Investment in bonds related to restructuring ⁽²⁾	257,826	5,801	2.25	350,636	7,892	2.25
Due from central banks	2,883,971	45,487	1.58	2,652,396	41,766	1.57
Due from banks and other financial institutions ⁽³⁾	908,823	24,470	2.69	853,392	21,662	2.54
Total interest-generating assets	17,219,456	767,111	4.45	15,731,814	721,439	4.59
Non-interest-generating assets	1,172,816			901,978		
Allowance for impairment losses	(234,280)			(211,109)		
Total assets	18,157,992			16,422,683		
Liabilities						
Deposits	13,843,197	273,797	1.98	12,509,843	249,422	1.99
Due to banks and other financial institutions ⁽³⁾	1,685,542	38,209	2.27	1,694,972	43,461	2.56
Debt securities issued	291,733	11,770	4.03	264,493	10,728	4.06
Total interest-bearing liabilities	15,820,472	323,776	2.05	14,469,308	303,611	2.10
Non-interest-bearing liabilities	1,171,539			842,263		
Total liabilities	16,992,011			15,311,571		
Net interest income		443,335			417,828	
Net interest spread			2.40			2.49
Net interest margin			2.57			2.66

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the year and that at the end of the year.

- (2) Investment in bonds related to restructuring includes Huarong bonds and special government bonds during the reporting period.
- (3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

- **Net Interest Spread and Net Interest Margin**

Due to the influence of interest rate cut by People's Bank of China and adjustment policy on the floating range of interest rates on deposits and loans in 2012, net interest spread and net interest margin in 2013 were 2.40% and 2.57% respectively, both representing a decrease of 9 basis points as compared to the previous year.

The table below sets out the changes in the yield of interest-generating assets, cost of interest-bearing liabilities, net interest spread and net interest margin.

Item	2013	2012	<i>Percentages</i> Increase/ (decrease) (basis points)
Yield of interest-generating assets	4.45	4.59	(14)
Cost of interest-bearing liabilities	2.05	2.10	(5)
Net interest spread	2.40	2.49	(9)
Net interest margin	2.57	2.66	(9)

Interest Income

- **Interest Income on Loans and Advances to Customers**

Interest income on loans and advances to customers was RMB548,640 million, representing an increase of RMB28,788 million or 5.5% as compared to the previous year, principally due to an increase of RMB1,070,969 million in average balance. Average yield dropped by 40 basis points, mainly because the effective interest rate of newly issued loans and existing loans after repricing was lower than that of last year as affected by the two times benchmark interest rate decrease in June and July 2012. The Bank actively coped with the interest rate liberalization reform and reinforced RMB loan pricing management.

In terms of maturity structure, the average balance of short-term loans was RMB3,297,942 million, interest income derived therefrom was RMB167,117 million, and the average yield was 5.07%. The average balance of medium to long-term loans was RMB6,159,558 million, interest income arising therefrom was RMB381,523 million, and the average yield was 6.19%.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	2013			2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	6,216,071	378,988	6.10	5,618,165	364,464	6.49
Discounted bills	171,591	10,330	6.02	192,354	14,495	7.54
Personal loans	2,509,792	140,608	5.60	2,099,358	125,775	5.99
Overseas business	560,046	18,714	3.34	476,654	15,118	3.17
Total loans and advances to customers	<u>9,457,500</u>	<u>548,640</u>	5.80	<u>8,386,531</u>	<u>519,852</u>	6.20

In terms of business line, interest income on corporate loans amounted to RMB378,988 million, representing an increase of RMB14,524 million or 4.0% as compared to the previous year and accounting for 69.1% of total interest income on loans and advances to customers, mainly due to an increase of RMB597,906 million in average balance of corporate loans.

Interest income on discounted bills was RMB10,330 million, representing a decrease of RMB4,165 million or 28.7% as compared to the previous year. The Bank took the initiative to reduce the scale of discounted bills for supporting other credit business, and therefore the average balance decreased by RMB20,763 million as compared to the previous year. The average yield dropped by 152 basis points mainly due to the influence of year-on-year large decrease in the market interest rate of discounted bills in the first half of 2013.

Interest income on personal loans was RMB140,608 million, representing an increase of RMB14,833 million or 11.8% as compared to the previous year, principally due to an increase of RMB410,434 million in average balance of personal loans.

Interest income on overseas loans was RMB18,714 million, representing an increase of RMB3,596 million or 23.8% as compared to the previous year, mainly driven by the growth in the size of overseas loans.

- **Interest Income on Investment**

Interest income on investment amounted to RMB148,514 million, representing an increase of RMB10,355 million or 7.5% as compared to the previous year, of which, interest income on investment in bonds not related to restructuring was RMB142,713 million, representing an increase of RMB12,446 million or 9.6%, principally led by the increase of average balance and average yield. Seizing the opportunity of gradually ascending market yield, the Bank moderately increased investment in bonds with relatively higher yield, and the yield of new investment in bonds was higher than that of existing bond portfolio, resulting in a rise of 12 basis points in average yield of bonds not related to restructuring.

Interest income on investment in bonds related to restructuring decreased by RMB2,091 million or 26.5% to RMB5,801 million from the previous year, mainly due to advance repayment of part of the Huarong bonds in 2013, resulting in a decrease of RMB92,810 million in average balance.

- **Interest Income on Due from Central Banks**

Due from central banks mainly includes mandatory reserves and surplus reserves with central banks. Interest income on due from central banks was RMB45,487 million, representing an increase of RMB3,721 million or 8.9% as compared to the previous year, mainly due to the increase in the size of mandatory reserves with central banks resulted from the growth in customers' deposits.

- **Interest Income on Due from Banks and Other Financial Institutions**

Interest income on due from banks and other financial institutions was RMB24,470 million, representing an increase of RMB2,808 million or 13.0% as compared to the previous year, principally due to an increase of RMB55,431 million in average balance and a rise of 15 basis points in average yield. The Bank insisted on strict control over risks and prudent development strategy and developed inter-bank business on an appropriate basis.

Interest Expense

- **Interest Expense on Deposits**

Interest expense on deposits amounted to RMB273,797 million, representing an increase of RMB24,375 million or 9.8% as compared to the previous year, and accounted for 84.6% of total interest expense, principally due to an increase of RMB1,333,354 million in average balance. Average cost of deposits basically kept even with the previous year, mainly because the increased proportion of corporate time deposits with relatively high cost offset the influence of interest cut policy in 2012. The Bank actively coped with the interest rate liberalization challenge and improved the differential deposit pricing mechanism.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	2013			2012		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	3,011,134	99,468	3.30	2,443,236	81,383	3.33
Demand deposits ⁽¹⁾	<u>3,771,329</u>	<u>28,454</u>	0.75	<u>3,668,004</u>	<u>30,046</u>	0.82
Subtotal	<u>6,782,463</u>	<u>127,922</u>	1.89	<u>6,111,240</u>	<u>111,429</u>	1.82
Personal deposits						
Time deposits	3,858,557	129,478	3.36	3,562,534	122,447	3.44
Demand deposits	<u>2,807,087</u>	<u>9,884</u>	0.35	<u>2,509,931</u>	<u>9,987</u>	0.40
Subtotal	<u>6,665,644</u>	<u>139,362</u>	2.09	<u>6,072,465</u>	<u>132,434</u>	2.18
Overseas business	<u>395,090</u>	<u>6,513</u>	1.65	<u>326,138</u>	<u>5,559</u>	1.70
Total deposits	<u><u>13,843,197</u></u>	<u><u>273,797</u></u>	1.98	<u><u>12,509,843</u></u>	<u><u>249,422</u></u>	1.99

Note: (1) Includes outward remittance and remittance payables.

- **Interest Expense on Due to Banks and Other Financial Institutions**

Interest expense on due to banks and other financial institutions was RMB38,209 million, representing a decrease of RMB5,252 million or 12.1% as compared to the previous year, principally due to a decrease of 29 basis points in average cost. The Bank further intensified liquidity management and optimized inter-bank liability structure to effectively control the cost of funding.

- **Interest Expense on Debt Securities Issued**

Interest expense on debt securities issued was RMB11,770 million, representing an increase of RMB1,042 million or 9.7% as compared to the previous year, mainly attributable to the increase in interest expense on debt securities issued by overseas institutions of the Bank.

Non-interest Income

In 2013, the Bank realized non-interest income of RMB135,566 million, representing an increase of RMB23,674 million or 21.2% as compared to the previous year. The proportion of non-interest income to operating income rose by 2.3 percentage points to 23.4%, indicating the income structure was improved continuously.

Proactively coping with the market competition, the Bank closely followed customers' demands, and innovatively developed products with high technical content and added value for customers on the basis of standardized fee charges and substantial protection of consumers' rights and interests, to carry forward the sound and rapid development of financial assets service. The Bank also vigorously expanded credit card, investment banking and private banking services, standardized the design, marketing and fund investment direction of banking wealth management products, pushed forward the development of precious metals, asset custody and pension businesses, and steadily unfolded its advantages in settlement and cash management businesses to achieve the healthy and stable development of fee-based business. In 2013, net fee and commission income of the Bank was RMB122,326 million, representing an increase of RMB16,262 million or 15.3% as compared to the previous year. Fee and commission income amounted to RMB134,550 million, representing an increase of 16.1%, of which, income from bank card business, corporate wealth management services and guarantee and commitment business grew quickly. Fee and commission expense increased by RMB2,407 million or 24.5%, mainly attributable to the increase in fee and commission expense from credit card issuance and acquiring business and insurance business.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	2013	2012	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	30,513	27,499	3,014	11.0
Investment banking business	29,486	26,117	3,369	12.9
Bank card business	28,533	23,494	5,039	21.4
Personal wealth management and private banking services	18,231	16,760	1,471	8.8
Corporate wealth management services	12,611	10,018	2,593	25.9
Asset custody business	6,893	5,974	919	15.4
Guarantee and commitment business	4,357	2,848	1,509	53.0
Trust and agency services	1,857	1,623	234	14.4
Others	2,069	1,548	521	33.7
Fee and commission income	134,550	115,881	18,669	16.1
Less: Fee and commission expense	12,224	9,817	2,407	24.5
Net fee and commission income	122,326	106,064	16,262	15.3

Income from settlement, clearing business and cash management was RMB30,513 million, representing an increase of RMB3,014 million or 11.0% as compared to the previous year. Income from RMB settlement business grew steadily and income from cash management service realized quick growth.

Income from investment banking business increased by RMB3,369 million or 12.9% to RMB29,486 million. Specifically, the Bank achieved rapid growth in income from businesses including syndicated arrangement, merger and restructuring, equity financing and structural financing.

Income from bank card business increased by RMB5,039 million or 21.4% to RMB28,533 million, mainly due to the increase in income from relevant business driven by the increase in the number of bank cards issued and consumption volume.

Income from personal wealth management and private banking services amounted to RMB18,231 million, representing an increase of RMB1,471 million or 8.8%, of which, income from businesses including agency sales of personal funds, physical precious metals and private banking increased rapidly.

Income from corporate wealth management services amounted to RMB12,611 million, representing an increase of RMB2,593 million or 25.9%, mainly because the scale of corporate wealth management products maintained growth and the rapid development in corporate precious metal business promoted the increase in relevant income.

Income from asset custody business was RMB6,893 million, representing an increase of RMB919 million or 15.4%, of which, the increase in the size of assets under custody including securities investment funds, trust and equity investment funds carried forward the increase in relevant income.

Income from guarantee and commitment business increased by RMB1,509 million or 53.0% to RMB4,357 million, mainly due to the increase in income from relevant business driven by the increase in commitment business and external guarantee business.

Income from others increased by RMB521 million or 33.7% to RMB2,069 million, mainly attributable to a fast growth in income from pension business.

