中国建设银行
China Construction Bank

# Half-Year Report 2013

China Construction Bank Corporation

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

Stock Code: 939

# Contents

# Definitions

In this half-year report, unless the context otherwise requires, the following terms shall have the meanings set out below.

| | |
|---|---|
| "Bank" | China Construction Bank Corporation |
| "Bank of America" | Bank of America Corporation |
| "Baosteel Group" | Baosteel Group Corporation |
| "Board" | Board of directors |
| "Basis Point" | Measurement unit of changes in interest rate or exchange rate, equivalent to 1% of one percentage point |
| "CBRC" | China Banking Regulatory Commission |
| "CCB Asia" | China Construction Bank (Asia) Corporation Limited |
| "CCB Dubai" | China Construction Bank (Dubai) Limited |
| "CCB Financial Leasing" | CCB Financial Leasing Corporation Limited |
| "CCB International" | CCB International (Holdings) Limited |
| "CCB Life" | CCB Life Insurance Company Limited |
| "CCB London" | China Construction Bank (London) Limited |
| "CCB Principal Asset Management" | CCB Principal Asset Management Co., Ltd. |
| "CCB Russia" | China Construction Bank (Russia) Limited Liability Company |
| "CCB Trust" | CCB Trust Co., Limited |
| "Company Law" | The Company Law of the People's Republic of China |
| "Cost Advisory Service" | The professional advisory services, provided by the project cost advisory agency when entrusted, on the investment of construction projects and the determination and control of project cost |
| "CSRC" | China Securities Regulatory Commission |
| "Financial Services for Housing Reform" | A general term for credit activities of money collection, financing, etc., in connection with the reform of housing system |
| "Group", "CCB" | China Construction Bank Corporation and its subsidiaries |
| "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Huijin" | Central Huijin Investment Ltd. |
| "IFRS" | International Financial Reporting Standards |
| "Listing Rules of Hong Kong Stock Exchange" | Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| "MOF" | Ministry of Finance of the People's Republic of China |
| "PBOC" | People's Bank of China |
| "PRC GAAP" | *Accounting Standards for Business Enterprises* promulgated by the MOF on 15 February 2006 and other relevant requirements |
| "RMB" | Renminbi |
| "SFO" | Securities and Futures Ordinance |
| "Sino-German Bausparkasse" | Sino-German Bausparkasse Co., Ltd. |
| "State Grid" | State Grid Corporation of China |
| "Temasek" | Temasek Holdings (Private) Limited |
| "Yangtze Power" | China Yangtze Power Co., Limited |

# Financial Highlights

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

| (Expressed in millions of RMB unless otherwise stated) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | **Change(%)** |
|---|---|---|---|
| **For the period** | | | |
| Net interest income | **187,660** | 169,692 | 10.59 |
| Net fee and commission income | **55,524** | 49,243 | 12.76 |
| Operating income | **252,307** | 227,812 | 10.75 |
| Profit before tax | **155,189** | 138,512 | 12.04 |
| Net profit | **119,964** | 106,494 | 12.65 |
| Net profit attributable to equity shareholders of the Bank | **119,711** | 106,283 | 12.63 |
| **Per share (in RMB)** | | | |
| Basic and diluted earnings per share | **0.48** | 0.43 | 11.63 |
| **Profitability indicators (%)** | | | **Change +/(-)** |
| Annualised return on average assets[1] | **1.66** | 1.65 | 0.01 |
| Annualised return on average equity | **23.90** | 24.56 | (0.66) |
| Net interest spread | **2.54** | 2.53 | 0.01 |
| Net interest margin | **2.71** | 2.71 | – |
| Net fee and commission income to operating income | **22.01** | 21.62 | 0.39 |
| Cost-to-income ratio[2] | **24.63** | 25.28 | (0.65) |
| Loan-to-deposit ratio | **66.63** | 64.54 | 2.09 |

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then multiplying by two.

2. In order to maintain consistency for cost-to-income ratio between the PRC and IFRS reports, as well as taking other banks' relevant disclosures into considerations, the calculation of such a ratio has been amended to operating expenses (after deductions of business taxes and surcharges and other business costs) divided by operating income (after deduction of other business costs). The comparative figures have been amended accordingly.

| (Expressed in millions of RMB unless otherwise stated) | **At 30 June 2013** | At 31 December 2012 | **Change(%)** |
|---|---|---|---|
| **As at the end of the period** | | | |
| Net loans and advances to customers | **7,882,071** | 7,309,879 | 7.83 |
| Total assets | **14,859,214** | 13,972,828 | 6.34 |
| Deposits from customers | **12,149,438** | 11,343,079 | 7.11 |
| Total liabilities | **13,858,703** | 13,023,283 | 6.41 |
| Total equity attributable to equity shareholders of the Bank | **992,374** | 941,668 | 5.38 |
| Share capital | **250,011** | 250,011 | – |
| **Per share (in RMB)** | | | |
| Net assets per share | **4.00** | 3.80 | 5.26 |
| **Capital adequacy indicators (%)** | | | **Change +/(-)** |
| Common Equity Tier 1 ratio[1] | **10.66** | N/A | N/A |
| Tier 1 ratio[1] | **10.66** | N/A | N/A |
| Total capital ratio[1] | **13.34** | N/A | N/A |
| Total equity to total assets | **6.73** | 6.80 | (0.07) |
| **Asset quality indicators (%)** | | | |
| Non-performing loan ratio | **0.99** | 0.99 | – |
| Allowances to non-performing loans | **265.20** | 271.29 | (6.09) |
| Allowances to total loans | **2.63** | 2.69 | (0.06) |

1. Since the first quarter of 2013, the ratios are calculated in accordance with the *Measures for Capital Management of Commercial Banks (Trial)* promulgated by the CBRC in June 2012. Therefore, the relevant regulation is not applicable to the 2012 ratios.

# Corporate Information

| | |
|---|---|
| Legal name and abbreviation in Chinese | 中國建設銀行股份有限公司(abbreviated as "中國建設銀行") |
| Legal name and abbreviation in English | CHINA CONSTRUCTION BANK CORPORATION (abbreviated as "CCB") |
| Legal representative | Wang Hongzhang |
| Authorised representatives | Zhang Jianguo<br>Cheng Pui Ling, Cathy |
| Secretary to the Board | Chen Caihong |
| Representative of securities affairs | Xu Manxia |
| Company secretary | Cheng Pui Ling, Cathy |
| Qualified accountant | Yuen Yiu Leung |
| Registered address, office address and postcode | No. 25, Financial Street, Xicheng District, Beijing 100033 |
| Internet website | www.ccb.com |
| Email address | ir@ccb.com |
| Principal place of business in Hong Kong | 12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong |
| Newspapers for information disclosure | *China Securities Journal* and *Shanghai Securities News* |
| Website of the Shanghai Stock Exchange for publishing the half-year report prepared in accordance with PRC GAAP | www.sse.com.cn |
| Website of Hong Kong Stock Exchange for publishing the half-year report prepared in accordance with IFRS | www.hkex.com.hk |
| Place where copies of this half-year report are kept | Board of Directors Office of the Bank |
| Contact Information | Address: No. 25, Financial Street, Xicheng District, Beijing<br>Telephone: 86-10-66215533<br>Facsimile: 86-10-66218888 |
| Listing stock exchanges, stock abbreviations and stock codes | A-share: Shanghai Stock Exchange<br>Stock abbreviation: 建設銀行<br>Stock code: 601939<br><br>H-share: The Stock Exchange of Hong Kong Limited<br>Stock abbreviation: CCB<br>Stock code: 939 |
| Date and place of initial registration | 17 September 2004<br>State Administration for Industry & Commerce of the People's Republic of China<br>(Please refer to the H-share Global Offering Prospectus issued by the Bank on Hong Kong Stock Exchange on 14 October 2005 and the A-share Prospectus issued by the Bank on the Shanghai Stock Exchange on 11 September 2007 for more information.) |
| Date and place of registration change | 13 February 2012<br>State Administration for Industry & Commerce of the People's Republic of China |

| | |
|---|---|
| Registration number of the corporate legal person business licence | 100000000039122 |
| Organisation code | 10000444-7 |
| Financial licence institution number | B0004H111000001 |
| Taxation registration number | 京税證字110102100004447 |
| Certified public accountants | PricewaterhouseCoopers Zhong Tian LLP<br>Address: 11/F, PricewaterhouseCoopers Centre, 202 Hu Bin Road, Shanghai<br>Signing accountants: Zhu Yu and Yan Lin<br>PricewaterhouseCoopers<br>Address: 22/F, Prince's Building, Central, Hong Kong |
| Legal advisor as to PRC laws | Haiwen & Partners<br>Address: 21/F, Beijing Silver Tower, 2 Dong San Huan North Road, Chaoyang District, Beijing |
| Legal advisor as to Hong Kong laws | Clifford Chance<br>Address: 28/F, Jardine House, One Connaught Place, Central, Hong Kong |
| A-share registrar | China Securities Depository and Clearing Corporation Limited, Shanghai Branch<br>Address: 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai |
| H-share registrar | Computershare Hong Kong Investor Services Limited<br>Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |

# Chairman's Statement

Dear shareholders,

In the first half of 2013, the global economy continued to recover slowly, while domestic economic growth slowed down with accelerated structural adjustments. The Group actively responded to the challenges and accelerated strategic transformation. Various businesses ran smoothly, financial results grew steadily and asset quality remained stable.

In the first half of 2013, the Group's net profit reached RMB119,964 million, an increase of 12.65% over the same period last year. The annualised return on average assets and the annualised return on average equity were 1.66% and 23.90% respectively. Net interest margin was 2.71%, remaining unchanged over the same period last year. Capital adequacy indicators maintained the leading position among peers. At the end of June 2013, total capital ratio and common equity tier one ratio were 13.34% and 10.66% respectively.

Credit supply grew steadily to vigorously support the real economy. As at 30 June 2013, the Group's gross loans and advances to customers increased by RMB582,740 million, or 7.76%, to RMB8,095,052 million over the end of last year. By capitalising on its traditional strength in infrastructure sectors, loans to such sectors increased by RMB78,290 million, accounting for 46.90% of the increase in corporate loans. The Group continued to increase support for the development of "agriculture, farmers and rural areas" and small and micro businesses, the loan growth rates of which were over three percentage points higher than that of corporate loans. Residential mortgages, mainly supporting the purchase of ordinary apartments for residential purpose, increased by RMB171,171 million, or 11.20%. Loans to restricted areas decreased while loan quality was improved due to the resolute credit structural adjustments, and customer structure was further optimised since the balances of loans to local government financing vehicles and industries with excess capacity continued to decrease.

We maintained steady progress in integrated operations, with rapid development of overseas business. The Group's integrated operation platform gradually became complete, and its subsidiaries maintained a good development momentum with greatly improved profitability. Total overseas assets grew rapidly while the establishment of overseas entities developed steadily. At the end of June 2013, the total assets of domestic subsidiaries reached RMB101,139 million, an increase of 9.15% over the end of last year, and the net profit amounted to RMB1,021 million, a year-on-year increase of 47.64%. The total assets of overseas business increased by 22.70% over the end of last year to RMB636,310 million. Subsidiary banks in Russia and Dubai and Taipei branch opened in succession; the integration of entities in Hong Kong progressed smoothly; branches in Luxembourg, San Francisco and Toronto were awaiting formal approvals of local regulatory authorities.

We continuously promoted business transformation, with rapid progress in strategic businesses. The Group effectively built integrated outlets, integrated teller system and integrated marketing teams. In the first half of the year, the Group completed integrated transformation of 966 outlets with single function for personal banking business and 5,527 frontline counters with single function for corporate banking business, and established 3,139 integrated marketing teams. The Group vigorously strengthened product innovation with nearly 300 product innovations completed in fields including urbanisation, pension business, precious metals and online banking, providing its customers with differentiated and integrated financial service solutions. The underwriting volume of debt securities amounted to RMB167,300 million, ranking first among peers. Indicators of credit card business including increase in credit card issued, increase in loans, income per card, and asset quality outperformed those of peers. Cross-border RMB settlement business amounted to RMB395,122 million, a year-on-year increase of 42.91%. Electronic banking, financial social security, pension, cash management and other businesses developed rapidly.

We strengthened risk management and control, and the asset quality remained stable. The Group conscientiously implemented macroeconomic policies and regulatory requirements, enhanced the risk monitoring, reporting and disposal in key regions and industries, and timely and fully made provisions for impairment losses. It further promoted structural adjustments, comprehensively enhanced post-lending management, and strengthened risk prevention and mitigation. The Group actively promoted the implementation of advanced measurement method in capital management, deepened the research and development and the application of risk management techniques and tools, and continued to promote the building of comprehensive risk management system. At the end of June 2013, the non-performing loan (NPL) ratio was 0.99%, remaining unchanged over the end of last year. The ratio of allowances for impairment losses to NPLs was 265.20%, and the ratio of allowances for impairment losses to total loans was 2.63%. Both ratios were higher than the regulatory requirements.

In the first half of 2013, the Group's good performance won wide recognition from the market and community. We received nearly 30 accolades awarded by renowned organisations at home and abroad, and secured outstanding places in a number of important international rankings, including the fifth place in the "Top 1000 World Banks" published by *The Banker*, advancing by one place over last year; the 50th place in "Fortune Global 500" published by *Fortune*, advancing by 27 places over last year; and the 2nd place in "Global 2000" published by *Forbes*, advancing by 11 places over last year.

In the second half of 2013, the global economic environment is still complicated and challenging, and the domestic economy faces increasing downturn pressure with accelerated pace of financial reform. The Group will actively respond to the challenges of a changing operating environment, and continue to promote the development strategy featuring "integration, multifunction and intensiveness". The Group will also further optimise systems and mechanisms, reinforce development foundation, deepen structural adjustments, accelerate operational transformation, enhance risk prevention and control, maintain steady development of all businesses, and strive to achieve all reform and development goals for the year.

**Wang Hongzhang**
*Chairman*

23 August 2013

# President's Report

Dear shareholders,

In the first half of 2013, under the challenging external environment, the Group persisted in its sound and practical operating style with keen attention on the operating situation, and maintained a good momentum of development as a result of deepened strategic transformation and structural adjustments.

## Good business performance

At the end of June 2013, the Group's total assets reached RMB14,859,214 million, up 6.34% over the end of last year. The total liabilities increased by 6.41% to RMB13,858,703 million over the end of last year. Deposits from customers rose by 7.11% to RMB12,149,438 million over the end of last year. The profit before tax was RMB155,189 million, a year-on-year increase of 12.04%. Net profit was RMB119,964 million, a year-on-year increase of 12.65%. Operating income increased by 10.75% year-on-year to RMB252,307 million. Net interest margin (NIM) was 2.71%, which stayed unchanged over the same period last year. Net fee and commission income increased by 12.76% to RMB55,524 million, accounting for 22.01% of the operating income. Cost-to-income ratio fell to 24.63%, remaining at a low level.

## Steady development of all businesses

Credit supply was sound and orderly, with strengthened structural adjustments. The Group actively supported the real economy and demands in the livelihood sector. At the end of June, the Group's gross loans and advances to customers increased by 7.76% compared to the end of last year to RMB8,095,052 million. In this amount, the increase in loans to infrastructure sectors accounted for 46.90% of the increase in corporate loans, primarily extended to key national projects under construction or expansion. Residential mortgages increased by 11.20%, mainly granted to support customers to buy ordinary apartments for residential purpose. Agriculture-related loans rose by 7.79%, and in this amount, loans to new countryside construction increased by 45.48%. Development loans for indemnificatory housing projects adhered to the principle of commercial sustainability and increased by 30.91%. Loans for internet merchant business amounted to more than RMB100 billion since 2008, maintaining a leading position among peers.

Strategic businesses developed rapidly. The cumulative number of credit cards issued reached 47.44 million, with a spending amount of RMB567,203 million and a loan balance of RMB218,431 million; the core indicators maintained a leading position. The private banking business made great progress, with an increase of 16.87% in the number of private banking customers and an increase of 22.83% in their financial assets with the Bank. The increase in the number of securities investment funds under custody and the increase of the market share ranked first in the market; the first custody service for RQFII was officially put into operation. The number of contracted pension customers increased by 15.25% to 15,995; the pension assets under trusteeship amounted to RMB32,087 million, up 30.69%. The cross-border RMB settlement business increased by 42.91%. Total trading volume of precious metals increased by 28.91% year-on-year and the number of customers with the Bank's Account Precious Metals exceeded ten million, with significantly enhanced market competitiveness. Balance of wealth management products exceeded RMB1,000 billion, effectively meeting customers' needs. The underwriting volume of debt securities ranked first among peers, and income from new types of financial advisory services reached RMB4,642 million.

## Solid and effective risk management and control

Facing the severe challenges from external economic environment, the Group stuck to the bottom line in preventing risks and steadily promoted credit structure adjustments. The Group strengthened risk management and control of key industries, regions and customers. The proportion of loans to local government financing vehicles and "6+1" industries with excess capacity in corporate loans decreased compared to the end of last year. Despite the increase of NPLs in certain industries and areas against the backdrop of economic slowdown, the Group maintained overall controllable risk and stable credit assets quality and made adequate provisions for resisting and absorbing risks. At the end of June, the Group's NPL ratio was 0.99%, the same as that at the end of last year. The ratio of allowances for impairment losses to NPLs was 265.20% and the ratio of allowances for impairment losses to total loans was 2.63%.

The Group actively promoted the deepening and application of risk measurement techniques and tools, optimised customer rating system and market risk management system, and accelerated the application of advanced measurement method in operational risk. As approved by the Board, the Group had officially submitted to the CBRC the application of the implementation of advanced approach in capital management, striving to be the first batch of banks to implement the New Basel Capital Accord. Under the circumstances of temporary rise and fluctuations of the interest rates of money market in June, the Group took active and timely measures and maintained a reasonable level of liquidity to ensure safe payment and settlement.

## Business transformation driven by innovation

The Group enhanced fundamental management and innovation of products, and accelerated the building of the protection mechanism for consumer rights and interests, to further improve product innovation capability and market competitiveness. In the first half of the year, the Group completed 297 innovation projects, including the launch of CCB pension card with China Silver Industry Association and the customer-driven RMB-denominated gold futures in commodity and futures trading.

The Group accelerated the development of electronic banking business by fully enhancing five key capabilities, including channel trading, platform sales, system service, business innovation and risk control of electronic banking. Both the number of electronic banking customers and the application of electronic channel experienced rapid growth. The number of personal online banking customers and corporate online banking customers increased by 13.08% and 18.78% respectively. The ratio of the volume of accounting transactions through electronic banking to the total volume of accounting transactions through various channels was 44.07%. The number of members registered on the e-commerce platform, e.ccb.com, exceeded 1.50 million, with a transaction volume of nearly RMB10 billion and a financing volume of several billion RMB.

The Group steadily promoted the development of the first batch of the "New Generation Core Banking System", successfully completing design and implementation according to the project plan. The batch I systems are planned to be put into operation from October 2013 phase by phase. The application systems have been strengthened by delivering new product functions, such as multi-currency cards and two-way trading of precious metals. The Group promoted product innovation of internet merchant business, overseas corporate online banking system, and IT consolidation of institutions in Hong Kong.

## Outlook

In the second half of 2013, the Group will further promote structural adjustments and business transformation while focusing on revitalising the stock of credit resources, fully support the development of real economy, and stringently control risks, to ensure the sound business development. We will focus on the following tasks: We will enhance deposit stability, and reasonably control the growth of high-cost deposits. We will intensify the guidance on structural adjustments, and grant more loans to residential mortgages, small and micro businesses and agriculture-related areas. We will actively promote fee-based business in compliance with laws and regulations by cultivating growth potentials. We will comprehensively consider a variety of cost factors to promote differentiated and refined pricing policies. We will reinforce credit risk control, and closely prevent liquidity risk, market risk, operational risk, reputation risk and other risks.

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

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

23 August 2013

## Financial Review

In the first half of 2013, the global economy continued to recover slowly and China's economy developed steadily on the whole. China's GDP and the consumer price index increased by 7.6% and 2.4% respectively over the same period last year. The aggregate financing volume increased rapidly, while China's economy was plagued by weak consumption demand and excess capacity. The PBOC implemented prudent monetary policy and actively promoted the reform of interest rate liberalisation. On 20 July 2013, the PBOC extensively removed control over the lending rates of financial institutions.

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

### Statement of Comprehensive Income Analysis

In the first half of 2013, the Group recorded profit before tax of RMB155,189 million, up 12.04% over the same period last year. Net profit was RMB119,964 million, up 12.65% over the same period last year. The Group's profit achieved steady growth over the same period last year. This was mainly due to the following factors: First, the interest-earning assets increased moderately, with enhanced pricing management, pushing up net interest income by RMB17,968 million, or 10.59% compared to the same period in 2012. Second, the Group actively conducted service and product innovations. The net fee and commission income steadily increased by RMB6,281 million, or 12.76% over the same period last year. Third, the Group kept its operating expenses at a reasonable level. The cost-to-income ratio decreased by 0.65 percentage points to 24.63% compared with the same period last year.