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	2013	2012	Increase/ (decrease)	Growth rate (%)
Net trading income	154	510	(356)	(69.8)
Net loss on financial assets and liabilities designated at fair value through profit or loss	(2,413)	(5,114)	2,701	N/A
Net gain on financial investments	625	608	17	2.8
Other operating income, net	14,874	9,824	5,050	51.4
Total	13,240	5,828	7,412	127.2

Other non-interest income was RMB13,240 million, representing an increase of RMB7,412 million or 127.2% as compared to the previous year. Specifically, net of other operating income rose by RMB5,050 million, resulted from the increase in net gain from foreign exchange and foreign exchange products, leasing income and net income from insurance business. Net loss on financial assets and liabilities designated at fair value through profit or loss decreased by RMB2,701 million, mainly due to a decrease in expenses from structural deposits paid to customers.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	2013	2012	Increase/ (decrease)	Growth rate (%)
Staff costs	103,455	96,240	7,215	7.5
Including: Salaries and bonuses	68,216	63,256	4,960	7.8
Premises and equipment expenses	26,094	23,487	2,607	11.1
Business tax and surcharges	37,441	35,066	2,375	6.8
Amortisation	2,018	1,781	237	13.3
Others	35,132	33,366	1,766	5.3
Total	204,140	189,940	14,200	7.5

The Bank exercised strict cost management and control. Operating expenses were RMB204,140 million, representing an increase of RMB14,200 million or 7.5% as compared to the previous year. Cost-to-income ratio dropped by 0.44 percentage points to 28.80%. Staff cost was RMB103,455 million, representing an increase of 7.5%, of which, salaries and bonuses increased by 7.8% (increased by 5.94% if newly acquired institutions in 2012 are considered as acquired from the beginning of that year); and other operating expenses increased by 5.3% to RMB35,132 million. While guaranteeing the continuous growth of business, the Bank practiced austerity and realized a net decrease in travel and conference expenses compared to the previous year.

Impairment Losses

The Bank continued to strengthen risk prevention and control and adhered to the steady and prudent provisioning policy, while maintaining stable loan quality on the whole. Allowance for impairment losses was RMB38,321 million, representing an increase of RMB4,576 million or 13.6% as compared to the previous year. Specifically, allowance for impairment losses on loans was RMB38,098 million, representing an increase of RMB5,526 million or 17.0%.

Income Tax Expense

Income tax expense increased by RMB5,576 million or 8.0% from the previous year to RMB75,572 million. The effective tax rate was 22.3%. The effective tax rate was lower than the statutory tax rate mainly because the interest income arising from PRC government bonds held by the Bank is exempt from income tax under the tax law.

4.2 Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the Management of Value Accounting (MOVA) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	281,784	48.7	285,765	54.0
Personal banking	200,028	34.6	154,056	29.1
Treasury operations	89,310	15.4	85,993	16.2
Others	7,779	1.3	3,906	0.7
Total operating income	578,901	100.0	529,720	100.0

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	39,326	6.8	47,565	9.0
Yangtze River Delta	114,107	19.7	107,028	20.2
Pearl River Delta	74,761	12.9	69,316	13.1
Bohai Rim	114,472	19.8	104,030	19.6
Central China	80,006	13.8	70,442	13.3
Western China	95,872	16.6	82,994	15.7
Northeastern China	32,056	5.5	29,821	5.6
Overseas and others	28,301	4.9	18,524	3.5
Total operating income	578,901	100.0	529,720	100.0

4.3 Balance Sheet Analysis

In 2013, the Bank improved the asset and liability structure based on the external macroeconomic environment, maintained coordinated development of deposit and loan business, strengthened liquidity management and interest rate pricing management and strived to enhance the efficiency of resource allocation for assets and liabilities. Taking development needs of real economy into account, the Bank proactively applied such means as economic capital limit adjustment to reasonably control the aggregate amount, direction and pace of lending. The Bank flexibly arranged its investment schedule and priorities by closely monitoring the trends of the domestic and international financial markets, leading to a moderate increase in investment size. Furthermore, the Bank actively adopted measures to promote steady growth in due to customers, and refined the inter-bank liability structure, thereby ensuring a stable and sustainable growth of funding sources.

Assets Deployment

As at the end of 2013, total assets of the Bank amounted to RMB18,917,752 million, representing an increase of RMB1,375,535 million or 7.8% from the end of the previous year, of which total loans and advances to customers (collectively referred to as “loans”) increased by RMB1,118,682 million or 12.7%, investment increased by RMB238,357 million or 5.8%, and cash and balances with central banks increased by RMB119,064 million or 3.8%. In terms of structure, net loans and advances to customers accounted for 51.2% of total assets, representing an increase of 2.3 percentage points from the end of last year; and reverse repurchase agreements accounted for 1.8%, representing a decrease of 1.3 percentage points.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

Item	At 31 December 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	9,922,374	—	8,803,692	—
Less: Allowance for impairment losses on loans	240,959	—	220,403	—
Loans and advances to customers, net	9,681,415	51.2	8,583,289	48.9
Investment	4,322,244	22.8	4,083,887	23.3
Cash and balances with central banks	3,294,007	17.4	3,174,943	18.1
Due from banks and other financial institutions	717,984	3.8	636,450	3.6
Reverse repurchase agreements	331,903	1.8	544,579	3.1
Others	570,199	3.0	519,069	3.0
Total assets	<u>18,917,752</u>	<u>100.0</u>	<u>17,542,217</u>	<u>100.0</u>

Loan

In 2013, the Bank reasonably controlled the direction and pace of lending in accordance with changes in macroeconomic environment and financial regulatory requirements as well as real economy development and industrial structure adjustment. The Bank continuously bolstered the national key projects under construction and continuing projects, focused on supporting advanced manufacturing, modern services, cultural industries and strategic emerging sectors, improved the financial services for small (micro) and medium-sized enterprises, strengthened credit support for the reasonable credit demands of individuals, and paid equal attention to both credit structure adjustment and risk prevention and control, maintaining a stable and appropriate loan growth and the reasonable lending direction and structure. As at the end of 2013, loans amounted to RMB9,922,374 million, representing an increase of RMB1,118,682 million or 12.7% from the end of the previous year, of which, RMB-denominated loans of domestic operations increased by RMB924,403 million or 11.7% to RMB8,815,182 million from the end of the previous year.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	7,046,515	71.0	6,332,578	71.9
Discounted bills	148,258	1.5	184,011	2.1
Personal loans	2,727,601	27.5	2,287,103	26.0
Total	9,922,374	100.0	8,803,692	100.0

Corporate loans increased by RMB713,937 million or 11.3% from the end of last year. In terms of maturity, short-term corporate loans increased by RMB400,977 million or 16.2%, accounting for 56.2% of the total increase in all corporate loans; medium to long-term corporate loans increased by RMB312,960 million or 8.1%. In terms of product type, working capital loans increased by RMB432,061 million or 15.5%, mainly because the Bank continued to support the credit demands of enterprises in the production and circulation areas, of which, trade finance increased by RMB77,146 million or 7.5%, mainly due to the increase in trade finance loans of overseas institutions; project loans increased by RMB285,761 million or 9.5%, mainly attributable to support provided to national key projects under construction and continuing projects; and property loans decreased by RMB3,885 million or 0.7%.

Discounted bills decreased by RMB35,753 million or 19.4%, principally because the Bank actively adjusted the size of discounted bills based on the pace of bank-wide credit granting to satisfy management needs of asset-liability portfolios.

Personal loans increased by RMB440,498 million or 19.3%, mainly attributable to the increase of RMB379,644 million or 28.3% in personal housing loans, accounting for 86.2% of the personal loan increment. Personal consumption loans decreased by RMB10,473 million or 2.7%, principally because the Bank reinforced the purpose management on personal consumption loans and took the initiative to adjust the loan product structure. Personal business loans increased by RMB9,084 million or 2.8%. Credit card overdrafts increased by RMB62,243 million or 25.4%, mainly due to the continuous development of credit card installment business and the stable growth in the number of credit cards issued and their consumption volume.

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

Item	At 31 December 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	9,632,523	97.08	8,501,566	96.57
Special mention	196,162	1.98	227,551	2.58
NPL	93,689	0.94	74,575	0.85
Substandard	36,532	0.37	29,418	0.33
Doubtful	43,020	0.43	36,482	0.42
Loss	14,137	0.14	8,675	0.10
Total	9,922,374	100.00	8,803,692	100.00

Loan quality was generally stable. As at the end of 2013, according to the five-tier classification, pass loans amounted to RMB9,632,523 million, representing an increase of RMB1,130,957 million from the end of the previous year and accounting for 97.08% of total loans, up 0.51 percentage points. Special mention loans stood at RMB196,162 million, representing a decrease of RMB31,389 million and accounting for 1.98% of total loans, down 0.60 percentage points. Outstanding NPLs amounted to RMB93,689 million, increased by RMB19,114 million, and NPL ratio was 0.94%, up 0.09 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2013				At 31 December 2012			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	7,046,515	71.0	73,253	1.04	6,332,578	71.9	60,977	0.96
Discounted bills	148,258	1.5	10	0.01	184,011	2.1	—	—
Personal loans	2,727,601	27.5	20,426	0.75	2,287,103	26.0	13,598	0.59
Total	9,922,374	100.0	93,689	0.94	8,803,692	100.0	74,575	0.85

The balance of non-performing corporate loans stood at RMB73,253 million, increasing by RMB12,276 million from the end of the previous year, and NPL ratio was 1.04%, up 0.08 percentage points, which was mainly due to the rebound of NPLs as a result of operating difficulties of some enterprises, especially small and medium-sized enterprises, in the face of macroeconomic downward pressure and weak external markets. The balance of non-performing personal loans stood at RMB20,426 million, increased by RMB6,828 million, and NPL ratio was 0.75%, up 0.16 percentage points, which was mainly due to the increase in NPL amount of personal business loans, personal consumption loans and credit card overdrafts as a result of decrease of operating income or salaries of some borrowers.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2013				At 31 December 2012			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Head Office	388,097	3.9	4,069	1.05	312,927	3.6	2,811	0.90
Yangtze River Delta	2,071,035	20.9	22,568	1.09	1,936,722	22.0	15,465	0.80
Pearl River Delta	1,319,021	13.3	15,507	1.18	1,240,314	14.1	10,171	0.82
Bohai Rim	1,731,710	17.5	16,626	0.96	1,558,968	17.7	13,180	0.85
Central China	1,340,628	13.5	14,323	1.07	1,190,327	13.5	13,885	1.17
Western China	1,750,714	17.6	11,490	0.66	1,524,074	17.3	10,774	0.71
Northeastern China	568,511	5.7	5,443	0.96	514,030	5.8	5,308	1.03
Overseas and others	752,658	7.6	3,663	0.49	526,330	6.0	2,981	0.57
Total	9,922,374	100.0	93,689	0.94	8,803,692	100.0	74,575	0.85

The Bank continuously optimized the geographic credit mix and promoted a balanced allocation of credit resources for different geographic areas, maintaining the stability of credit quality. The Bank actively supported the regional development of the central region, the western region and the northeastern region, and granted RMB431,422 million loans to the three regions, accounting for 38.6% of the total new loans. Overseas and other loans increased by RMB226,328 million or 43.0%, accounting for 20.2% of the total new loans, which was mainly due to the rapid lending growth of ICBC (Asia), New York Branch, Singapore Branch and other overseas institutions as a result of their efforts in exploring local businesses.

The Yangtze River Delta, the Pearl River Delta and the Bohai Rim witnessed relatively large increases in balance of NPLs, mainly due to weak domestic and overseas demand that caused small and micro enterprises in those regions which relies heavily on exports suffered from decline in orders, rising costs and falling profits, leading to intensity of business funds.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY

In RMB millions, except for percentages

Item	At 31 December 2013				At 31 December 2012			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Manufacturing	1,488,594	23.5	27,054	1.82	1,392,266	23.8	22,442	1.61
Chemical industry	237,524	3.7	3,159	1.33	214,625	3.7	3,115	1.45
Machinery	232,245	3.7	4,482	1.93	212,086	3.6	2,721	1.28
Metal processing	180,786	2.9	3,646	2.02	173,477	3.0	2,570	1.48
Textiles and apparels	141,603	2.2	4,460	3.15	135,744	2.3	3,179	2.34
Iron and steel	120,375	1.9	321	0.27	135,925	2.3	1,402	1.03
Computer, telecommunications equipment, and other electronic equipment	99,701	1.6	1,000	1.00	94,558	1.6	1,103	1.17
Transportation equipment	88,098	1.4	1,635	1.86	72,752	1.3	1,312	1.80
Non-metallic mineral	67,942	1.1	1,843	2.71	63,599	1.1	1,710	2.69
Petroleum processing, coking and nuclear fuel	58,267	0.9	399	0.68	55,161	0.9	312	0.57
Others	262,053	4.1	6,109	2.33	234,339	4.0	5,018	2.14
Transportation, storage and postal services	1,219,345	19.2	5,381	0.44	1,135,626	19.4	9,538	0.84
Wholesale and retail	786,202	12.4	26,739	3.40	705,800	12.1	14,186	2.01
Production and supply of electricity, heat, gas and water	618,246	9.8	1,813	0.29	579,726	9.9	2,727	0.47
Water, environment and public utility management	465,037	7.3	114	0.02	464,000	7.9	341	0.07
Real estate	463,585	7.3	4,029	0.87	487,186	8.3	4,297	0.88
Leasing and commercial services	456,519	7.2	867	0.19	382,835	6.6	959	0.25
Mining	245,930	3.9	629	0.26	233,124	4.0	473	0.20
Construction	181,605	2.9	881	0.49	145,798	2.5	932	0.64
Lodging and catering industry	146,625	2.3	739	0.50	101,489	1.7	796	0.78
Science, education, culture and sanitation	100,878	1.6	535	0.53	84,339	1.5	578	0.69
Others	166,154	2.6	1,061	0.64	132,646	2.3	983	0.74
Total	6,338,720	100.0	69,842	1.10	5,844,835	100.0	58,252	1.00

In 2013, the Bank navigated credit extension and credit structure adjustment in a scientific manner, and proactively supported the development of advanced manufacturing, modern service sector, cultural industry and strategic emerging industries in line with the country's economic structural adjustment orientation. The increment of the loans to the manufacturing industry was RMB96,328 million, up 6.9%, which was mainly attributable to advanced manufacturing industries including equipment manufacturing and agricultural products processing industries as well as leading enterprises in some traditional industries. Loans granted to the transportation, storage and postal services industry increased by RMB83,719 million or 7.4%, mainly to support the national key projects under construction and continuing projects. Loans granted to the wholesale and retail industry, main part of the loans to the service sector, increased by RMB80,402 million or 11.4%. Loans to the real estate industry decreased by RMB23,601 million, which was mainly due to the strict limit management of the real estate industry implemented by the Bank.

Balance of NPLs to the transportation, storage and postal services industry declined by a large margin. Increase in NPLs to the wholesale and retail industry was mainly because of intensity of funds of some wholesale enterprises and declining revenue and profits of retail enterprises affected by macroeconomic environment and downward fluctuation of bulk commodity prices. Increase in NPLs to the manufacturing industry was mainly due to more operating pressure of metal products, electrical machinery, textile and other industries affected by slowed domestic investment export growth, increasing overcapacity pressure, falling market demand, etc.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the year	31,405	188,998	220,403
Charge for the year	22,941	15,157	38,098
Including: Impairment allowances charged	35,964	107,889	143,853
Impairment allowances transferred	417	(417)	—
Reversal of impairment allowances	(13,440)	(92,315)	(105,755)
Accreted interest on impaired loans	(2,019)	—	(2,019)
Write-offs	(14,002)	(2,498)	(16,500)
Recoveries of loans and advances previously written off	740	237	977
	<u>39,065</u>	<u>201,894</u>	<u>240,959</u>
At the end of the year	39,065	201,894	240,959

As at the end of 2013, the allowance for impairment losses on loans stood at RMB240,959 million, a year-on-year increase of RMB20,556 million. Allowance to NPL was 257.19%; allowance to total loans was 2.43% and that to loans of domestic branches was 2.56%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 31 December 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	4,446,023	44.8	3,754,475	42.6
Including: Personal housing loans	1,720,535	17.3	1,340,891	15.2
Pledged loans	1,184,175	11.9	1,087,051	12.4
Including: Discounted bills	148,258	1.5	184,011	2.1
Guaranteed loans	1,365,199	13.8	1,269,028	14.4
Unsecured loans	2,926,977	29.5	2,693,138	30.6
Total	9,922,374	100.0	8,803,692	100.0

Loans secured by mortgages stood at RMB4,446,023 million, representing an increase of RMB691,548 million or 18.4% from the end of the previous year, which was mainly due to the significant growth of personal housing loans. Pledged loans amounted to RMB1,184,175 million, representing an increase of RMB97,124 million or 8.9% from the end of the previous year. Unsecured loans amounted to RMB2,926,977 million, representing an increase of RMB233,839 million or 8.7% from the end of the previous year.

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2013		At 31 December 2012	
	Amount	% of total	Amount	% of total
1 to 90 days	53,868	0.54	63,567	0.72
91 days to 1 year	36,230	0.37	21,388	0.25
1 to 3 years	20,848	0.21	12,698	0.14
Over 3 years	22,685	0.23	28,009	0.32
Total	133,631	1.35	125,662	1.43

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB133,631 million, representing an increase of RMB7,969 million from the end of the previous year. Among which, loans overdue for over 90 days amounted to RMB79,763 million, representing an increase of RMB17,668 million.

Renegotiated Loans

Renegotiated loans and advances amounted to RMB4,929 million, representing a decrease of RMB2,259 million or 31.4% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB2,701 million, a decrease of RMB1,268 million.

Extended Loans

The balance of extended loans amounted to RMB10,383 million, representing a decrease of RMB3,849 million from the end of the previous year, of which the NPL balance was RMB2,476 million, representing a decrease of RMB393 million from the end of last year.

Borrower Concentration

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 4.2% and 16.2% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB254,456 million, accounting for 2.5% of the total loans.

Investment

In 2013, the Bank precisely seized opportunities in the market, flexibly organized its investment schedule and focus, optimized the investment structure in strict adherence to the trends in financial markets, and continuously improved the return on investment portfolios on the basis of guaranteeing liquidity and risk under control. As at the end of 2013, investment amounted to RMB4,322,244 million, representing an increase of RMB238,357 million or 5.8% as compared to the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

Item	At 31 December 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	4,144,950	95.9	4,067,207	99.6
Investment in bonds not related to restructuring	3,836,995	88.8	3,719,302	91.1
Investment in bonds related to restructuring	231,046	5.3	260,096	6.4
Other debt instruments	76,909	1.8	87,809	2.1
Equity instruments and others	177,294	4.1	16,680	0.4
Total	<u>4,322,244</u>	<u>100.0</u>	<u>4,083,887</u>	<u>100.0</u>

Bonds not related to restructuring amounted to RMB3,836,995 million, representing an increase of RMB117,693 million or 3.2% as compared to the end of last year. Investment in bonds related to restructuring amounted to RMB231,046 million, representing a decrease of RMB29,050 million or 11.2%, mainly due to advance repayment of part of the Huarong bonds. Equity instruments and others amounted to RMB177,294 million, representing an increase of RMB160,614 million, principally attributable to the increase in investment scale of principal-guaranteed wealth management products issued by the Bank.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUERS

In RMB millions, except for percentages

Item	At 31 December 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	976,351	25.4	875,876	23.5
Central bank bills	389,662	10.2	553,216	14.9
Policy bank bonds	1,682,619	43.9	1,587,949	42.7
Other bonds	788,363	20.5	702,261	18.9
Total	3,836,995	100.0	3,719,302	100.0

In terms of distribution by issuers, government bonds increased by RMB100,475 million or 11.5%; central bank bills decreased by RMB163,554 million or 29.6%, mainly due to maturity of part of the central bank bills during the reporting period; policy bank bonds increased by RMB94,670 million or 6.0%; and other bonds increased by RMB86,102 million or 12.3%, mainly because the Bank moderately increased investment in high-quality credit bonds.

DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 31 December 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	372,556	8.6	221,671	5.4
Available-for-sale financial assets	1,000,800	23.2	920,939	22.6
Held-to-maturity investments	2,624,400	60.7	2,576,562	63.1
Receivables	324,488	7.5	364,715	8.9
Total	4,322,244	100.0	4,083,887	100.0

Due from Banks and Other Financial Institutions

Due from banks and other financial institutions was RMB717,984 million, representing an increase of RMB81,534 million or 12.8% from the end of the previous year. The increase in due from banks and other financial institutions was mainly because the Bank developed inter-bank business properly to enhance the fund use efficiency.

Reverse Repurchase Agreements

Reverse repurchase agreements were RMB331,903 million, representing a decrease of RMB212,676 million or 39.1% from the end of the previous year. This was mainly because the Bank decreased funds lent to the market through bonds under reverse repurchase agreements based on the liquidity management needs.

Liabilities

As at the end of 2013, total liabilities of the Bank amounted to RMB17,639,289 million, representing an increase of RMB1,225,531 million or 7.5% from the end of the previous year.

LIABILITIES

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	14,620,825	82.9	13,642,910	83.1
Due to banks and other financial institutions	1,269,255	7.2	1,486,805	9.1
Repurchase agreements	299,304	1.7	237,764	1.4
Debt securities issued	253,018	1.4	232,186	1.4
Others	1,196,887	6.8	814,093	5.0
Total liabilities	<u>17,639,289</u>	<u>100.0</u>	<u>16,413,758</u>	<u>100.0</u>

Due to Customers

Customers' deposits are the Bank's main source of fund. In 2013, as interest rate liberalization was carried out deeply, competition among peers became increasingly intense. Proactively responding to changes in external situations, the Bank stabilized existing customers, expanded new customers, developed new markets, improved the differential pricing mechanism on deposit interest rate and promoted the steady growth in deposit business by giving full play to its comprehensive advantages in financial services. As at the end of 2013, the balance of due to customers was RMB14,620,825 million, representing an increase of RMB977,915 million or 7.2% when compared to the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB595,252 million or 8.6%; and personal deposits increased by RMB341,552 million or 5.2%. In terms of maturity structure, the balance of time deposits increased by RMB696,533 million or 10.4%, while the balance of demand deposits increased by RMB240,271 million or 3.5%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	3,464,625	23.7	2,915,072	21.4
Demand deposits	4,038,872	27.6	3,993,173	29.3
Subtotal	7,503,497	51.3	6,908,245	50.7
Personal deposits				
Time deposits	3,901,098	26.7	3,754,118	27.5
Demand deposits	2,994,741	20.5	2,800,169	20.5
Subtotal	6,895,839	47.2	6,554,287	48.0
Other deposits⁽¹⁾	221,489	1.5	180,378	1.3
Total	14,620,825	100.0	13,642,910	100.0

Note: (1) Includes outward remittance and remittance payables.

Due to Banks and Other Financial Institutions

The Bank further optimized inter-bank liability structure to effectively control the cost of funding. Due to banks and other financial institutions was RMB1,269,255 million, representing a decrease of RMB217,550 million or 14.6% from the end of the previous year.

Repurchase Agreements

Repurchase agreements were RMB299,304 million, representing an increase of RMB61,540 million or 25.9% from the end of the previous year. The increase was mainly because the Bank moderately financed from the market to meet its liquidity management needs at the end of the reporting period.

4.4 Capital Adequacy Ratio and Leverage Ratio

As at the end of 2013, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated by the Bank in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) stood at 10.57%, 10.57% and 13.12% respectively, all fulfilled regulatory requirements. During the reporting period, the Bank's profit maintained continuous growth, which effectively supplemented the core tier 1 capital. Meanwhile, the Bank further reinforced the capital constraint mechanism so that the growth rate of risk-weighted assets was controlled effectively and the capital adequacy ratio remained at a moderate level.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2013
Core tier 1 capital	1,276,344
Paid-in capital	351,390
Valid portion of capital reserve	108,202
Surplus reserve	123,870
General reserve	202,940
Retained profits	512,024
Valid portion of minority interests	1,956
Others ⁽¹⁾	<u>(24,038)</u>
Core tier 1 capital deductions	9,503
Goodwill	8,049
Other intangible assets other than land use rights	1,474
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,920)
Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	<u>3,900</u>
Net core tier 1 capital	<u>1,266,841</u>
Additional tier 1 capital⁽²⁾	<u>18</u>
Net tier 1 capital	<u>1,266,859</u>
Tier 2 capital	324,806
Valid portion of tier 2 capital instruments and related premium	189,877
Surplus provision for loan impairment	134,857
Valid portion of minority interests	<u>72</u>
Tier 2 capital deductions	19,400
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	<u>19,400</u>
Net capital base	<u><u>1,572,265</u></u>
Risk-weighted assets	<u><u>11,982,187</u></u>
Core tier 1 capital adequacy ratio	<u><u>10.57%</u></u>
Tier 1 capital adequacy ratio	<u><u>10.57%</u></u>
Capital adequacy ratio	<u><u>13.12%</u></u>

Notes: (1) Others were foreign currency translation reserve.