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | Change (%) |
|---|---|---|---|
| Net interest income | **187,660** | 169,692 | 10.59 |
| Net non-interest income | **64,647** | 58,120 | 11.23 |
| – Net fee and commission income | **55,524** | 49,243 | 12.76 |
| **Operating income** | **252,307** | 227,812 | 10.75 |
| Operating expenses | **(81,067)** | (74,570) | 8.71 |
| Impairment losses | **(16,054)** | (14,738) | 8.93 |
| Share of profits less losses of associates and jointly controlled entities | **3** | 8 | (62.50) |
| **Profit before tax** | **155,189** | 138,512 | 12.04 |
| Income tax expense | **(35,225)** | (32,018) | 10.02 |
| **Net profit** | **119,964** | 106,494 | 12.65 |
| Other comprehensive income for the period, net of tax | **(2,038)** | 5,275 | (138.64) |
| **Total comprehensive income for the period** | **117,926** | 111,769 | 5.51 |

### *Net interest income*

In the first half of 2013, the Group's net interest income was RMB187,660 million, an increase of RMB17,968 million, or 10.59%, over the same period last year. The net interest income accounted for 74.38% of the operating income.

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

| | Six months ended 30 June 2013 | | | Six months ended 30 June 2012 | | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | Average balance | Interest income/ expense | Annualised average yield/cost (%) | Average balance | Interest income/ expense | Annualised average yield/cost (%) |
| **Assets** | | | | | | |
| Gross loans and advances to customers | 7,841,914 | 227,120 | 5.84 | 6,789,430 | 214,965 | 6.37 |
| Investments in debt securities | 2,856,667 | 51,850 | 3.66 | 2,772,660 | 48,966 | 3.55 |
| Deposits with central banks | 2,392,241 | 18,413 | 1.55 | 2,310,510 | 17,107 | 1.49 |
| Deposits and placements with banks and non-bank financial institutions | 695,709 | 12,375 | 3.59 | 558,594 | 10,663 | 3.84 |
| Financial assets held under resale agreements | 176,642 | 3,589 | 4.10 | 170,819 | 3,732 | 4.39 |
| Total interest-earning assets | 13,963,173 | 313,347 | 4.52 | 12,602,013 | 295,433 | 4.71 |
| Total allowances for impairment losses | (217,705) | | | (186,355) | | |
| Non-interest-earning assets | 427,384 | | | 321,416 | | |
| Total assets | 14,172,852 | 313,347 | | 12,737,074 | 295,433 | |
| **Liabilities** | | | | | | |
| Deposits from customers | 11,537,567 | 109,018 | 1.91 | 10,239,371 | 103,580 | 2.03 |
| Deposits and placements from banks and non-bank financial institutions | 892,167 | 10,632 | 2.40 | 1,118,767 | 17,819 | 3.20 |
| Financial assets sold under repurchase agreements | 30,487 | 575 | 3.80 | 40,297 | 925 | 4.61 |
| Debt securities issued | 283,301 | 4,958 | 3.53 | 195,047 | 3,399 | 3.50 |
| Other interest-bearing liabilities | 33,705 | 504 | 3.01 | 2,663 | 18 | 1.38 |
| Total interest-bearing liabilities | 12,777,227 | 125,687 | 1.98 | 11,596,145 | 125,741 | 2.18 |
| Non-interest-bearing liabilities | 382,652 | | | 268,563 | | |
| Total liabilities | 13,159,879 | 125,687 | | 11,864,708 | 125,741 | |
| **Net interest income** | | 187,660 | | | 169,692 | |
| **Net interest spread** | | | 2.54 | | | 2.53 |
| **Net interest margin** | | | 2.71 | | | 2.71 |

In the first half of 2013, the Group's net interest margin was 2.71%, the same as that of the same period last year. The main factors for the positive changes of net interest margin were as follows: First, the gross loans and advances to customers accounted for a higher proportion in interest-earning assets. Second, with strengthened control over the price and scale of deposits from banks and non-bank financial institutions, both the business volume and cost of deposits from banks and non-bank financial institutions decreased compared to the same period of 2012. Third, because of the benchmark deposit and lending interest rates cuts by the PBOC in 2012, the cost of deposits had a year-on-year decrease. The yield of loans decreased year-on-year due to the repricing of existing loans following the interest rate cuts, partially offsetting the positive effects of the above factors on net interest margin.

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

| (In millions of RMB) | Volume factor[1] | Interest rate factor[1] | Change in interest income/expense |
|---|---|---|---|
| **Assets** | | | |
| Gross loans and advances to customers | 31,572 | (19,417) | 12,155 |
| Investments in debt securities | 1,496 | 1,388 | 2,884 |
| Deposits with central banks | 635 | 671 | 1,306 |
| Deposits and placements with banks and non-bank financial institutions | 2,474 | (762) | 1,712 |
| Financial assets held under resale agreements | 122 | (265) | (143) |
| **Change in interest income** | 36,299 | (18,385) | 17,914 |
| **Liabilities** | | | |
| Deposits from customers | 12,239 | (6,801) | 5,438 |
| Deposits and placements from banks and non-bank financial institutions | (3,202) | (3,985) | (7,187) |
| Financial assets sold under repurchase agreements | (202) | (148) | (350) |
| Debt securities issued | 1,540 | 19 | 1,559 |
| Other interest-bearing liabilities | 441 | 45 | 486 |
| **Change in interest expenses** | 10,816 | (10,870) | (54) |
| **Change in net interest income** | 25,483 | (7,515) | 17,968 |

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

Net interest income increased by RMB17,968 million over the same period last year, in which an increase of RMB25,483 million was due to the movement of average balances of assets and liabilities, and a decrease of RMB7,515 million was due to the movement of average yields or costs.

**Interest income**

In the first half of 2013, the Group's interest income was RMB313,347 million, an increase of RMB17,914 million, or 6.06%, over the same period of 2012. In this amount, the proportions of interest income from loans and advances to customers, investments in debt securities, deposits with central banks, deposits and placements with banks and non-bank financial institutions were 72.48%, 16.55%, 5.88% and 3.95% respectively.

*Interest income from loans and advances to customers*

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

| (In millions of RMB, except percentages) | Six months ended 30 June 2013 | | | Six months ended 30 June 2012 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| **Corporate loans and advances** | 5,057,334 | 154,853 | 6.17 | 4,556,709 | 150,708 | 6.65 |
| Short-term loans | 1,785,299 | 52,928 | 5.98 | 1,510,690 | 49,678 | 6.61 |
| Medium to long-term loans | 3,272,035 | 101,925 | 6.28 | 3,046,019 | 101,030 | 6.67 |
| **Personal loans and advances** | 2,127,044 | 61,169 | 5.75 | 1,737,743 | 53,365 | 6.14 |
| **Discounted bills** | 144,625 | 3,737 | 5.21 | 120,837 | 5,005 | 8.33 |
| **Overseas operations and subsidiaries** | 512,911 | 7,361 | 2.89 | 374,141 | 5,887 | 3.16 |
| **Gross loans and advances to customers** | 7,841,914 | 227,120 | 5.84 | 6,789,430 | 214,965 | 6.37 |

Interest income from loans and advances to customers rose by RMB12,155 million, or 5.65% year-on-year, to RMB227,120 million, mainly because the average balance of loans and advances to customers increased by RMB1,052,484 million, or 15.50% year-on-year. And the average yield of loans and advances to customers decreased by 53 basis points to 5.84% over the same period last year, mainly due to the repricing of existing loans following the interest rate cuts in 2012. The Group actively adjusted credit structure and enhanced pricing management, and the weighted interest rate for newly granted loans increased every quarter from the beginning of the year.

*Interest income from investments in debt securities*

Interest income from investments in debt securities grew by RMB2,884 million, or 5.89%, to RMB51,850 million over the same period last year. This was mainly because the average yield of investments in debt securities increased by 11 basis points over the same period last year, due to the optimisation of the duration and structure of investments in RMB debt securities and increased investments in high-yield debt securities. In addition, the average balance of investments in debt securities increased by 3.03% year-on-year.

*Interest income from deposits with central banks*

Interest income from deposits with central banks amounted to RMB18,413 million, an increase of RMB1,306 million, or 7.63% over the same period last year. This was mainly because the average balance of deposits with central banks increased by 3.54% year-on-year. In addition, the amount of excess reserve was kept at a reasonable level, and the average yield increased by six basis points.

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

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB1,712 million to RMB12,375 million, a year-on-year increase of 16.06%. This was primarily because the average balance of deposits and placements with banks and non-bank financial institutions rose by 24.55% over the same period of 2012.

*Interest income from financial assets held under resale agreements*

Interest income from financial assets held under resale agreements decreased by RMB143 million, or 3.83%, year-on-year to RMB3,589 million. This was mainly because the average yield of financial assets held under resale agreements decreased by 29 basis points over the same period of 2012.

### Interest expense

In the first half of 2013, the Group's interest expense was RMB125,687 million, a year-on-year decrease of RMB54 million, or 0.04%.

*Interest expense on deposits from customers*

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

| (In millions of RMB, except percentages) | Six months ended 30 June 2013 Average balance | Six months ended 30 June 2013 Interest expense | Six months ended 30 June 2013 Average cost (%) | Six months ended 30 June 2012 Average balance | Six months ended 30 June 2012 Interest expense | Six months ended 30 June 2012 Average cost (%) |
|---|---|---|---|---|---|---|
| **Corporate deposits** | **5,929,795** | **52,881** | **1.80** | 5,302,376 | 50,068 | 1.90 |
| Demand deposits | **3,507,945** | **12,365** | **0.71** | 3,223,782 | 13,956 | 0.87 |
| Time deposits | **2,421,850** | **40,516** | **3.37** | 2,078,594 | 36,112 | 3.47 |
| **Personal deposits** | **5,399,359** | **54,846** | **2.05** | 4,791,478 | 52,414 | 2.20 |
| Demand deposits | **2,237,182** | **3,971** | **0.36** | 1,905,815 | 4,527 | 0.48 |
| Time deposits | **3,162,177** | **50,875** | **3.24** | 2,885,663 | 47,887 | 3.32 |
| **Overseas operations and subsidiaries** | **208,413** | **1,291** | **1.25** | 145,517 | 1,098 | 1.52 |
| **Total deposits from customers** | **11,537,567** | **109,018** | **1.91** | 10,239,371 | 103,580 | 2.03 |

Interest expense on deposits from customers rose to RMB109,018 million, representing an increase of RMB5,438 million, or 5.25%, over the same period of 2012, mainly because the average balance rose by RMB1,298,196 million, or a year-on-year increase of 12.68%. The average cost of deposits decreased by 12 basis points to 1.91% compared to the same period in 2012, mainly because of the benchmark deposit and lending interest rates cuts by the PBOC in 2012.

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

Interest expense on deposits and placements from banks and non-bank financial institutions reached RMB10,632 million, a decrease of RMB7,187 million, or 40.33%, over the same period of 2012, largely because both the average balance and average cost of deposits and placements from banks and non-bank financial institutions decreased year-on-year due to the tighter control over the price of such deposits. Specifically, the average balance and average cost of deposits and placements from banks and non-bank financial institutions decreased by 20.25% and 80 basis points respectively over the same period last year.

*Interest expense on financial assets sold under repurchase agreements*

Interest expense on financial assets sold under repurchase agreements decreased by RMB350 million or 37.84% year-on-year to RMB575 million. This was primarily because the average balance and average cost of financial assets sold under repurchase agreements decreased by 24.34% and 81 basis points year-on-year respectively.

*Net non-interest income*

The following table shows the Group's composition of the net non-interest income and the changes during the respective periods.

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | Change (%) |
|---|---|---|---|
| Fee and commission income | **56,995** | 50,525 | 12.81 |
| Minus: fee and commission expense | **(1,471)** | (1,282) | 14.74 |
| Net fee and commission income | **55,524** | 49,243 | 12.76 |
| Other net non-interest income | **9,123** | 8,877 | 2.77 |
| **Total** | **64,647** | 58,120 | 11.23 |

In the first half of 2013, the Group's net non-interest income reached RMB64,647 million, an increase of RMB6,527 million, or 11.23% over the same period in 2012.

**Net fee and commission income**

The following table shows the Group's composition of the net fee and commission income and the changes during the respective periods.

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | Change (%) |
|---|---|---|---|
| **Fee and commission income** | **56,995** | 50,525 | 12.81 |
| Consultancy and advisory fees | **13,035** | 10,475 | 24.44 |
| Bank card fees | **11,947** | 9,132 | 30.83 |
| Settlement and clearing fees | **6,514** | 6,175 | 5.49 |
| Agency service fees | **6,509** | 7,282 | (10.62) |
| Commission on trust and fiduciary activities | **5,300** | 4,562 | 16.18 |
| Wealth management service fees | **5,189** | 5,618 | (7.64) |
| Electronic banking service fees | **2,807** | 2,251 | 24.70 |
| Credit commitment fees | **1,518** | 1,467 | 3.48 |
| Guarantee fees | **1,009** | 1,095 | (7.85) |
| Others | **3,167** | 2,468 | 28.32 |
| **Fee and commission expense** | **(1,471)** | (1,282) | 14.74 |
| **Net fee and commission income** | **55,524** | 49,243 | 12.76 |

In the first half of 2013, the Group's net fee and commission income increased by RMB6,281 million, or 12.76%, over the same period of 2012 to RMB55,524 million. The ratio of net fee and commission income to operating income increased by 0.39 percentage points to 22.01%.

Consultancy and advisory fees increased by 24.44% to RMB13,035 million. It was mainly due to the steady growth of cost advisory service as a traditionally advanced business. Income from new financial advisory services such as mergers and acquisitions (M&A), restructuring and project financing grew fast.

Bank card fees grew by 30.83% to RMB11,947 million. In this amount, income from credit cards increased by over 50%, mainly because income from instalment transactions grew fast. Fees collected from bank cards operating on ATM maintained a double-digit increase.

Settlement and clearing fees increased by 5.49% to RMB6,514 million. In this amount, the conventional settlement service developed steadily. Income from new settlement products such as corporate letter of credit and corporate settlement card, which were strongly promoted, grew well.

Agency service fees decreased by 10.62% to RMB6,509 million. This was mainly because the income from trust agency service dropped. Meanwhile, income from financial services for housing reform recorded a good growth.

Commission on trust and fiduciary activities was RMB5,300 million, up 16.18%. In this amount, income from custodial services for securities investment funds, enterprise annuities and equity investment funds grew steadily.

Wealth management service fees dropped by 7.64% to RMB5,189 million. It was mainly because the newly allocated underlying assets had smaller risk exposures and shorter durations, as required by the cautious and prudent operation strategy and promotion of compliance operation. This resulted in lower asset prices compared with those of the same period last year. In addition, a relatively higher yield of investment in wealth management products was provided to maintain the market advantage and fulfil investors' demands.

Electronic banking service fees grew by 24.70% to RMB2,807 million. This was mainly due to the rapid growth of customer base and steady expansion of trading volume of electronic banking channels including online banking, mobile phone banking and SMS financial service.

Going forward, the Group will continue to make greater efforts in product innovation and service upgrade, and strive for improvement of customer experience and expansion of customer and channel bases, to promote the healthy and sustainable growth of fee and commission income.

**Other net non-interest income**

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | Change (%) |
|---|---|---|---|
| Net trading gain | **1,270** | 350 | 262.86 |
| Dividend income | **193** | 89 | 116.85 |
| Net gain arising from investment securities | **302** | 1,814 | (83.35) |
| Other net operating income | **7,358** | 6,624 | 11.08 |
| **Total** | **9,123** | 8,877 | 2.77 |

Other net non-interest income of the Group was RMB9,123 million, an increase of RMB246 million, or 2.77%, compared to the same period last year. In this amount, net trading gain was RMB1,270 million, with a significant increase of 262.86%, or a year-on-year growth of RMB920 million. It was mainly because of the largely increased gains from the trading of precious metals. Net gain arising from investment securities was RMB302 million, a decrease of RMB1,512 million, or 83.35% year-on-year. This was mainly because the realised investment gains from available-for-sale equity instruments for the same period last year were higher.

*Operating expenses*

The following table shows the composition of the Group's operating expenses during the respective periods.

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 |
|---|---|---|
| Staff costs | **35,985** | 33,982 |
| Premises and equipment expenses | **12,082** | 10,657 |
| Business taxes and surcharges | **15,780** | 14,975 |
| Other business costs | **4,165** | 2,681 |
| Others | **13,055** | 12,275 |
| **Total operating expenses** | **81,067** | 74,570 |
| **Cost-to-income ratio** | **24.63%** | 25.28% |

In the first half of 2013, facing the complex situation and serious challenges, the Group succeeded in strictly controlling general expenses by formulating rules and regulations to strengthen its cost management. The Group's total operating expenses were RMB81,067 million, a year-on-year increase of RMB6,497 million, or 8.71%, 10.49 percentage points lower than the growth rate of the same period last year. Other business costs were RMB4,165 million, an increase of RMB1,484 million, or 55.35% year-on-year. This was mainly because the insurance business of CCB Life grew rapidly and its costs and expenses correspondingly grew significantly. Cost-to-income ratio fell by 0.65 percentage points to 24.63% year-on-year, as cost efficiency further improved.

*Impairment losses*

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

| (In millions of RMB) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 |
|---|---|---|
| **Loans and advances to customers** | **16,067** | 14,726 |
| **Investments** | **(652)** | 172 |
| Available-for-sale financial assets | **(1,120)** | (253) |
| Held-to-maturity investments | **598** | 55 |
| Debt securities classified as receivables | **(130)** | 370 |
| **Others** | **639** | (160) |
| **Total impairment losses** | **16,054** | 14,738 |

In the first half of 2013, the Group's impairment losses were RMB16,054 million, an increase of RMB1,316 million year-on-year. In this amount, impairment losses on loans and advances to customers were RMB16,067 million, an increase of RMB1,341 million year-on-year. Reversal of impairment losses on investments were RMB652 million, which was mainly because part of the allowances for impairment losses on foreign currency bonds were reserved due to the improved issuers' fundamentals and the market rally.

### *Income tax expense*

In the first half of 2013, the Group's income tax expense reached RMB35,225 million, an increase of RMB3,207 million year-on-year. The Group's effective income tax rate was 22.70%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations.

## Statement of Financial Position Analysis

### *Assets*

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

| | **As at 30 June 2013** | | As at 31 December 2012 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Amount** | **% of total** | Amount | % of total |
| Gross loans and advances to customers | **8,095,052** | | 7,512,312 | |
| Allowances for impairment losses on loans | **(212,981)** | | (202,433) | |
| Net loans and advances to customers | **7,882,071** | **53.05** | 7,309,879 | 52.31 |
| Investments[1] | **2,909,560** | **19.58** | 2,866,648 | 20.52 |
| Cash and deposits with central banks | **2,536,161** | **17.07** | 2,458,069 | 17.59 |
| Deposits and placements with banks and non-bank financial institutions | **865,399** | **5.82** | 715,551 | 5.12 |
| Financial assets held under resale agreements | **335,442** | **2.26** | 316,685 | 2.27 |
| Interest receivable | **78,835** | **0.53** | 68,264 | 0.49 |
| Other assets[2] | **251,746** | **1.69** | 237,732 | 1.70 |
| **Total assets** | **14,859,214** | **100.00** | 13,972,828 | 100.00 |

1. These comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.

2. These comprise precious metals, positive fair value of derivatives, interests in associates and jointly controlled entities, fixed assets, intangible assets, goodwill, deferred tax assets and other assets.

As at 30 June 2013, the Group's total assets stood at RMB14,859,214 million, an increase of RMB886,386 million, or 6.34%, over the end of last year. This was mainly due to increases in loans and advances to customers, deposits and placements with banks and non-bank financial institutions. In this amount, with the Group's active support for the development in real economy and people's livelihood sectors, net loans and advances to customers accounted for 53.05% of total assets, an increase of 0.74 percentage points over the end of 2012. Deposits and placements with banks and non-bank financial institutions accounted for 5.82% of total assets, an increase of 0.70 percentage points, due to increases in principal-guaranteed wealth management products and corresponding fund use. The Group adjusted the amounts of investments in debt securities in accordance with the liquidity situation in the market, and investments decreased by 0.94 percentage points, accounting for 19.58% of total assets. Cash and deposits with central banks decreased by 0.52 percentage points, accounting for 17.07% of total assets.

**Loans and advances to customers**

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** **Amount** | **% of total** | As at 31 December 2012 Amount | % of total |
|---|---|---|---|---|
| **Corporate loans and advances** | **5,129,986** | **63.37** | 4,963,050 | 66.07 |
| Short-term loans | **1,758,655** | **21.72** | 1,725,607 | 22.97 |
| Medium to long-term loans | **3,371,331** | **41.65** | 3,237,443 | 43.10 |
| **Personal loans and advances** | **2,234,622** | **27.61** | 2,017,826 | 26.86 |
| Residential mortgages | **1,699,928** | **21.00** | 1,528,757 | 20.35 |
| Credit card loans | **218,431** | **2.70** | 177,936 | 2.37 |
| Personal consumer loans | **77,580** | **0.96** | 80,556 | 1.07 |
| Personal business loans | **95,489** | **1.18** | 101,776 | 1.36 |
| Other loans[1] | **143,194** | **1.77** | 128,801 | 1.71 |
| **Discounted bills** | **154,575** | **1.91** | 137,558 | 1.83 |
| **Overseas operations and subsidiaries** | **575,869** | **7.11** | 393,878 | 5.24 |
| **Gross loans and advances to customers** | **8,095,052** | **100.00** | 7,512,312 | 100.00 |

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

As at 30 June 2013, the Group's gross loans and advances to customers rose by RMB582,740 million, or 7.76%, over the end of 2012, to RMB8,095,052 million.