(2) Additional tier 1 capital was valid portion of minority interests.

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At 31 December 2013
Tier 1 capital	1,276,362
Deductions of tier 1 capital	9,503
Net tier 1 capital	1,266,859
Balance of adjusted on-balance sheet assets	18,927,994
Balance of adjusted off-balance sheet items	2,557,075
Balance of adjusted on- and off-balance sheet assets	21,475,566
Leverage ratio	5.90%

Note: Calculated based on relevant provisions in the Administrative Measures for Leverage Ratio of Commercial Banks promulgated by CBRC.

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

Item	Regulatory criteria	2013	2012	2011
Liquidity ratio (%)	RMB	30.2	32.5	27.6
	Foreign currency	61.0	65.2	90.6
Loan-to-deposit ratio (%)	RMB and foreign currency	66.6	64.1	63.5
Percentage of loans to single largest customer (%)	<=10.0	4.2	4.0	3.6
Percentage of loans to top 10 customers (%)		16.2	17.9	19.3
Loan migration ratio (%)	Pass	1.7	1.9	2.0
	Special mention	9.7	4.1	7.3
	Substandard	43.9	28.1	32.8
	Doubtful	9.5	4.4	4.9

Note: The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the corresponding period. The comparative figures are not restated.

The following content is disclosed in accordance with the Guidelines for the Disclosure of Global Systemically Importance Assessment Indicators of Commercial Banks promulgated by CBRC.

Global Systemically Importance Assessment Indicators of Commercial Banks

In RMB millions

Indicator	2013
Balance of adjusted on- and off-balance sheet assets	21,475,566
Intra-financial system assets	2,113,543
Intra-financial system liabilities	1,314,192
Securities and other financing instruments issued	1,557,845
Payments settled via payment systems or correspondent banks	220,468,189
Assets under custody	4,621,301
Underwritten transactions in debt and equity markets	329,523
Notional amount of over-the-counter (OTC) derivatives	2,198,301
Trading and available-for-sale securities	92,585
Level 3 assets	144,819
Cross-jurisdictional claims	841,895
Cross-jurisdictional liabilities	1,046,604

4.6 Outlook

In a future period, China is expected to sustain a stable economic growth at a medium or high speed with major progress continuously achieved in economic and social reform. Against this backdrop, the Bank will embrace strategic opportunities in its transformation and development, but will also face many challenges.

Major opportunities for the Bank include the followings. First, a broad range of opportunities will be provided for the Bank's transformation and development, as China accelerates economic structural adjustment, upgrades and transforms traditional sectors, speeds up the fostering of strategic emerging sectors, supports and advances the development of small and micro enterprises and private enterprises, and continuously taps potentials in regional economy. Second, deepened reforms in investment, fiscal revenue and finance will create sound policy environment and opportunities for the Bank in improving resource allocation, accelerating business innovation, preventing and mitigating financial risks. Third, large demand for financial services stimulated by accelerated new urbanization will bring great opportunities for the Bank's business expansion. Fourth, the constantly increasing degree of economic opening-up of China, especially the accelerated the cross-border use of RMB and "Going Global" pace of enterprises and the enhanced level of openness of financial sectors will provide a good timing for the Bank to promote internationalized and comprehensive operation in an active and prudent manner.

Meanwhile, the Bank will also face the following major challenges. First, as Chinese economy is at a critical moment of furthering transformation, some structural imbalances arising in the process will bring about challenges to the Bank in preventing and controlling external risks. Second, continued interest rate liberalization reform, constantly strengthening domestic financial regulation and the Bank's status as a Global Systemically Important Bank all put higher demand on its capacities in interest rate pricing and capital management. Third, the Bank will face new challenges in customer expansion and business innovation with continuous development of emerging financial modes such as Internet finance.

The Bank will continue to implement various strategic arrangements in an earnest manner, actively grasp opportunities in reform and development, prudently response to external challenges and ensure the accomplishment of all operation goals, laying a solid foundation for transformation and development. Specifically, the Bank will focus on the following aspects:

First, the Bank will promote its services to the real economy, so as to support national economic transformation and development. It will scale up credit support for key areas including basic industries and infrastructures, key energy and resource construction projects, new urbanization and shanty town reconstruction, key projects of energy saving and environmental protection, modern service industry, advanced manufacturing, modern agriculture and "Going Global" enterprises based on the general guideline of national economic and social reform. It will also prioritize small and micro enterprises, supply chain finance and personal consumption loans in credit business and actively provide financial support to the development of sectors affecting daily life and weak links in social development. Besides, the Bank will boost business innovation based on the diversified financial needs of the real economy and raise its capacity and efficiency in serving the real economy in an all-around way.

Second, the Bank will push forward operational transformation in depth by carrying out reform of key areas. It will further improve the mechanism for the Group's capital and enterprise risk management, constantly advance reforms in key areas such credit operation, financial operation, performance assessment and human resources management, and speed up the building of more dynamic and more efficient new systems and mechanisms complying with operational development. It will also steadily promote IT-based banking development, explore ways to apply the big data technology, and expedite the building of a modern information platform meeting transformation and development demand.

Third, the Bank will transform its business development mode, building a balanced and sustainable business system that meets the needs of transformation and competition. It will continuously improve its asset, liability and channel structure, refine the operation and service system based on customer, and consolidate the foundation for sustainable business development. In addition, the Bank will further promote internationalized development and market comprehensive operation, and improve cross-border and trans-market services and profitability. The Bank will focus on enhancing the comprehensive service capability and competitiveness of retail businesses so as to build up a strong retail service system. The Bank will advance the transition from an asset holding bank to an asset management bank by speeding up the development of asset management business. Besides, the Bank will actively follow the trend in internet finance, regard data as the core of innovation, moves faster to develop new service mode with ICBC characteristics in terms of fundamental construction, product innovation and operational management, and build future-oriented, more intelligent and sustainable new development mode.

Fourth, the Bank will effectively conduct risk management to ensure stable asset quality and secured operation. It will earnestly implement macroeconomic control policies of China, continue to effectively monitor risks of major areas such as local government financing vehicles, over-capacity industries and real estate market, and keep on addressing the underlying asymmetric information issue in credit management by means of reform, hence ensuring generally stable credit asset quality despite of complicated circumstances. Besides, the Bank will strengthen compliance management to resolutely prevent various risk events from happening.

Based on macroeconomic requirements and the Bank's own operational strategy, in 2014, it plans to increase total assets by approximately RMB1,400.0 billion, total liabilities by approximately RMB1,300.0 billion, and maintain the year-end NPL ratio within 1.20%.

5. Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 891,634 shareholders, including 146,729 holders of H shares and 744,905 holders of A shares.

5.1 Particulars of Shareholding of the Top 10 Shareholders of the Bank

Unit: Share

Total number of shareholders at the end of 2013 891,634 (number of holders of A shares and H shares on the register of shareholders as at 31 December 2013)

Total number of shareholders at the end of the 5th business day prior to the release date of this announcement 892,822 (number of holders of A shares and H shares on the register of shareholders as at 21 March 2014)

Particulars of shareholding of the top 10 shareholders (The following data are based on the register of shareholders as at 31 December 2013)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restriction on sales	Number of pledged or locked-up shares
Central Huijin Investment Ltd.	State-owned	A shares	35.33	124,155,852,951	—	None
Ministry of Finance of the People's Republic of China	State-owned	A shares	35.09	123,316,451,864	—	None
HKSCC Nominees Limited	Foreign legal person	H shares	24.48	86,013,832,094	—	Unknown
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	1.27	4,474,434,462	—	None
ICBC Credit Suisse Asset Management Co., Ltd. — Asset management for specific customers	Other domestic entities	A shares	0.30	1,053,190,083	—	None
China Securities Finance Co., Ltd	Other domestic entities	A shares	0.23	806,536,828	—	None
An-Bang Insurance (Group) Company — Traditional insurance products	Other domestic entities	A shares	0.15	540,842,624	—	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.11	373,491,528	—	None
China Pacific Life Insurance Co., Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.07	262,303,877	—	None
Ping An Life Insurance Company of China, Ltd. — Traditional — high interest rate policy products	Other domestic entities	A shares	0.07	261,629,846	—	None

Notes: (1) Particulars of shareholding of H shareholders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar.

(2) Both "Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products" and "Ping An Life Insurance Company of China, Ltd. — Traditional — high interest rate policy products" are managed by Ping An Life Insurance Company of China, Ltd. Apart from these, the Bank is not aware of any connected relations or concerted action among the afore-mentioned shareholders.

5.1.1 Particulars of Substantial Shareholders

During the reporting period, the Bank's controlling shareholders and de facto controller remained unchanged.

5.2 Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

On 31 December 2013, pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, the Bank recorded in the register the following persons as substantial shareholders holding interests of the Bank (defined according to the Securities and Futures Ordinance of Hong Kong):

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	<i>Holder of A Shares</i>	
				Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
Ministry of Finance of the People's Republic of China ⁽¹⁾	Beneficial owner	118,006,174,032	Long position	44.60	33.58
Central Huijin Investment Ltd. ⁽²⁾	Beneficial owner	118,006,174,032	Long position	44.60	33.58

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2013, the Ministry of Finance of the People's Republic of China held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 31 December 2013, Central Huijin Investment Ltd. held 124,155,852,951 shares in the Bank.

Holders of H Shares

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	<i> Holders of H Shares </i>	
				Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
National Council for Social Security Fund	Beneficial owner	10,405,376,524	Long position	11.99	2.96
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,002,665,393	Long position	8.07	1.99
JPMorgan Chase & Co.	Beneficial owner	652,143,385	Long position	0.75	0.19
	Investment manager	1,404,910,833	Long position	1.62	0.40
	Custodian — corporation/ approved lending agent	4,042,223,891	Long position	4.66	1.15
	Total	6,099,278,109		7.03	1.74
Blackrock, Inc.	Beneficial owner	273,429,763	Short position	0.32	0.08
	Interest of controlled corporations	5,390,603,681	Long position	6.21	1.53

6. Material Asset Acquisition, Sale and Merger

Acquisition of 20% Shares in Bank SinoPac

Taiwan's financial regulator indicated in the third meeting on the negotiation concerning the cross-straits banking supervision held on 1 April 2013 that it will relax the limit of shareholding percentage of a single bank from Chinese Mainland in a subsidiary bank of a Taiwan financial holdings company to a maximum of 20%. On 2 April 2013, the Bank, SinoPac Financial Holdings Co., Ltd. ("SinoPac Holdings") and Bank SinoPac Co., Ltd ("Bank SinoPac") entered into an agreement on the subscription by the Bank of 20% shares of SinoPac Holdings or Bank SinoPac. The transaction will be carried out after the limit of shareholding percentage of a commercial bank from Chinese Mainland is relaxed to 20% by the Taiwan's financial regulator. At that time, the Bank will subscribe for shares of Bank SinoPac. If there is no revision to relevant regulations of Taiwan on relaxing the foresaid limit of shareholding percentage to 20% or above within one year after signing of the agreement on subscription ("transaction waiting period"), parties entering into the agreement are entitled to negotiate on extending the transaction waiting period. The basic subscription price for the transaction will be determined with reference to net assets value stated in the 2012 Interim Report of Bank SinoPac. The basic price for subscribing for 20% shares of Bank SinoPac would be approximately NTD18.7 billion. After the transaction is approved by all necessary regulatory authorities, the basic acquisition price will be adjusted to reflect the actual status of net assets of Bank SinoPac before completion.