Domestic corporate loans and advances of the Bank reached RMB5,129,986 million, an increase of RMB166,936 million, or 3.36%, over the end of 2012, mainly invested in infrastructure sectors, small and micro businesses and agriculture-related loans. In this amount, short-term loans increased by RMB33,048 million, or 1.92%, and medium to long-term loans increased by RMB133,888 million, or 4.14%.

Domestic personal loans and advances of the Bank increased by RMB216,796 million, or 10.74% over the end of 2012, to RMB2,234,622 million. In this amount, residential mortgages rose by RMB171,171 million, or 11.20%, mainly to support the financing needs for residential purpose. Credit card loans maintained a rapid growth, increasing by RMB40,495 million, or 22.76% over the end of last year. Personal consumer loans and personal business loans decreased as a result of the enhancement of the loan use management and risk control.

Discounted bills increased by RMB17,017 million, or 12.37%, to RMB154,575 million over the end of 2012, chiefly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to customers of overseas entities and subsidiaries rose by RMB181,991 million, or 46.20%, over the end of 2012, to RMB575,869 million, largely attributable to the rapid loan growth in Hong Kong and other regions.

*Distribution of loans by type of collateral*

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** **Amount** | **% of total** | As at 31 December 2012 Amount | % of total |
|---|---|---|---|---|
| Unsecured loans | **2,217,693** | **27.40** | 2,084,988 | 27.76 |
| Guaranteed loans | **1,579,601** | **19.51** | 1,441,826 | 19.19 |
| Loans secured by tangible assets other than monetary assets | **3,489,172** | **43.10** | 3,176,420 | 42.28 |
| Loans secured by monetary assets | **808,586** | **9.99** | 809,078 | 10.77 |
| **Gross loans and advances to customers** | **8,095,052** | **100.00** | 7,512,312 | 100.00 |

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

| (In millions of RMB) | **Six months ended 30 June 2013** **Allowances for loans and advances which are collectively assessed** | **Allowances for impaired loans and advances** **which are collectively assessed** | **which are individually assessed** | **Total** |
|---|---|---|---|---|
| As at 1 January | **152,710** | **3,909** | **45,814** | **202,433** |
| Charge for the period | **5,070** | **1,410** | **15,232** | **21,712** |
| Release during the period | **–** | **–** | **(5,645)** | **(5,645)** |
| Unwinding of discount | **–** | **–** | **(721)** | **(721)** |
| Transfers out | **–** | **(1)** | **(450)** | **(451)** |
| Write-offs | **–** | **(386)** | **(4,994)** | **(5,380)** |
| Recoveries | **–** | **52** | **981** | **1,033** |
| **As at 30 June** | **157,780** | **4,984** | **50,217** | **212,981** |

In the first half of 2013, the Group adhered to the prudent principle by fully considering the impact of changes in external environment including macro economy and government control policies on credit asset quality, and made full provisions for impairment losses on loans and advances to customers. As at 30 June 2013, the allowances for impairment losses on loans and advances to customers were RMB212,981 million, an increase of RMB10,548 million over the end of 2012. The ratio of allowances to non-performing loans was 265.20%, down 6.09 percentage points over the end of 2012. The ratio of allowances to total loans stood at 2.63%, down 0.06 percentage points over the end of 2012.

**Investments**

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** Amount | % of total | As at 31 December 2012 Amount | % of total |
|---|---|---|---|---|
| Debt securities investments | **2,890,223** | **99.34** | 2,847,441 | 99.33 |
| Equity instruments | **18,612** | **0.64** | 17,967 | 0.63 |
| Funds | **725** | **0.02** | 1,240 | 0.04 |
| **Total investments** | **2,909,560** | **100.00** | 2,866,648 | 100.00 |

In the first half of 2013, in accordance with its annual investment and trading strategy and risk policy requirements, the Group proactively dealt with regulatory and market changes to achieve the balance between risks and returns, and continuously improved the yield of investment portfolio. As at 30 June 2013, the Group's investments totalled RMB2,909,560 million, an increase of RMB42,912 million, or 1.50% over the end of 2012. In this amount, debt securities investments accounted for 99.34% of total investments, an increase of 0.01 percentage points over the end of 2012.

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** Amount | % of total | As at 31 December 2012 Amount | % of total |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | **44,244** | **1.52** | 27,572 | 0.96 |
| Available-for-sale financial assets | **756,318** | **26.00** | 701,041 | 24.46 |
| Held-to-maturity investments | **1,891,545** | **65.01** | 1,918,322 | 66.92 |
| Debt securities classified as receivables | **217,453** | **7.47** | 219,713 | 7.66 |
| **Total investments** | **2,909,560** | **100.00** | 2,866,648 | 100.00 |

*Debt securities investments*

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** Amount | % of total | As at 31 December 2012 Amount | % of total |
|---|---|---|---|---|
| RMB | **2,830,525** | **97.93** | 2,775,236 | 97.46 |
| USD | **25,170** | **0.87** | 25,515 | 0.90 |
| HKD | **25,878** | **0.90** | 37,592 | 1.32 |
| Other foreign currencies | **8,650** | **0.30** | 9,098 | 0.32 |
| **Total investments in debt securities** | **2,890,223** | **100.00** | 2,847,441 | 100.00 |

As at 30 June 2013, total investments in debt securities increased by RMB42,782 million, or 1.50%, over the end of 2012 to RMB2,890,223 million. In this amount, RMB debt securities increased by RMB55,289 million, or 1.99%, while the foreign currency debt securities decreased by RMB12,507 million, or 17.32% over the end of 2012.

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** **Amount** | **% of total** | As at 31 December 2012 Amount | % of total |
|---|---|---|---|---|
| Government | **967,027** | **33.45** | 939,182 | 32.98 |
| Central banks | **216,972** | **7.51** | 335,309 | 11.78 |
| Policy banks | **393,422** | **13.61** | 351,086 | 12.33 |
| Banks and non-bank financial institutions | **849,699** | **29.40** | 798,952 | 28.06 |
| Public sector entities | **303** | **0.01** | 341 | 0.01 |
| Cinda | **52,794** | **1.83** | 57,622 | 2.02 |
| Other enterprises | **410,006** | **14.19** | 364,949 | 12.82 |
| **Total investments in debt securities** | **2,890,223** | **100.00** | 2,847,441 | 100.00 |

**Interest receivable**

As at 30 June 2013, the Group's interest receivable was RMB78,835 million, an increase of RMB10,571 million, or 15.49%, over the end of 2012. This was mainly due to the growth in loans and debt securities investments.

*Liabilities*

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** **Amount** | **% of total** | As at 31 December 2012 Amount | % of total |
|---|---|---|---|---|
| Deposits from customers | **12,149,438** | **87.67** | 11,343,079 | 87.10 |
| Deposits and placements from banks and non-bank financial institutions | **888,140** | **6.41** | 1,097,743 | 8.43 |
| Financial assets sold under repurchase agreements | **1,177** | **0.01** | 2,360 | 0.02 |
| Debt securities issued | **315,950** | **2.28** | 262,991 | 2.02 |
| Other liabilities[1] | **503,998** | **3.63** | 317,110 | 2.43 |
| **Total liabilities** | **13,858,703** | **100.00** | 13,023,283 | 100.00 |

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

As at 30 June 2013, the Group's total liabilities were RMB13,858,703 million, an increase of RMB835,420 million, or 6.41%, over the end of 2012. In this amount, deposits from customers, which provided the Group with stable funding source, increased by 0.57 percentage points over the end of 2012, and accounted for 87.67% of total liabilities. The Group imposed reasonable controls on the growth of deposits from other banks, while deposits and placements from banks and non-bank financial institutions accounted for 6.41% of total liabilities, a decrease of 2.02 percentage points. Debt securities issued increased by 0.26 percentage points, and accounted for 2.28% of total liabilities, mainly because the overseas branches and CCB Asia issued more certificates of deposit.

**Deposits from customers**

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

| (In millions of RMB, except percentages) | As at 30 June 2013 Amount | As at 30 June 2013 % of total | As at 31 December 2012 Amount | As at 31 December 2012 % of total |
|---|---|---|---|---|
| **Corporate deposits** | **6,348,152** | **52.25** | 6,073,726 | 53.55 |
| Demand deposits | **3,786,413** | **31.16** | 3,714,628 | 32.75 |
| Time deposits | **2,561,739** | **21.09** | 2,359,098 | 20.80 |
| **Personal deposits** | **5,593,048** | **46.04** | 5,077,930 | 44.77 |
| Demand deposits | **2,306,903** | **18.99** | 2,092,791 | 18.45 |
| Time deposits | **3,286,145** | **27.05** | 2,985,139 | 26.32 |
| **Overseas operations and subsidiaries** | **208,238** | **1.71** | 191,423 | 1.68 |
| **Total deposits from customers** | **12,149,438** | **100.00** | 11,343,079 | 100.00 |

As at 30 June 2013, the Group's total deposits from customers reached RMB12,149,438 million, an increase of RMB806,359 million, or 7.11% over the end of 2012. In this amount, domestic time deposits of the Bank increased by RMB503,647 million, or 9.42%, higher than the 4.92% growth of demand deposits, and accounted for 48.14% of total deposits from customers, an increase of 1.02 percentage points over the end of 2012.

*Shareholders' equity*

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

| (In millions of RMB) | As at 30 June 2013 | As at 31 December 2012 |
|---|---|---|
| Share capital | **250,011** | 250,011 |
| Capital reserve | **135,353** | 135,217 |
| Investment revaluation reserve | **1,722** | 3,023 |
| Surplus reserve | **86,718** | 86,718 |
| General reserve | **152,338** | 80,483 |
| Retained earnings | **371,887** | 391,034 |
| Exchange reserve | **(5,655)** | (4,818) |
| **Total equity attributable to equity shareholders of the Bank** | **992,374** | 941,668 |
| Non-controlling interests | **8,137** | 7,877 |
| **Total equity** | **1,000,511** | 949,545 |

As at 30 June 2013, the Group's total equity reached RMB1,000,511 million, an increase of RMB50,966 million over the end of 2012. The ratio of total equity to total assets for the Group was 6.73%. The daily average loan-to-deposit ratio for the first half of 2013 was 67.97%, up 1.66 percentage points year-on-year.

### *Analysis of off-balance sheet items*

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, and equity instrument contracts. Please refer to Note "Derivatives" in the "Financial Statements" of this half-year report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, outstanding litigation and disputes. Among these, credit commitments were the largest component, with an amount of RMB2,208,051 million as at 30 June 2013, an increase of 9.51% over the end of 2012. Please refer to Note "Commitments and contingent liabilities" in the "Financial Statements" of this half-year report for details on commitments and contingent liabilities.

## Loan Quality Analysis

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

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

| (In millions of RMB, except percentages) | **As at 30 June 2012** Amount | % of total | As at 31 December 2011 Amount | % of total |
|---|---|---|---|---|
| Normal | **7,811,176** | **96.50** | 7,233,287 | 96.29 |
| Special mention | **203,566** | **2.51** | 204,407 | 2.72 |
| Substandard | **31,169** | **0.38** | 32,745 | 0.43 |
| Doubtful | **40,927** | **0.51** | 33,713 | 0.45 |
| Loss | **8,214** | **0.10** | 8,160 | 0.11 |
| **Gross loans and advances to customers** | **8,095,052** | **100.00** | 7,512,312 | 100.00 |
| **Non-performing loans** | **80,310** | | 74,618 | |
| **Non-performing loan ratio** | | **0.99** | | 0.99 |

In the first half of 2013, the Group stepped up credit structure adjustments, strengthened comprehensive post-lending management and risk prevention and mitigation, and expedited NPL disposal. As a result, credit asset quality continued to be stable. As at 30 June 2013, the Group's NPLs were RMB80,310 million, an increase of RMB5,692 million from the end of 2012, while the NPL ratio remained the same as that of the end of 2012, at 0.99%. The proportion of special mention loans slid to 2.51%, 0.21 percentage points lower from the end of 2012.

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

The following table shows the Group's loans and NPLs by product type as at the dates indicated.

| (In millions of RMB, except percentages) | **As at 30 June 2013** Loans | NPLs | NPL ratio (%) | As at 31 December 2012 Loans | NPLs | NPL ratio (%) |
|---|---|---|---|---|---|---|
| **Corporate loans and advances** | **5,129,986** | **72,099** | **1.41** | 4,963,050 | 67,575 | 1.36 |
| Short-term loans | **1,758,655** | **47,356** | **2.69** | 1,725,607 | 40,298 | 2.34 |
| Medium to long-term loans | **3,371,331** | **24,743** | **0.73** | 3,237,443 | 27,277 | 0.84 |
| **Personal loans and advances** | **2,234,622** | **7,451** | **0.33** | 2,017,826 | 5,895 | 0.29 |
| Residential mortgages | **1,699,928** | **3,111** | **0.18** | 1,528,757 | 2,809 | 0.18 |
| Credit card loans | **218,431** | **1,273** | **0.58** | 177,936 | 1,090 | 0.61 |
| Personal consumer loans | **77,580** | **784** | **1.01** | 80,556 | 740 | 0.92 |
| Personal business loans | **95,489** | **1,546** | **1.62** | 101,776 | 580 | 0.57 |
| Other loans[1] | **143,194** | **737** | **0.51** | 128,801 | 676 | 0.52 |
| **Discounted bills** | **154,575** | **–** | **–** | 137,558 | – | – |
| **Overseas operations and subsidiaries** | **575,869** | **760** | **0.13** | 393,878 | 1,148 | 0.29 |
| **Total** | **8,095,052** | **80,310** | **0.99** | 7,512,312 | 74,618 | 0.99 |

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

As at 30 June 2013, affected by the macro-economic fluctuations, the NPL ratio for corporate loans and advances was 1.41%, an increase of 0.05 percentage points over the end of 2012, and that for personal loans and advances was 0.33%, an increase of 0.04 percentage points over the end of 2012. The Group strengthened overseas risk management and consolidated management at the Group level, and the asset quality of overseas entities and subsidiaries improved steadily.

### *Distribution of loans and NPLs by industry*

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

| | **As at 30 June 2013** | | | | As at 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Loans** | **% of total** | **NPLs** | **NPL ratio (%)** | Loans | % of total | NPLs | NPL ratio (%) |
| **Corporate loans and advances** | **5,129,986** | **63.37** | **72,099** | **1.41** | 4,963,050 | 66.07 | 67,575 | 1.36 |
| Manufacturing | **1,273,402** | **15.73** | **33,317** | **2.62** | 1,275,213 | 16.97 | 30,690 | 2.41 |
| Transportation, storage and postal services | **908,495** | **11.22** | **3,943** | **0.43** | 856,728 | 11.40 | 3,208 | 0.37 |
| Production and supply of electric power, heat, gas and water | **568,436** | **7.02** | **2,252** | **0.40** | 593,497 | 7.90 | 3,157 | 0.53 |
| Real estate | **486,507** | **6.01** | **3,609** | **0.74** | 456,811 | 6.08 | 4,462 | 0.98 |
| Leasing and commercial services | **426,956** | **5.27** | **1,316** | **0.31** | 390,186 | 5.19 | 1,606 | 0.41 |
| – Commercial services | **416,197** | **5.14** | **1,310** | **0.31** | 377,550 | 5.03 | 1,590 | 0.42 |
| Wholesale and retail trade | **360,305** | **4.45** | **20,994** | **5.83** | 356,434 | 4.74 | 17,656 | 4.95 |
| Water, environment and public utility management | **259,727** | **3.21** | **202** | **0.08** | 235,694 | 3.14 | 223 | 0.10 |
| Construction | **227,720** | **2.81** | **2,066** | **0.91** | 218,808 | 2.91 | 1,654 | 0.76 |
| Mining | **199,262** | **2.46** | **376** | **0.19** | 196,666 | 2.62 | 458 | 0.23 |
| – Exploitation of petroleum and natural gas | **3,981** | **0.05** | **8** | **0.20** | 13,501 | 0.18 | 12 | 0.09 |
| Education | **70,958** | **0.88** | **318** | **0.45** | 66,183 | 0.88 | 362 | 0.55 |
| Information transmission, software and information technology services | **23,863** | **0.29** | **988** | **4.14** | 24,639 | 0.33 | 984 | 3.99 |
| – Telecommunications, broadcast and television, and satellite transmission services | **17,583** | **0.22** | **489** | **2.78** | 19,159 | 0.26 | 495 | 2.58 |
| Others | **324,355** | **4.02** | **2,718** | **0.84** | 292,191 | 3.91 | 3,115 | 1.07 |
| **Personal loans and advances** | **2,234,622** | **27.61** | **7,451** | **0.33** | 2,017,826 | 26.86 | 5,895 | 0.29 |
| **Discounted bills** | **154,575** | **1.91** | **–** | **–** | 137,558 | 1.83 | – | – |
| **Overseas operations and subsidiaries** | **575,869** | **7.11** | **760** | **0.13** | 393,878 | 5.24 | 1,148 | 0.29 |
| **Total** | **8,095,052** | **100.00** | **80,310** | **0.99** | 7,512,312 | 100.00 | 74,618 | 0.99 |

In the first half of 2013, in line with the 12th Five-Year Plan and changes in other external policies, the Group timely optimised its credit policies and structural adjustment plan, and refined its criteria in customer selection. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. As affected by fluctuations in macro-economy and certain regional environment, the NPL ratios for manufacturing, wholesale and retail trade, and other industries rose.

*Rescheduled loans and advances to customers*

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** Amount | **As at 30 June 2013** % of gross loans and advances | As at 31 December 2012 Amount | As at 31 December 2012 % of gross loans and advances |
|---|---|---|---|---|
| **Rescheduled loans and advances to customers** | **2,331** | **0.03** | 2,563 | 0.03 |

As at 30 June 2013, rescheduled loans and advances to customers decreased by RMB232 million over the end of 2012, to RMB2,331 million, accounting for 0.03% of gross loans and advances.

*Overdue loans and advances to customers*

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** Amount | **As at 30 June 2013** % of gross loans and advances | As at 31 December 2012 Amount | As at 31 December 2012 % of gross loans and advances |
|---|---|---|---|---|
| Overdue for no more than 3 months | **26,897** | **0.34** | 24,715 | 0.33 |
| Overdue for 3 months to 1 year | **30,089** | **0.37** | 25,840 | 0.34 |
| Overdue for 1 to 3 years | **22,627** | **0.28** | 13,928 | 0.19 |
| Overdue for over 3 years | **10,822** | **0.13** | 12,593 | 0.17 |
| **Total overdue loans and advances to customers** | **90,435** | **1.12** | 77,076 | 1.03 |

As at 30 June 2013, overdue loans and advances to customers increased by RMB13,359 million to RMB90,435 million over the end of 2012, mainly because delinquencies rose as certain customers experienced difficulty in liquidity with the slowdown of domestic economy.

## Capital Adequacy Ratio Analysis

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

*Capital adequacy ratio*

According to the regulatory requirements, commercial banks have to simultaneously calculate and disclose capital adequacy ratios in accordance with the *Measures for Capital Management of Commercial Banks (Trial)* and the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*.

The following table shows the information related to the capital adequacy ratios of the Group and the Bank.

| | **As at 30 June 2013 The Group** | **As at 30 June 2013 The Bank** |
|---|---|---|
| **Capital adequacy ratios in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*** | | |
| Common Equity Tier 1 ratio | **10.66%** | **10.46%** |
| Tier 1 ratio | **10.66%** | **10.46%** |
| Total capital ratio | **13.34%** | **13.18%** |
| **Capital adequacy ratios in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*** | | |
| Core capital adequacy ratio | **11.37%** | **11.27%** |
| Capital adequacy ratio | **14.18%** | **13.94%** |

Capital adequacy ratios, which are calculated in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*, include operational risk into the measurement scope, with modifications of rules on capital definition, risk weights for on and off-balance sheet assets, and credit conversion factors for off-balance sheet assets. Changes of rules have an impact on the Group's capital adequacy ratios.

As at 30 June 2013, the Group's total capital ratio, which was calculated in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*, was 13.34%, down 0.29 percentage points over the end of the first quarter of 2013. This was mainly due to the implementation of the 2012 cash dividend plan in the second quarter of 2013.

### *Composition of capital*

The following table shows the information related to the composition of capital of the Group in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*.

| (In millions of RMB) | **As at 30 June 2013** |
|---|---|
| **Common Equity Tier 1 capital** | |
| Qualifying common share capital | **250,011** |
| Capital reserve[1] | **137,077** |
| Surplus reserve | **86,718** |
| General reserve | **152,333** |
| Retained earnings | **371,657** |
| Minority interest given recognition in Common Equity Tier 1 capital | **3,491** |
| Others[2] | **(5,222)** |
| **Deductions for Common Equity Tier 1 capital** | |
| Goodwill[3] | **1,434** |
| Other intangible assets (excluding land use right)[3] | **1,480** |
| Cash-flow hedge reserve | **193** |
| Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation | **3,902** |
| **Additional Tier 1 capital** | |
| Minority interest given recognition in Additional Tier 1 capital | **14** |
| **Tier 2 capital** | |
| Directly issued qualifying Tier 2 instruments including related stock surplus | **144,000** |
| Provisions in Tier 2 | **105,242** |
| Minority interest given recognition in Tier 2 capital | **93** |
| **Common Equity Tier 1 capital after deductions**[4] | **989,056** |
| **Tier 1 capital after deductions**[4] | **989,070** |
| **Total capital after deductions**[4] | **1,238,405** |

1. The investment revaluation reserve is included in capital reserve.

2. Others mainly contain foreign exchange reserve.

3. Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

4. Common Equity Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deductions is calculated by netting off the corresponding deduction items from the total capital.