On 27 February 2014, the Bank, SinoPac Holdings and Bank SinoPac entered into a supplemental agreement. According to the supplemental agreement, the transaction waiting period under the agreement on the subscription is extended to 1 April 2015. Other clauses of the agreement on the subscription remain unchanged. The final completion of the abovementioned transaction is subject to approval of relevant regulatory authorities.

Acquisition of Shares in Standard Bank PLC

On 29 January 2014, the Bank entered into a share purchase agreement to acquire 60% of the existing issued shares in Standard Bank PLC ("Target Bank") from Standard Bank London Holdings Limited ("SBLH"). Standard Bank Group Limited entered into the share purchase agreement as a guarantor of the performance of SBLH's obligations under the agreement. In addition, the Bank also has a five-year option to acquire additional 20% of the existing issued shares of Target Bank exercisable from the second anniversary of the date that the transaction is completed (the "Call Option"). SBLH will have a put option, exercisable six months following the date on which the Bank's Call Option is exercised, to require the Bank to purchase all of the shares held by SBLH and its related parties. According to the agreement, the purchase price for the transaction shall be determined by multiplying the net asset value of Target Bank at the completion date by the acquisition percentage (60%), less an agreed discount of USD80 million. Based on the net asset value of Target Bank as at the end of June 2013, we estimate the consideration for this transaction to be approximately USD770 million. The final completion of the abovementioned transaction is subject to approval of relevant regulatory authorities.

7. Other Information

7.1 Compliance with the Corporate Governance Code

According to Code Provision A.5.6 of the Corporate Governance Code (the “Code”) under Appendix 14 of the Hong Kong Listing Rules effective since September 2013, the Bank amended the Rules for Recommendation and Nomination of Board Candidates by adding articles relating to diversified composition of directors, which was considered and approved by the Board of Directors on January 15, 2014. Save as disclosed above, during the reporting period, the Bank fully complied with the principles, code provisions and the recommended best practices stipulated in the Code.

7.2 Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid code of conduct during the year ended 31 December 2013.

7.3 Profits and Dividends Distribution

The profit and financial status of the Bank during the reporting period are presented in the Independent Auditors’ Report and Financial Statements of the Annual Report.

Upon the approval at the Annual General Meeting for the Year 2012 held on 7 June 2013, the Bank has distributed cash dividends of RMB83,565 million, or RMB2.39 per ten shares (pre-tax), for the period from 1 January 2012 to 31 December 2012 to the shareholders whose names appeared on the share register after the close of market on 25 June 2013.

The Board of Directors of the Bank proposed distributing cash dividends of RMB2.617 (pre-tax) for each ten shares for 2013. As the conversion period of the A share convertible bonds issued by the Bank commenced from 1 March 2011 and shall end on 31 August 2016, it is yet difficult to determine the total share capital of the Bank as at the A share record date. Accordingly, the total amount of dividends to be distributed cannot be determined at the moment. As estimated based on the Bank’s total share capital as at 31 December 2013, the total amount of dividends to be distributed shall be approximately RMB91,958 million, representing an increase of 10.0% compared to 2012. The Bank proposed to distribute dividends on the basis of the total share capital as at the close of market on the record date for dividend distribution. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2013.

The Bank had no plan for converting capital reserve to share capital in the recent three years. The table below sets out the dividends distribution of the Bank for the recent three years:

Item	2013	2012	2011
Dividend per ten shares (pre-tax, in RMB yuan)	2.617	2.39	2.03
Cash dividends (pre-tax, in RMB millions)	91,958	83,565	70,912
Percentage of cash dividends ⁽¹⁾ (%)	35	35	34

Note: (1) Calculated by dividing cash dividends (pre-tax) by net profit attributable to equity holders of the parent company for the period.

If such distribution is approved at the annual general meeting, the dividend is expected to be paid to holders of A shares and H shares whose names appear on the register of members of the Bank after close of trading on 19 June 2014. The register of members of H shares will be closed from 14 June 2014 to 19 June 2014 (both days inclusive). In order to qualify for the proposed cash dividends, holders of H shares are required to deposit the transfer documents together with the relevant share certificates at the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited located at Rooms 1712–1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on 13 June 2014.)

7.4 Purchase, Sale and Redemption of Shares

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

8. Financial Report

8.1 Audit Opinions

The 2013 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen (Special General Partnership) and KPMG, respectively. KPMG Huazhen (Special General Partnership) and KPMG have expressed unqualified opinions in the independent auditors’ reports.

8.2 Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows

8.2.1 Consolidated Income Statement

Year ended 31 December 2013

(In RMB millions, unless otherwise stated)

	2013	2012
Interest income	767,111	721,439
Interest expense	(323,776)	(303,611)
NET INTEREST INCOME	443,335	417,828
Fee and commission income	134,550	115,881
Fee and commission expense	(12,224)	(9,817)
NET FEE AND COMMISSION INCOME	122,326	106,064
Net trading income	154	510
Net loss on financial assets and liabilities designated at fair value through profit or loss	(2,413)	(5,114)
Net gain on financial investments	625	608
Other operating income, net	14,874	9,824
OPERATING INCOME	578,901	529,720
Operating expenses	(204,140)	(189,940)
Impairment losses on:		
Loans and advances to customers	(38,098)	(32,572)
Others	(223)	(1,173)
OPERATING PROFIT	336,440	306,035
Share of profits of associates and joint ventures	2,097	2,652
PROFIT BEFORE TAXATION	338,537	308,687
Income tax expense	(75,572)	(69,996)
PROFIT FOR THE YEAR	262,965	238,691
Attributable to:		
Equity holders of the parent company	262,649	238,532
Non-controlling interests	316	159
	262,965	238,691
EARNINGS PER SHARE		
— Basic (RMB yuan)	0.75	0.68
— Diluted (RMB yuan)	0.74	0.67

8.2.2 Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

(In RMB millions, unless otherwise stated)

	2013	2012
Profit for the year	262,965	238,691
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of available-for-sale financial assets	(33,864)	85
Net (loss)/gain on cash flow hedges	(272)	176
Share of other comprehensive income of associates and joint ventures	763	255
Foreign currency translation differences	(11,436)	(1,913)
Others	5	120
Tax effect of the items that may be reclassified subsequently to profit or loss	8,175	99
Subtotal of other comprehensive income for the year	(36,629)	(1,178)
Total comprehensive income for the year	226,336	237,513
Total comprehensive income attributable to:		
Equity holders of the parent company	226,375	237,245
Non-controlling interests	(39)	268
	226,336	237,513

8.2.3 Consolidated Statement of Financial Position

31 December 2013

(In RMB millions, unless otherwise stated)

	31 December 2013	31 December 2012
ASSETS		
Cash and balances with central banks	3,294,007	3,174,943
Due from banks and other financial institutions	717,984	636,450
Financial assets held for trading	28,143	20,463
Financial assets designated at fair value through profit or loss	344,413	201,208
Derivative financial assets	25,020	14,756
Reverse repurchase agreements	331,903	544,579
Loans and advances to customers	9,681,415	8,583,289
Financial investments	3,949,688	3,862,216
Investments in associates and joint ventures	28,515	33,284
Property and equipment	164,347	135,889
Deferred income tax assets	28,860	22,789
Other assets	323,457	312,351
	<u>18,917,752</u>	<u>17,542,217</u>
LIABILITIES		
Due to central banks	724	1,133
Financial liabilities designated at fair value through profit or loss	553,607	319,742
Derivative financial liabilities	19,168	13,261
Due to banks and other financial institutions	1,269,255	1,486,805
Repurchase agreements	299,304	237,764
Certificates of deposit	130,558	38,009
Due to customers	14,620,825	13,642,910
Income tax payable	55,674	56,922
Deferred income tax liabilities	420	552
Debt securities issued	253,018	232,186
Other liabilities	436,736	384,474
	<u>17,639,289</u>	<u>16,413,758</u>
EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	351,390	349,620
Equity component of convertible bonds	1,960	2,708
Reserves	408,835	400,128
Retained profits	511,949	372,541
	<u>1,274,134</u>	<u>1,124,997</u>
Non-controlling interests	4,329	3,462
	<u>1,278,463</u>	<u>1,128,459</u>
TOTAL EQUITY AND LIABILITIES	<u><u>18,917,752</u></u>	<u><u>17,542,217</u></u>

8.2.4 Consolidated Statement of Changes in Equity

Year ended 31 December 2013

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
	Equity component		Reserves								Retained profits	Non-controlling interests	Total equity	
	Issued share capital	of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal				Total
Balance as at 1 January 2013	349,620	2,708	133,835	98,063	189,071	(3,757)	(12,822)	(3,754)	(508)	400,128	372,541	1,124,997	3,462	1,128,459
Profit for the year	—	—	—	—	—	—	—	—	—	—	262,649	262,649	316	262,965
Other comprehensive income	—	—	8	—	—	(25,622)	(11,216)	(207)	763	(36,274)	—	(36,274)	(355)	(36,629)
— Change in fair value of available-for-sale investments	—	—	—	—	—	(25,622)	—	—	—	(25,622)	—	(25,622)	(128)	(25,750)
— Cash flow hedges	—	—	—	—	—	—	—	(207)	—	(207)	—	(207)	(2)	(209)
— Share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	—	763	763	—	763	—	763
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(11,216)	—	—	(11,216)	—	(11,216)	(220)	(11,436)
— Others	—	—	8	—	—	—	—	—	—	8	—	8	(5)	3
Total comprehensive income	—	—	8	—	—	(25,622)	(11,216)	(207)	763	(36,274)	262,649	226,375	(39)	226,336
Dividend — 2012 final	—	—	—	—	—	—	—	—	—	—	(83,565)	(83,565)	—	(83,565)
Appropriation to surplus reserve (i)	—	—	—	25,807	—	—	—	—	—	25,807	(25,807)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	13,869	—	—	—	—	13,869	(13,869)	—	—	—
Conversion of convertible bonds	1,770	—	5,009	—	—	—	—	—	—	5,009	—	6,779	—	6,779
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	953	953
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(47)	(47)
Conversion of equity component of convertible bonds	—	(748)	—	—	—	—	—	—	—	—	—	(748)	—	(748)
Others	—	—	—	—	—	—	—	—	296	296	—	296	—	296
Balance as at 31 December 2013	<u>351,390</u>	<u>1,960</u>	<u>138,852</u>	<u>123,870</u>	<u>202,940</u>	<u>(29,379)</u>	<u>(24,038)</u>	<u>(3,961)</u>	<u>551</u>	<u>408,835</u>	<u>511,949</u>	<u>1,274,134</u>	<u>4,329</u>	<u>1,278,463</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB67 million and RMB358 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB1,140 million.

Attributable to equity holders of the parent company

	Equity component		Reserves								Retained profits	Non-controlling interests	Total equity	
	Issued share capital	of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal				Total
Balance as at 1 January 2012	349,084	2,954	132,096	74,420	104,301	(3,999)	(10,792)	(3,893)	(763)	291,370	313,334	956,742	1,081	957,823
Profit for the year	—	—	—	—	—	—	—	—	—	—	238,532	238,532	159	238,691
Other comprehensive income	—	—	107	—	—	242	(2,030)	139	255	(1,287)	—	(1,287)	109	(1,178)
— Change in fair value of available-for-sale investments	—	—	—	—	—	242	—	—	—	242	—	242	(8)	234
— Cash flow hedges	—	—	—	—	—	—	—	139	—	139	—	139	—	139
— Share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	—	255	255	—	255	—	255
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(2,030)	—	—	(2,030)	—	(2,030)	117	(1,913)
— Others	—	—	107	—	—	—	—	—	—	107	—	107	—	107
Total comprehensive income	—	—	107	—	—	242	(2,030)	139	255	(1,287)	238,532	237,245	268	237,513
Dividend — 2011 final	—	—	—	—	—	—	—	—	—	—	(70,912)	(70,912)	—	(70,912)
Appropriation to surplus reserve (i)	—	—	—	23,643	—	—	—	—	—	23,643	(23,643)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	84,770	—	—	—	—	84,770	(84,770)	—	—	—
Conversion of convertible bonds	536	—	1,632	—	—	—	—	—	—	1,632	—	2,168	—	2,168
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	1,554	1,554
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	600	600
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(41)	(41)
Conversion of equity component of convertible bonds	—	(246)	—	—	—	—	—	—	—	—	—	(246)	—	(246)
Balance as at 31 December 2012	<u>349,620</u>	<u>2,708</u>	<u>133,835</u>	<u>98,063</u>	<u>189,071</u>	<u>(3,757)</u>	<u>(12,822)</u>	<u>(3,754)</u>	<u>(508)</u>	<u>400,128</u>	<u>372,541</u>	<u>1,124,997</u>	<u>3,462</u>	<u>1,128,459</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB15 million and RMB310 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB1,314 million.