*Risk-weighted assets*

The following table shows the information related to the risk-weighted assets of the Group in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*. The credit risk-weighted assets are calculated with the regulatory weight approach, the market risk-weighted assets are calculated with the standardised approach, and the operational risk-weighted assets are calculated with the basic indicator approach.

| (In millions of RMB) | As at 30 June 2013 |
|---|---|
| Credit risk-weighted assets | 8,524,651 |
| Market risk-weighted assets | 22,740 |
| Operational risk-weighted assets | 734,629 |
| **Total risk-weighted assets** | **9,282,020** |

*Credit risk exposure*

The following table shows the information related to the credit risk exposure of assets portfolios of the Group before and after mitigation in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*.

| | As at 30 June 2013 | |
|---|---|---|
| (In millions of RMB) | Risk exposure | Risk exposure after mitigation |
| **On-balance sheet credit risks items** | **14,793,372** | **14,156,778** |
| Cash and cash equivalents | 2,512,490 | 2,512,490 |
| Claims on central governments and central banks | 1,165,451 | 1,165,451 |
| Claims on public sector entities | 203,349 | 112,705 |
| Claims on domestic financial institutions | 2,656,137 | 2,438,572 |
| Claims on financial institutions registered in other countries/areas | 37,956 | 37,506 |
| Claims on general enterprises and public institutions | 5,642,443 | 5,319,337 |
| Claims on qualifying micro and small enterprises | 77,797 | 74,874 |
| Claims on individual customers | 2,244,093 | 2,242,187 |
| Equity investments | 19,959 | 19,959 |
| Securitisation | 2,707 | 2,707 |
| Other on-balance sheet items | 230,990 | 230,990 |
| **Off-balance sheet credit risk items** | **1,125,778** | **888,893** |
| **Counterparty credit risk** | **29,958** | **29,958** |
| **Total** | **15,949,108** | **15,075,629** |

### *Equity risk exposure of banking book*

The following table shows the information related to the equity risk exposure of banking book and the unrealised potential risk gains or losses of the Group.

| (In millions of RMB) | As at 30 June 2013<br>Publicly traded equity risk exposures[1] | Non-publicly traded equity risk exposures[1] | Unrealised potential risk gains or losses[2] |
|---|---|---|---|
| **Invested institution categories** | | | |
| Financial institutions | **1,435** | **1,066** | **351** |
| Non-financial institutions | **6,450** | **11,008** | **2,768** |
| **Total** | **7,885** | **12,074** | **3,119** |

1. Publicly traded equity risk exposures are the equity risk exposures of invested institutions that are listed companies. Non-publicly traded equity risk exposures are the equity risk exposures of invested institutions that are unlisted companies.

2. Unrealised potential risk gains or losses are the portion of gains or losses that have been recognised in the statement of financial position but not in the statement of comprehensive income.

## Differences between the Financial Statements Prepared under PRC GAAP and those Prepared under IFRS

There is no difference in the net profit for the six months ended 30 June 2013 or total equity as at 30 June 2013 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

## Business Review

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

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | | Six months ended 30 June 2012 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | Amount | % of total |
| Corporate banking | **74,798** | **48.20** | 70,610 | 50.98 |
| Personal banking | **39,617** | **25.53** | 26,022 | 18.79 |
| Treasury business | **38,621** | **24.88** | 39,044 | 28.19 |
| Others | **2,153** | **1.39** | 2,836 | 2.04 |
| **Profit before tax** | **155,189** | **100.00** | 138,512 | 100.00 |

## Corporate Banking

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | Change (%) |
|---|---|---|---|
| Net interest income | **93,562** | 88,198 | 6.08 |
| Net fee and commission income | **24,027** | 21,892 | 9.75 |
| Other operating income | **222** | 224 | (0.89) |
| **Operating income** | **117,811** | 110,314 | 6.80 |
| Operating expenses | **(31,544)** | (29,754) | 6.02 |
| Impairment losses | **(11,469)** | (9,950) | 15.27 |
| **Profit before tax** | **74,798** | 70,610 | 5.93 |
| | **As at 30 June 2013** | As at 31 December 2012 | |
| **Segment assets** | **5,665,623** | 5,368,220 | 5.54 |

Profit before tax from corporate banking segment, the Group's main profit contributor, increased by 5.93% over the same period last year to RMB74,798 million, and accounted for 48.20% of the Group's profit before tax. Operating income increased by 6.80% over the same period last year. In this amount, net interest income from corporate banking increased by 6.08% over the same period last year, driven by the development of corporate deposit and loan businesses; net fee and commission income increased by 9.75% over the same period last year, boosted by some key products such as cost advisory service and corporate settlement. The increase in non-performing corporate loans was more than that over the same period last year because of macro-economic fluctuations, and more provisions for impairment losses on non-performing corporate loans were made. As a result, impairment losses increased by 15.27% over the same period last year.

### *Corporate deposits*

While strengthening the retention of existing customers, the Bank also focused on portfolio application and innovation of deposit products to promote the steady growth of corporate deposits. At the end of June, domestic corporate deposits of the Bank amounted to RMB6,348,152 million, an increase of RMB274,426 million, or 4.52% over the end of last year. In this amount, demand deposits increased by 1.93%, and time deposits increased by 8.59%.

### *Corporate loans*

The Bank's corporate loans were granted at a stable and balanced pace to mainly support the development of real economy. At the end of June, domestic corporate loans and advances of the Bank amounted to RMB5,129,986 million, an increase of RMB166,936 million, or 3.36%. Loans to infrastructure sectors totalled RMB2,174,419 million, an increase of 3.73%. Agriculture-related loans amounted to RMB1,374,153 million, up 7.79%. In this amount, loans to new countryside construction increased by 45.48% to RMB107,966 million, with the number of pilot branches up to 26. Development loans for indemnificatory housing projects increased by 30.91% to RMB77,344 million under the principle of commercial sustainability. As a market leader in internet merchant business, the accumulated amount of loans in this field since 2008 exceeded RMB100 billion.

Loans to the "6+1" industries with excess capacity, including iron and steel, cement, coal chemical, plate glass, wind power equipment, polycrystalline silicon as well as the shipbuilding sector, decreased by RMB7,552 million over the end of 2012. Loans to government financing vehicles were effectively controlled and cleaned up. Those classified under the regulatory category amounted to RMB377,361 million, a decrease of RMB34,108 million, and the loans fully covered by cash flows accounted for 95.10%. Property development loans were mainly in support of the real estate customers and the general residential projects with high credit rating, good business performance and proper closed management of project funds. The outstanding balance of property development loans was RMB431,927 million, an increase of RMB16,157 million over the end of 2012.

*Small enterprise business*

The Bank regards small enterprise business as its strategic business. In the first half of 2013, the Bank continued to promote small business transformation with regard to "microfinance" and "standardisation", and conducted marketing in batches for small business through industrial chains, business communities and government, associations and other cooperation platforms. The Bank realised sales of petty loans at the outlets and 7*24 online handling throughout the whole process by fully taking advantage of outlets and network channels. The Bank continuously extended its product range, and developed four major product categories, including "Growing Path", "Easy Loan", "Petty Loan", and "Credit Loan". At the end of June, according to the SME standards jointly issued by four ministries and commissions including the Ministry of Industry and Information Technology in 2011, loans to small and micro businesses were RMB750,258 million, and the number of small and micro business customers reached 77,074.

*Cost advisory service*

Cost advisory service is the Bank's unique fee-based business product with a strong brand. It has had a history of nearly 60 years since it emerged and developed along with the Bank's long-term practices of investment in fixed assets and being the agency of the state financial functions. The Bank's 37 tier-one branches had the grade-A qualification for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, and 156 tier-two branches set up specialised units for cost advisory service. The Bank had sound rules and regulations and a product service system, and stable professional teams with rich practical experience and solid technical strength. By providing customers with high quality and effective services and preventing related business risks, the Bank proactively innovated products and endeavoured to explore the market by integrating the traditional cost advisory service with financial services. All these led to the improvement of its industry position and brand image. In the first half of 2013, income from cost advisory service amounted to RMB5,600 million, a year-on-year increase of 23.04%.

*Institutional business*

The Bank expanded on its "Minben Tongda" brand, and continuously promoted the sub-brand on comprehensive financial services for cultural sectors. The Bank entered into a strategic cooperation agreement with Xinhuanet. Both sides agreed to carry out in-depth cooperation in financial news information services, brand promotion, domestic and international markets exploration, social welfare promotion and other aspects. The Bank ranked first in terms of number of customers of the central finance authorised payment and non-tax revenue collection agency service. Through researches on channels and flows of the allocation of fiscal funds, the Bank spared no efforts to work on downstream receipt rate of the central finance authorised payment funds, with receipt rate increasing by 4.79 percentage points over last year. The total number of "Xincunguan" customers amounted to 22.37 million, ranking first in the market. The Bank continued to be the market leader in the number of accounts of through-train banking services for futures.

*International business*

In the first half of 2013, international settlement volume reached US$547 billion, a year-on-year increase of 14.21%; cross-border RMB settlement volume totalled RMB395,122 million, a year-on-year increase of 42.91%. Overseas letter of guarantee, as a matured cross-border financial service product, strongly supported Chinese enterprises' overseas financing, cross-border mergers and acquisitions, overseas project contracting, etc. The Bank started pilot work for fund collection of multinational corporations' headquarters and actively explored global cash management service to assist enterprises achieving overseas fund collection. The Bank continued to promote the building of cross-border RMB clearing network. At the end of June, the Bank opened 142 RMB nostro and vostro accounts for cross-border trading which covered 33 countries and regions.

*Asset custodial business*

Asset custodial business adopted a customer strategy of "a close eye on the market and differentiated marketing", and active marketing efforts were made for targeted prime customers for asset custodial business, achieving a rising market position. At the end of June, the Bank's assets under custody amounted to RMB2.77 trillion. The increases of the number and units of securities investments funds under custody ranked first in the market. The Bank had five new Qualified Foreign Institutional Investor (QFII) customers under custody, and the first RQFII custody service was officially put into operation. Insurance assets under custody amounted to RMB470,773 million, an increase of 12.23% over the end of last year. The Bank successfully obtained custody qualification of China's first bond index Exchange-Traded Funds (ETF) and cross-border ETF for U.S. stocks. The Bank was also the first batch of banks that were allowed to run custody services for pension product of enterprise annuity that was issued by fund manager of enterprise annuity and confirmed by regulatory authorities. Moreover, the first custody service of special asset management plan for the security company was officially put into operation.