8.2.5 Consolidated Statement of Cash Flows

Year ended 31 December 2013

(In RMB millions, unless otherwise stated)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	338,537	308,687
Adjustments for:		
Share of profits of associates and joint ventures	(2,097)	(2,652)
Depreciation	14,420	13,215
Amortisation	2,018	1,781
Amortisation of financial investments	(163)	(2,857)
Impairment losses on loans and advances to customers	38,098	32,572
Impairment losses on assets other than loans and advances to customers	223	1,173
Unrealised foreign exchange loss	6,206	6,853
Interest expense on debt securities issued	10,785	9,876
Accreted interest on impaired loans	(2,019)	(944)
Gain on disposal of available-for-sale financial assets, net	(524)	(559)
Net trading gain on equity investments	(40)	(42)
Net loss on financial assets and liabilities designated at fair value through profit or loss	2,413	5,114
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(848)	(961)
Dividend income	(101)	(49)
	<u>406,908</u>	<u>371,207</u>
Net (increase)/decrease in operating assets:		
Due from central banks	(319,010)	(179,741)
Due from banks and other financial institutions	81,342	(191,882)
Financial assets held for trading	(7,804)	10,636
Financial assets designated at fair value through profit or loss	(142,720)	(80,025)
Reverse repurchase agreements	5,443	(35,653)
Loans and advances to customers	(1,159,539)	(1,010,592)
Other assets	(10,432)	(31,126)
	<u>(1,552,720)</u>	<u>(1,518,383)</u>
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	234,583	147,651
Due to central banks	(409)	1,025
Due to banks and other financial institutions	(207,685)	148,697
Repurchase agreements	61,540	31,325
Certificates of deposit	94,351	(3,880)
Due to customers	994,119	1,365,818
Other liabilities	42,214	55,401
	<u>1,218,713</u>	<u>1,746,037</u>

	2013	2012
Net cash flows from operating activities before tax	72,901	598,861
Income tax paid	<u>(74,848)</u>	<u>(65,353)</u>
Net cash flows from operating activities	<u>(1,947)</u>	<u>533,508</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(44,427)	(31,852)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	1,088	1,271
Purchases of financial investments	(1,239,747)	(1,058,490)
Proceeds from sale and redemption of financial investments	1,117,779	965,229
Investments in associates and joint ventures	—	(19)
Proceeds from disposal of investments in associates or joint ventures	493	—
Acquisition of subsidiaries	—	(3,723)
Dividends received	<u>653</u>	<u>914</u>
Net cash flows from investing activities	<u>(164,161)</u>	<u>(126,670)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection by non-controlling shareholders	955	600
Proceeds from issuance of subordinated bonds	3,031	20,000
Proceeds from issuance of other debt securities	41,336	9,640
Interest paid on debt securities	(10,074)	(8,566)
Repayment of other debt securities	(17,084)	—
Acquisition of non-controlling interests	(17)	—
Dividends paid on ordinary shares	(83,565)	(70,912)
Dividends paid to non-controlling shareholders	<u>(47)</u>	<u>(41)</u>
Net cash flows from financing activities	<u>(65,465)</u>	<u>(49,279)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(231,573)	357,559
Cash and cash equivalents at beginning of the year	1,201,647	848,308
Effect of exchange rate changes on cash and cash equivalents	<u>(12,672)</u>	<u>(4,220)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>957,402</u></u>	<u><u>1,201,647</u></u>
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	756,529	704,500
Interest paid	<u>(265,008)</u>	<u>(243,400)</u>

8.3 Revised International Financial Reporting Standards that are Effective in 2013 and Relevant to the Group

The IASB has issued the following revised IFRSs (including International Accounting Standards (“IASs”)) and amendments to standards that are effective in 2013 and relevant to the Group’s operation.

Amendments to IAS 1	<i>Presentation of financial statements — Presentation of items of other comprehensive income</i>
Amendments to IFRS 7	<i>Disclosures — Offsetting financial assets and financial liabilities</i>
IFRS 10	<i>Consolidated financial statements</i>
IFRS 11	<i>Joint arrangements</i>
IFRS 12	<i>Disclosure of interests in other entities</i>
IFRS 13	<i>Fair value measurement</i>
IAS 19	<i>Employee Benefits (2011)</i>

The principal effects of adopting these new and amended IFRSs are as follows:

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

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of the consolidated statement of comprehensive income and other comprehensive income in the Group’s financial statements has been modified accordingly.

Amendments to IFRS 7, Disclosures — Offsetting financial assets and financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. The adoption does not have any material impact on the financial position and the financial result of the Group.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC12 Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. It also introduces the judgment of substantive rights and the concept of principal and agent, and amends the consideration of potential voting rights. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not have any material impact on the financial position and the financial result of the Group.

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement.

The Group reassesses the type of the joint arrangement in which it is involved and changes the accounting policies in respect of joint arrangement. The adoption of IFRS 11 does not have any material impact on the Group's financial statements.

IFRS 12, Disclosure of interests in other entities

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

IFRS 13, Fair value measurement

IFRS 13 defines fair value, set out in a single IFRS a framework for measuring fair value and amends the disclosures requirements about fair value. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

IAS 19, Employee Benefits (2011)

The ISAB has issued amendments to IAS 19. The Group revisits the accounting policies of classification, recognition and measurement in respect of employee benefits by categories of short-term employee benefits, termination benefits, post-employment benefits, and other long-term employee benefits. The adoption of this standard does not have any material impact on the Group's financial statements.

8.4 Notes to Financial Statements

(In RMB millions, unless otherwise stated)

8.4.1 Net Interest Income

	2013	2012
Interest income on:		
Loans and advances to customers	548,640	519,852
— Corporate loans and advances	395,461	379,020
— Personal loans	142,625	126,233
— Discounted bills	10,554	14,599
Financial investments	148,514	138,159
Due from central banks	45,487	41,766
Due from banks and other financial institutions	24,470	21,662
	<u>767,111</u>	<u>721,439</u>
Interest expense on:		
Due to customers	(273,797)	(249,422)
Due to banks and other financial institutions	(38,209)	(43,461)
Debt securities issued	(11,770)	(10,728)
	<u>(323,776)</u>	<u>(303,611)</u>
Net interest income	<u>443,335</u>	<u>417,828</u>

8.4.2 Net Fee and Commission Income

	2013	2012
Settlement, clearing business and cash management	30,513	27,499
Investment banking business	29,486	26,117
Bank card business	28,533	23,494
Personal wealth management and private banking services	18,231	16,760
Corporate wealth management services	12,611	10,018
Asset custody business	6,893	5,974
Guarantee and commitment business	4,357	2,848
Trust and agency services	1,857	1,623
Others	2,069	1,548
	<u>134,550</u>	<u>115,881</u>
Fee and commission expense	(12,224)	(9,817)
Net fee and commission income	<u>122,326</u>	<u>106,064</u>

8.4.3 Net Trading Income

	2013	2012
Debt securities	1,383	1,043
Equity investments	40	42
Derivatives	(1,269)	(575)
	<u>154</u>	<u>510</u>

8.4.4 Net Loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

	2013	2012
Financial assets	8,021	5,135
Financial liabilities	(10,434)	(10,249)
	<u>(2,413)</u>	<u>(5,114)</u>

8.4.5 Net Gain on Financial Investments

	2013	2012
Dividend income from unlisted investments	93	41
Dividend income from listed investments	8	8
Dividend income	101	49
Gain on disposal of available-for-sale financial assets, net	524	559
	<u>625</u>	<u>608</u>

8.4.6 Other Operating Income, Net

	2013	2012
Insurance net income	1,043	537
Gain from foreign exchange and foreign exchange products, net	6,593	4,095
Leasing income	3,412	2,058
Net gain on disposal of property and equipment, repossessed assets and others	1,012	1,165
Sundry bank charge income	315	357
Others	2,499	1,612
	<u>14,874</u>	<u>9,824</u>

8.4.7 Operating Expenses

	2013	2012
Staff costs:		
Salaries and bonuses	68,216	63,256
Staff benefits	24,185	22,762
Contribution to defined contribution schemes	11,054	10,222
	<u>103,455</u>	<u>96,240</u>
Premises and equipment expenses:		
Depreciation	14,420	13,215
Lease payments under operating leases in respect of land and buildings	5,799	4,910
Repairs and maintenance charges	3,206	2,839
Utility expenses	2,669	2,523
	<u>26,094</u>	<u>23,487</u>
Amortisation	2,018	1,781
Other administrative expenses	24,721	24,802
Business tax and surcharges	37,441	35,066
Others	10,411	8,564
	<u>204,140</u>	<u>189,940</u>

8.4.8 Impairment Losses on Assets Other than Loans and Advances to Customers

	2013	2012
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	58	97
Financial investments:		
Held-to-maturity investments	(295)	(30)
Available-for-sale financial assets	102	607
Others	358	499
	<u>223</u>	<u>1,173</u>

8.4.9 Income Tax Expense

(a) Income tax

	2013	2012
Current income tax expense:		
Mainland China	74,159	68,844
Hong Kong and Macau	1,081	1,019
Overseas	1,044	850
	<u>76,284</u>	<u>70,713</u>
Adjustments in respect of current income tax of prior years	(2,684)	(433)
Deferred income tax expense	1,972	(284)
	<u>75,572</u>	<u>69,996</u>

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2013	2012
Profit before taxation	<u>338,537</u>	<u>308,687</u>
Tax at the PRC statutory income tax rate	84,634	77,172
Effects of different applicable rates of tax prevailing in other countries/regions	(264)	(42)
Non-deductible expenses	1,865	996
Non-taxable income	(8,283)	(7,589)
Profits attributable to associates and joint ventures	(524)	(663)
Adjustment in respect of current and deferred income tax of prior years	(2,684)	(239)
Others	<u>828</u>	<u>361</u>
Current income tax expenses	<u>75,572</u>	<u>69,996</u>

8.4.10 Dividends

	2013	2012
Dividends on ordinary shares declared and paid: Final dividend for 2012: RMB0.239 per share (2011: RMB0.203 per share)	<u>83,565</u>	<u>70,912</u>
Dividends on ordinary shares proposed for approval (not recognised as at 31 December): Final dividend for 2013: RMB0.2617 per share (2012: RMB0.239 per share)	<u>91,958</u>	<u>83,559</u>

8.4.11 Earnings per Share

The calculation of basic earnings per share is based on the following:

	2013	2012
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	<u>262,649</u>	<u>238,532</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>350,068</u>	<u>349,312</u>
Basic earnings per share (RMB yuan)	<u>0.75</u>	<u>0.68</u>

Basic earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the Bank divided by the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per share is based on the following:

	2013	2012
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	262,649	238,532
Add: Interest expense on convertible bonds (net of tax)	<u>565</u>	<u>631</u>
Profit used to determine diluted earnings per share	<u>263,214</u>	<u>239,163</u>
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	350,068	349,312
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	<u>4,652</u>	<u>6,015</u>
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	<u>354,720</u>	<u>355,327</u>
Diluted earnings per share (RMB yuan)	<u>0.74</u>	<u>0.67</u>

Diluted earnings per share was computed from dividing the profit attributable to ordinary equity holders of the parent company (after adjusting for interest expense on the convertible bonds) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

8.4.12 Derivative Financial Instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

At the end of the reporting period, the Group had derivative financial instruments as follows:

	2013					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Exchange rate contracts:							
Forward and swap contracts	841,965	679,653	79,228	1,492	1,602,338	17,977	(13,331)
Option contracts purchased	4,071	30,395	210	—	34,676	164	—
Option contracts written	605	5,471	210	—	6,286	—	(33)
	<u>846,641</u>	<u>715,519</u>	<u>79,648</u>	<u>1,492</u>	<u>1,643,300</u>	<u>18,141</u>	<u>(13,364)</u>
Interest rate contracts:							
Swap contracts	39,736	98,611	153,414	21,563	313,324	3,068	(3,394)
Forward contracts	823	3,878	48	—	4,749	—	(1)
	<u>40,559</u>	<u>102,489</u>	<u>153,462</u>	<u>21,563</u>	<u>318,073</u>	<u>3,068</u>	<u>(3,395)</u>
Commodity derivatives and others	<u>195,466</u>	<u>40,513</u>	<u>844</u>	<u>254</u>	<u>237,077</u>	<u>3,811</u>	<u>(2,409)</u>
	<u><u>1,082,666</u></u>	<u><u>858,521</u></u>	<u><u>233,954</u></u>	<u><u>23,309</u></u>	<u><u>2,198,450</u></u>	<u><u>25,020</u></u>	<u><u>(19,168)</u></u>

2012

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	672,192	511,474	73,218	2,689	1,259,573	10,781	(8,153)
Option contracts purchased	5,117	14,689	593	—	20,399	71	—
Option contracts written	2,798	2,969	593	—	6,360	—	(44)
	<u>680,107</u>	<u>529,132</u>	<u>74,404</u>	<u>2,689</u>	<u>1,286,332</u>	<u>10,852</u>	<u>(8,197)</u>
Interest rate contracts:							
Swap contracts	65,507	118,368	176,537	24,472	384,884	3,280	(3,640)
Forward contracts	1,610	2,619	1,745	—	5,974	38	(38)
Option contracts purchased	—	—	62	—	62	—	—
	<u>67,117</u>	<u>120,987</u>	<u>178,344</u>	<u>24,472</u>	<u>390,920</u>	<u>3,318</u>	<u>(3,678)</u>
Commodity derivatives and others	81,249	17,604	2,637	139	101,629	586	(1,386)
	<u>828,473</u>	<u>667,723</u>	<u>255,385</u>	<u>27,300</u>	<u>1,778,881</u>	<u>14,756</u>	<u>(13,261)</u>

Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts and interest forward contracts that are used to protect against exposures to variability of future cash flows arising from foreign currency assets and foreign currency liabilities during the year.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

2013

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Interest rate swap contracts	127	3,138	2,531	3,490	9,286	291	(49)
	<u>127</u>	<u>3,138</u>	<u>2,531</u>	<u>3,490</u>	<u>9,286</u>	<u>291</u>	<u>(49)</u>

	2012					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months	Over one year	Over five years			
		but within one year	but within five years	but within five years	Over five years		
Interest rate swap contracts	1,427	312	1,976	3,613	7,328	400	(64)
Interest forward contracts	25	—	—	—	25	—	—
	<u>1,452</u>	<u>312</u>	<u>1,976</u>	<u>3,613</u>	<u>7,353</u>	<u>400</u>	<u>(64)</u>

There is no ineffectiveness recognised in the income statement that arises from the cash flow hedge for the current year (2012: Nil)

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates and exchange rates. Interest rate swaps and currency swaps are used as hedging instruments to hedge the interest risk and currency risk of financial assets and financial liabilities, respectively.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the year is presented as follows:

	2013	2012
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	203	119
— Hedged items attributable to the hedged risk	(206)	(119)
	<u>(3)</u>	<u>—</u>

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

	2013				Fair values		
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months	Over one year	Over five years			
		but within one year	but within five years	but within five years	Over five years		
Currency swap contracts	55	302	68	—	425	8	(5)
Interest rate swap contracts	1,080	3,761	5,386	3,187	13,414	12	(316)
	<u>1,135</u>	<u>4,063</u>	<u>5,454</u>	<u>3,187</u>	<u>13,839</u>	<u>20</u>	<u>(321)</u>

	2012				Fair values		
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Currency swap contracts	—	—	438	—	438	2	(24)
Interest rate swap contracts	727	1,359	9,295	4,005	15,386	40	(743)
	<u>727</u>	<u>1,359</u>	<u>9,733</u>	<u>4,005</u>	<u>15,824</u>	<u>42</u>	<u>(767)</u>

The credit risk weighted amounts in respect of the above derivatives of the Group as at the end of the reporting period are as follows:

	31 December 2013
Counterparty credit default risk-weighted assets	33,670
Including: Currency derivatives	31,252
Interest rate derivatives	1,348
Commodity derivatives and others	1,070
Credit value adjustment to risk-weighted assets	19,874
	<u>53,544</u>

The credit risk weighted amounts are calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC and include counterparty credit default risk-weighted assets and credit value adjustment.

The Group previously calculated the credit risk-weighted assets for derivatives as at 31 December 2012 in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and relevant requirements promulgated by the CBRC, which was superseded from 1 January 2013. The calculation is listed as follow:

	31 December 2012
Currency derivatives	10,080
Interest rate derivatives	2,568
Commodity derivatives and others	1,093
	<u>13,741</u>

8.4.13 Financial Investments

	31 December 2013	31 December 2012
Receivables	324,488	364,715
Held-to-maturity investments	2,624,400	2,576,562
Available-for-sale financial assets	<u>1,000,800</u>	<u>920,939</u>
	<u>3,949,688</u>	<u>3,862,216</u>

8.4.14 Components of Other Comprehensive Income

	2013	2012
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income	(32,502)	(321)
Less: Transfer to the income statement arising from disposal/impairment	(1,362)	406
Income tax effect	<u>8,114</u>	<u>149</u>
	<u>(25,750)</u>	<u>234</u>
Cash flow hedges:		
(Loss)/gain during the year	(272)	176
Less: Income tax effect	<u>63</u>	<u>(37)</u>
	<u>(209)</u>	<u>139</u>
Share of other comprehensive income of associates and joint ventures	<u>763</u>	<u>255</u>
Foreign currency translation differences	<u>(11,436)</u>	<u>(1,913)</u>
Others	5	120
Less: Income tax effect	<u>(2)</u>	<u>(13)</u>
	<u>3</u>	<u>107</u>
	<u>(36,629)</u>	<u>(1,178)</u>

8.4.15 Commitments and Contingent Liabilities

(a) Capital commitments

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

	2013	2012
Authorised, but not contracted for	692	952
Contracted, but not provided for	1,521	11,992
	<u>2,213</u>	<u>12,944</u>

(b) Operating lease commitments

Operating lease commitments — Lessee

At the end of the reporting period, the Group leases certain of its office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	2013	2012
Within one year	4,448	4,166
Over one year but within five years	9,163	10,330
Over five years	2,433	1,516
	<u>16,044</u>	<u>16,012</u>

Operating lease commitments — Lessor

At the end of the reporting period, the Group leases certain aircraft and vessels to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants are as follows:

	2013	2012
Within one year	2,993	1,539
Over one year but within five years	10,745	5,293
Over five years	7,755	4,794
	<u>21,493</u>	<u>11,626</u>

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	2013	2012
Bank acceptances	327,048	341,033
Guarantees issued:		
Financing letters of guarantees	102,275	47,148
Non-financing letters of guarantees	276,913	213,874
Sight letters of credit	88,669	52,190
Usance letters of credit and other commitments	409,095	347,271
Loan commitments:		
With an original maturity of under one year	265,303	214,370
With an original maturity of one year or over	536,245	453,520
Undrawn credit card limit	440,408	406,800
	<u>2,445,956</u>	<u>2,076,206</u>
		31 December 2013
Credit risk weighted amount of credit commitments		<u>917,567</u>

The credit risk weighted amount refers to the amount computed in accordance with Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors.

As at 31 December 2012, the credit risk weighted amount of credit commitments was RMB817 billion as calculated by the Group in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by the CBRC, which was superseded from 1 January 2013.

(d) Legal proceedings

As at 31 December 2013, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB2,389 million (31 December 2012: RMB1,559 million).

In the opinion of management, the Group and the Bank have made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group and the Bank.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2013, the Bank had underwritten and sold bonds with an accumulated amount of RMB87,982 million (31 December 2012: RMB99,861 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

As at 31 December 2013, the Group had no unexpired securities underwriting obligations (31 December 2012: Nil).

8.4.16 Segment Information

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers.

Others

This represents the Group's insurance and leasing service as well as the other assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2013					
External net interest income/(expense)	271,599	(168)	171,421	483	443,335
Internal net interest income/(expense)	(68,036)	154,921	(86,885)	—	—
Net fee and commission income	76,911	45,254	995	(834)	122,326
Other income, net	1,310	21	3,779	8,130	13,240
Operating income	281,784	200,028	89,310	7,779	578,901
Operating expenses	(92,594)	(85,994)	(17,827)	(7,725)	(204,140)
Impairment losses on:					
Loans and advances to customers	(27,644)	(10,454)	—	—	(38,098)
Others	43	1	9	(276)	(223)
Operating profit/(loss)	161,589	103,581	71,492	(222)	336,440
Share of profits and losses of associates and joint ventures	—	—	—	2,097	2,097
Profit before tax	161,589	103,581	71,492	1,875	338,537
Income tax expense					(75,572)
Profit for the year					<u>262,965</u>
Other segment information:					
Depreciation	6,614	5,058	2,544	204	14,420
Amortisation	1,016	601	381	20	2,018
Capital expenditure	21,195	15,990	8,103	592	45,880
As at 31 December 2013					
Segment assets	<u>7,193,345</u>	<u>2,765,136</u>	<u>8,820,870</u>	<u>138,401</u>	<u>18,917,752</u>
Including: Investments in associates and joint ventures	—	—	—	28,515	28,515
Property and equipment	64,306	48,874	24,496	26,671	164,347
Other non-current assets	14,867	7,141	4,638	9,902	36,548
Segment liabilities	<u>8,030,376</u>	<u>7,087,551</u>	<u>2,475,913</u>	<u>45,449</u>	<u>17,639,289</u>
Other segment information:					
Credit commitments	<u>2,005,548</u>	<u>440,408</u>	—	—	<u>2,445,956</u>

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2012					
External net interest income/(expense)	276,656	(8,985)	150,087	70	417,828
Internal net interest income/(expense)	(58,023)	123,232	(65,209)	—	—
Net fee and commission income	66,158	39,788	395	(277)	106,064
Other income, net	974	21	720	4,113	5,828
Operating income	285,765	154,056	85,993	3,906	529,720
Operating expenses	(89,871)	(77,140)	(17,094)	(5,835)	(189,940)
Impairment losses on:					
Loans and advances to customers	(19,051)	(13,521)	—	—	(32,572)
Others	(338)	(7)	(790)	(38)	(1,173)
Operating profit/(loss)	176,505	63,388	68,109	(1,967)	306,035
Share of profits and losses of associates and joint ventures	—	—	—	2,652	2,652
Profit before tax	176,505	63,388	68,109	685	308,687
Income tax expense					(69,996)
Profit for the year					<u>238,691</u>
Other segment information:					
Depreciation	5,804	4,670	2,526	215	13,215
Amortisation	850	553	356	22	1,781
Capital expenditure	14,319	11,406	6,190	516	32,431
As at 31 December 2012					
Segment assets	<u>6,495,908</u>	<u>2,320,534</u>	<u>8,591,801</u>	<u>133,974</u>	<u>17,542,217</u>
Including: Investments in associates and joint ventures	—	—	—	33,284	33,284
Property and equipment	49,902	40,056	21,514	24,417	135,889
Other non-current assets	13,911	7,611	4,958	9,439	35,919
Segment liabilities	<u>7,275,642</u>	<u>6,704,125</u>	<u>2,376,936</u>	<u>57,055</u>	<u>16,413,758</u>
Other segment information:					
Credit commitments	<u>1,669,406</u>	<u>406,800</u>	<u>—</u>	<u>—</u>	<u>2,076,206</u>

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Islamabad, Lima, Buenos Aires, Sao Paulo and Auckland).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Head Office (“HO”): the HO business division (including institutions directly controlled by the HO and their offices);

Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;

Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;

Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and

Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.

Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

Mainland China (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Year ended 31 December 2013										
External net interest income	172,708	58,681	43,074	29,780	41,725	63,647	17,334	16,386	—	443,335
Internal net interest income/(expense)	(143,331)	25,426	10,766	64,587	18,543	13,666	9,778	565	—	—
Net fee and commission income	3,860	30,125	20,056	20,493	19,439	18,133	4,829	5,441	(50)	122,326
Other income/(expense), net	6,139	(125)	865	(388)	299	426	115	5,909	—	13,240
Operating income	39,376	114,107	74,761	114,472	80,006	95,872	32,056	28,301	(50)	578,901
Operating expenses	(16,468)	(34,465)	(24,769)	(34,237)	(32,384)	(36,463)	(14,199)	(11,205)	50	(204,140)
Impairment losses on:										
Loans and advances to customers	(2,695)	(16,599)	(5,428)	(4,108)	(2,754)	(3,586)	(739)	(2,189)	—	(38,098)
Others	83	(21)	(18)	(159)	(2)	85	167	(358)	—	(223)
Operating profit	20,296	63,022	44,546	75,968	44,866	55,908	17,285	14,549	—	336,440
Share of profits and losses of associates and joint ventures	—	—	—	—	—	—	—	2,097	—	2,097
Profit before tax	20,296	63,022	44,546	75,968	44,866	55,908	17,285	16,646	—	338,537
Income tax expense										(75,572)
Profit for the year										262,965
Other segment information:										
Depreciation	1,564	2,203	1,472	1,984	2,327	2,623	1,075	1,172	—	14,420
Amortisation	855	225	143	112	231	255	60	137	—	2,018
Capital expenditure	3,169	5,307	3,410	4,631	5,855	6,955	2,341	14,212	—	45,880

Mainland China (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
As at 31 December 2013										
Assets by geographical areas	8,178,181	4,769,329	3,032,428	3,326,666	1,808,412	2,331,126	945,023	1,599,413	(7,101,686)	18,888,892
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	28,515	—	28,515
Property and equipment	13,857	23,791	12,458	18,498	19,467	23,017	10,470	42,789	—	164,347
Other non-current assets	11,177	5,552	2,766	3,690	4,896	4,716	1,348	2,403	—	36,548
Unallocated assets										28,860
Total assets										18,917,752
Liabilities by geographical areas	6,891,849	4,709,007	2,988,614	3,648,679	1,763,358	2,273,841	926,129	1,483,349	(7,101,686)	17,583,140
Unallocated liabilities										56,149
Total liabilities										17,639,289
Other segment information:										
Credit commitments	494,153	456,115	389,353	386,886	149,095	192,459	71,345	306,550	—	2,445,956

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
Year ended 31 December 2012										
External net interest income	160,996	62,237	39,987	31,681	39,119	56,278	16,401	11,129	—	417,828
Internal net interest income/(expense)	(120,391)	19,187	11,327	54,029	14,701	11,616	9,071	460	—	—
Net fee and commission income	1,651	26,284	17,957	19,050	16,699	15,372	4,824	4,281	(54)	106,064
Other income/(expense), net	5,363	(680)	45	(730)	(77)	(272)	(475)	2,654	—	5,828
Operating income	47,619	107,028	69,316	104,030	70,442	82,994	29,821	18,524	(54)	529,720
Operating expenses	(14,551)	(33,238)	(23,581)	(32,799)	(30,614)	(34,309)	(13,832)	(7,070)	54	(189,940)
Impairment losses on:										
Loans and advances to customers	(3,347)	(7,768)	(4,293)	(5,166)	(4,197)	(4,696)	(1,776)	(1,329)	—	(32,572)
Others	(166)	(21)	(6)	(155)	15	(82)	(12)	(746)	—	(1,173)
Operating profit	29,555	66,001	41,436	65,910	35,646	43,907	14,201	9,379	—	306,035
Share of profits and losses of associates and joint ventures	—	—	—	—	—	—	—	2,652	—	2,652
Profit before tax	29,555	66,001	41,436	65,910	35,646	43,907	14,201	12,031	—	308,687
Income tax expense										(69,996)
Profit for the year										<u>238,691</u>
Other segment information:										
Depreciation	1,520	2,099	1,425	1,856	2,163	2,396	1,009	747	—	13,215
Amortisation	715	220	116	118	223	223	60	106	—	1,781
Capital expenditure	3,743	3,399	2,167	2,933	3,760	5,046	1,827	9,556	—	<u>32,431</u>

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
As at 31 December 2012										
Assets by geographical areas	8,224,142	3,294,148	2,296,600	3,902,655	2,095,440	2,466,885	923,766	1,234,420	(6,918,628)	17,519,428
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	33,284	—	33,284
Property and equipment	11,154	23,167	12,356	17,969	18,701	21,393	10,046	21,103	—	135,889
Other non-current assets	11,014	5,731	2,320	4,041	4,869	4,257	1,681	2,006	—	35,919
Unallocated assets										<u>22,789</u>
Total assets										<u>17,542,217</u>
Liabilities by geographical areas	7,410,679	3,237,528	2,259,922	3,839,768	2,064,592	2,428,238	909,743	1,124,442	(6,918,628)	16,356,284
Unallocated liabilities										<u>57,474</u>
Total liabilities										<u>16,413,758</u>
Other segment information:										
Credit commitments	418,897	390,236	337,265	321,305	120,188	162,835	59,386	266,094	—	<u>2,076,206</u>

8.4.17 Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

9. Summary of the Capital Adequacy Ratio Report Disclosed in Accordance with the Regulation Governing Capital of Commercial Banks (Provisional) Promulgated by CBRC

9.1 Capital Adequacy Ratio

- **Scope of Calculation of Capital Adequacy Ratio**

The Bank calculated capital adequacy ratios at all tiers in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC. The scope of calculation of consolidated capital adequacy ratio includes the Bank and financial institutions in which the Bank directly or indirectly invested in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC.

- **Measurement Results of Capital Adequacy Ratio**

The table below sets out the capital adequacy ratios of the Bank at the end of 2013 measured in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and the Regulations Governing Capital Adequacy of Commercial Banks promulgated by CBRC.

In RMB millions, except for percentages

Item	Group	Parent Company
Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional):		
Net core tier 1 capital	1,266,841	1,190,490
Net tier 1 capital	1,266,859	1,190,490
Net capital base	1,572,265	1,478,863
Core tier 1 capital adequacy ratio	10.57%	10.58%
Tier 1 capital adequacy ratio	10.57%	10.58%
Capital adequacy ratio	13.12%	13.14%
Calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations:		
Core capital adequacy ratio	10.62%	10.86%
Capital adequacy ratio	13.31%	13.25%

For details about the calculation of capital adequacy ratio for 2013, please refer to the section headed "Discussion and Analysis — Capital Adequacy Ratio and Leverage Ratio".

- **Measurement of Risk-Weighted Assets**

The table below sets out the risk-weighted assets of the Bank measured in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). Specifically, the weighted approach, standardized approach and basic indicator approach are applied to the measurement of credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets, respectively.

RISK-WEIGHTED ASSETS

In RMB millions

Item	At 31 December 2013
Credit risk-weighted assets	10,923,428
On-balance sheet credit risk	9,916,061
Off-balance sheet credit risk	953,813
Counterparty credit risk	53,554
Market risk-weighted assets	78,283
Operational risk-weighted assets	980,476
	<hr/>
Total	<u><u>11,982,187</u></u>

9.2 Credit Risk Exposure

The table below sets out credit risk exposure of the Bank under the weighted approach.

CREDIT RISK EXPOSURE

Type of risk exposure	<i>In RMB millions</i>	
	At 31 December 2013	
	Risk exposure	Unmitigated risk exposure
On-balance sheet credit risk	18,813,159	18,106,535
Cash assets	3,299,133	3,299,133
Claims on the central governments and central banks	1,501,222	1,501,222
Claims on public sector entities	120,648	119,748
Claims on Chinese financial institutions	3,049,481	2,995,218
Claims on financial institutions registered in other countries or jurisdictions	473,650	306,906
Claims on corporates	7,097,938	6,627,534
Claims on qualified small and micro enterprises	79,495	76,750
Claims on retail portfolios	2,675,627	2,665,340
Residual value of leasing assets	91,161	91,161
Equity investment	32,568	32,537
Others	391,657	390,407
On-balance sheet securitization exposures	579	579
Off-balance sheet credit risk	1,284,485	1,100,346
Counterparty credit risk	53,715	53,048
Total	20,151,359	19,259,929

9.3 Capital Requirement for Market Risk

As at the end of 2013, the Bank calculated capital requirement for market risk under the standardized approach. Total capital requirement for market risk was RMB6,263 million.

CAPITAL REQUIREMENT FOR MARKET RISK

	<i>In RMB millions</i>
Risk type	Capital requirement at 31 December 2013
Currency risk	5,010
Interest rate risk	1,048
Commodity risk	53
Equity risk	2
Option risk	150
Total	<u>6,263</u>

9.4 Capital Requirement for Operational Risk

The Bank adopts the basic indicator approach to measure capital requirement for operational risk. As at the end of 2013, the capital requirement for operational risk was RMB78,438 million.

9.5 Other Risks

- **Interest Rate Risk in the Banking Book**

Under the assumption that the overall interest rate in the market moves in parallel without taking into account any possible risk management actions that may be taken by the Management to mitigate interest rate risk, the Bank's interest rate sensitivity analysis for 2013 is set out below:

INTEREST RATE SENSITIVITY ANALYSIS

	<i>In RMB millions</i>	
	At 31 December 2013	
Changes of interest rate in basis points	Impact on net interest income	Impact on equity
Increase by 100 basis points	(3,625)	(23,845)
Decrease by 100 basis points	<u>3,625</u>	<u>25,219</u>

- **Equity Risk in the Banking Book**

The table below sets out the equity in the banking book and its gains and losses.

EQUITY RISK EXPOSURES IN THE BANKING BOOK

	<i>In RMB millions</i>		
	At 31 December 2013		
Equity type	Publicly- traded equity investment risk exposure⁽¹⁾	Non-publicly- traded equity investment risk exposure⁽²⁾	Unrealized potential gains (losses)⁽³⁾
Financial institution	28,221	874	218
Corporate	<u>1,900</u>	<u>1,573</u>	<u>863</u>
Total	<u><u>30,121</u></u>	<u><u>2,447</u></u>	<u><u>1,081</u></u>

Notes: (1) Refers to equity investment made in listed companies.

(2) Refers to equity investment made in non-listed companies.

(3) Refers to unrealized gains or losses recognized on the balance sheet but not recognized on the income statement.

10. Issue of Results Announcement, Annual Report and Capital Adequacy Ratio Report

This Results Announcement will be released on HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the websites of the Bank (www.icbc.com.cn, www.icbc-ltd.com) simultaneously. The 2013 Annual Report prepared in accordance with IFRSs and the 2013 Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the websites of the Bank (www.icbc.com.cn, www.icbc-ltd.com). Specifically, the 2013 Annual Report prepared in accordance with IFRSs will be dispatched to the shareholders of H shares of the Bank. The 2013 Annual Report and its abstract prepared in accordance with PRC GAAP and the 2013 Capital Adequacy Ratio Report will be released simultaneously on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc.com.cn, www.icbc-ltd.com).

This Results Announcement has been prepared in both Chinese and English languages. In case of any discrepancy between the two versions, the Chinese version shall prevail.

By the order of
The Board of Directors of
Industrial and Commercial Bank of China Limited

27 March 2014

As at the date of this announcement, the board of directors comprises Mr. Jiang Jianqing, Mr. Yi Huiman and Mr. Liu Lixian as executive directors, Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Li Jun, Mr. Wang Xiaolan, Mr. Yao Zhongli and Mr. Fu Zhongjun as non-executive directors, and Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Or Ching Fai, Mr. Hong Yongmiao and Mr. Yi Xiqun as independent non-executive directors.