*Pension business*

Pension business developed well with positive progress in product innovation. At the end of June, the number of contracted pension customers amounted to 15,995, an increase of 15.25%; pension assets under trusteeship amounted to RMB32,087 million, up 30.69%; pension assets under custody in operation amounted to RMB72,997 million, up 13.81%; the number of personal pension accounts in operation amounted to 2.88 million, an increase of 12.46%. The Bank and China Silver Industry Association jointly launched CCB pension card, being the first bank card product in pension business. The outstanding performance of the Bank's pension business gained market recognition, and was awarded the first "Chinese People's Livelihood, the Leading Brand of China's Pension Financial Services".

*Treasury management and settlement business*

Treasury management and settlement business developed rapidly, with significant growth in the number of both accounts and customers. At the end of June, the Bank had 3.62 million corporate RMB settlement accounts, an increase of 220,000 over the end of last year; it had 920,000 cash management customers, an increase of 160,000. Advantage products such as multiple-mode cash pool, corporate settlement card and all-in-one corporate accounts grew rapidly. The Bank optimised product functions such as real time cash pool, periodic payment limits and electronic commercial bill of corporate online banking. The market influence of the Bank's cash management service branded as "Yudao" steadily expanded.

## Personal Banking

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | Change (%) |
|---|---|---|---|
| Net interest income | **63,625** | 50,701 | 25.49 |
| Net fee and commission income | **19,069** | 16,205 | 17.67 |
| Other operating income | **1,110** | 451 | 146.12 |
| **Operating income** | **83,804** | 67,357 | 24.42 |
| Operating expenses | **(40,237)** | (36,846) | 9.20 |
| Impairment losses | **(3,950)** | (4,489) | (12.01) |
| **Profit before tax** | **39,617** | 26,022 | 52.24 |
| | **As at 30 June 2013** | As at 31 December 2012 | |
| **Segment assets** | **2,520,007** | 2,167,249 | 16.28 |

Personal banking segment achieved profit before tax of RMB39,617 million with a significant year-on-year increase of 52.24%, and accounted for 25.53% of the Group's profit before tax, up 6.74 percentage points. Operating income increased largely by 24.42% over the same period last year. In this amount, net interest income increased by 25.49% over the same period last year as a result of the rapid growth of personal deposit and loan businesses; net fee and commission income increased by 17.67%, benefiting from the growth of income from fee-based businesses including credit card and personal settlement. As the increase of personal overdue loans was less than that in the same period last year, the impairment losses decreased by RMB539 million over the same period last year.

*Personal deposits*

The Bank attracted funds and customers at source by actively carrying out peak season marketing and special marketing activities, and personal deposits grew rapidly. At the end of June, domestic personal deposits of the Bank rose by RMB515,118 million, or 10.14%, to RMB5,593,048 million. In this amount, demand deposits picked up by 10.23% and time deposits increased by 10.08%.

### *Personal loans*

Personal loans of the Bank grew steadily, and asset quality remained at a sound level. At the end of June, domestic personal loans of the Bank totalled RMB2,234,622 million, an increase of RMB216,796 million, or 10.74%, over the end of last year.

The Bank persisted in supporting residential housing, and endeavoured to provide customers with more innovative products and better professional services. The Bank continued to optimise the “Safe House Trading” housing fund custody service, to safeguard housing transaction funds. It granted indemnificatory housing loans to low and middle-income groups. At the end of June, residential mortgages of the Bank increased by 11.20% to RMB1,699,928 million, ranking first in the market in terms of loan balance.

The Bank persisted in its standard of quality customers plus effective collateral for personal consumer and operation loans to mainly provide services to the livelihood sectors, with enhanced fundamental management and optimised operation model. In this amount, personal business loans reached RMB95,489 million, and personal agriculture-related loans increased by 18.05% to RMB7,941 million.

### *Private banking business*

According to the operating principle of “high net worth clients, high standard service”, the Bank formed a full-function open architecture and comprehensive service platform by integrating marketing, service and trading, to satisfy the full-range and whole-life-cycle demands of customers and their families and enterprises. At the end of June, the number of private banking customers increased by 16.87%, and their financial assets with the Bank increased by 22.83%. The Bank actively promoted comprehensive solutions and innovated cash management businesses for personal customers including fund collection, fund transfer, profit generated by cash, daily butler service, etc. It accelerated the issuance of exclusive wealth management products for private banking customers and established a mechanism of periodical issuance of customised wealth management products. The Bank enhanced the credit service capability for private banking customers, and strengthened the capacity of innovating investment and loan solutions for private banking customers to meet their diversified financing needs. It improved the electronic service channels such as online banking service exclusively for private banking customers and promoted the application of electronic channels for contracted private banking customers.

### *Bank cards business*

#### **Credit card business**

Credit card business maintained sustainable, healthy and rapid development with leading core business indicators among peers. Its core competitiveness, risk control ability and value creation capability were further enhanced. At the end of June, the Bank recorded 47.44 million credit cards with an increase of 7.12 million. The spending amount through credit cards reached RMB567,203 million, and the loan balance was RMB218,431 million. Leveraging on the marketing strength of outlets as the main channel, the Bank provided customers with diversified card application services by successively launching internet, mobile phone, SMS, QR code and other electronic channels. It actively carried out industry application project of financial IC credit card with IC card issued in the first half of the year exceeding five million. It vigorously developed circular consumption credit business with low risk and high return such as instalment plan, and further explored online processing of car-purchasing instalment and self-service channel of instalment plan. The Bank continuously enhanced the building of card-using environment and improved customer experience, especially enhanced innovation in online financial services. All these led to the improvement of the online one-stop integrated financial service capabilities including online payment, online card application, cash instalment, car-purchasing instalment, airline ticket and business travel, point redemption, etc.

#### **Debit card business**

The Bank vigorously carried out innovation for mobile payment products and expanded the product functions of bank cards. It strengthened the market expansion in key social utilities including social securities, medical care, campus, ETC, and urban transport, and explored the long-term card-issuing mode regarding the cooperation between the Bank and enterprises. It vigorously promoted debit cards spending to enhance the proportion of income from debit cards spending in bank cards income. At the end of June, the number of debit cards issued increased by 43.05 million to 483 million. The spending amount through debit cards reached RMB1,581,093 million. A total of 9.45 million wealth management cards were issued. The Bank issued 54.58 million financial IC debit cards, an increase of 30.82 million, forming an initial card issuance scale. The Bank issued 5.85 million express settlement cards, an increase of 750,000 cards, targeted at individual business proprietors for their payment and settlement demands.

### *Entrusted housing finance business*

Adhering to the philosophy of “supporting housing reform and serving common people”, the Bank aims at providing high quality comprehensive financial services for housing reform. At present, the Bank cooperates with nearly 3,000 housing fund management departments, and provides financial services to more than one million participating entities and over 47 million participants. At the end of June, housing fund deposits were RMB567,234 million, while personal provident housing loans were RMB901,292 million, an increase of 15.36%. The Bank also intensified support for the indemnificatory housing projects and the purchase of owner-occupied housing by low and middle-income residents, and granted provident fund loans of RMB24,551 million for indemnificatory housing projects, and personal indemnificatory housing combined loans of RMB4,598 million to 26,000 low and middle-income residents.

## Treasury Business

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | Change (%) |
|---|---|---|---|
| Net interest income | **26,995** | 28,251 | (4.45) |
| Net fee and commission income | **11,300** | 10,165 | 11.17 |
| Net trading gain/(loss) | **1,911** | (9) | (21,333.33) |
| Net gain arising from investment securities | **322** | 200 | 61.00 |
| Other net operating income/(loss) | **(93)** | 2,768 | (103.36) |
| **Operating income** | **40,435** | 41,375 | (2.27) |
| Operating expenses | **(2,441)** | (2,851) | (14.38) |
| Impairment losses | **627** | 520 | 20.58 |
| **Profit before tax** | **38,621** | 39,044 | (1.08) |
| | **As at 30 June 2013** | As at 31 December 2012 | |
| **Segment assets** | **6,016,274** | 6,065,163 | (0.81) |

The profit before tax from treasury business decreased by 1.08% over the same period last year, and accounted for 24.88% of the Group's profit before tax, a decrease of 3.31 percentage points over the same period last year. Operating income decreased by 2.27% over the same period last year. Net interest income decreased by 4.45% over the same period last year, due to the increase of internal treasury fund transfer expenses. As a result of fast development of products including financial advisory service, trading of precious metals, and underwriting of debt securities, net fee and commission income grew by 11.17%. An increase of RMB107 million of impairment losses was reversed compared with the same period last year, mainly because part of the allowances for impairment losses on foreign currency bonds were reserved due to the improved issuers' fundamentals and the market rally.

### *Financial markets business*

The Bank adhered to its annual investment and trading strategy and risk policies in its financial market business. It sought a balance between risks and returns while proactively responded to the changes of regulations and market environment, with greatly improved market position.

With regard to the use of RMB fund, the Bank strengthened analysis and forecasts of liquidity of the market and within itself, and actively responded to liquidity changes, reasonably arranged the timing and scale of financing, and broadened the financing channels, to provide strong support for the Bank's liquidity safety under tight liquidity situation in the market. By accurately tracking the interest rate movements and reasonably arranging debt securities variety and term structure, the yield of RMB-denominated non-reorganisation debt securities portfolio rose substantially and the yield of trading accounts was significantly ahead of inter-bank bond index. The Bank ranked second in the over-the-counter trading volume of book-entry treasury bonds, further enhancing its influence in the market.

With regard to the use of foreign currency funds, the Bank prudently conducted inter-bank lending and stayed alert to counterparty credit risks. It followed the credit changes of issuers of foreign currency debt securities, and reduced its holdings as appropriate.

Precious metal business developed fast, with a widened customer base and a significantly improved competitiveness. In the first half of 2013, the total trading volume of precious metals reached 17,420.97 tonnes, an increase of 28.91% over the same period last year. The number of customers with the Account Precious Metals exceeded ten million, up 42.75% over the end of last year. The Bank successfully launched agency service for personal trading business in Shanghai Gold Exchange, OTC customer-driven copper hedging under the category of commodity financing.

The Bank proactively responded to market competition and regulatory changes, and enhanced market-making capability in foreign exchange trading business. In the first half of 2013, the transaction volume of customer-driven foreign exchange trading business reached US$202,541 million, and the Bank ranked first in China interbank foreign exchange market including spot, forward, swap and option.

### *Investment banking*

Financial advisory services maintained a good development momentum. In the first half of 2013, the income from financial advisory services was RMB6,327 million. In this amount, income from new financial advisory services of "Rongzhi" amounted to RMB4,642 million, up 30.61% over the same period last year.

The Bank proactively carried out the collaborative marketing for the underwriting of debt securities. In the first half of 2013, the Bank carried out collaborative peak season marketing activities for debt financing business, and underwrote various debt securities of RMB167,300 million, up 20.61% over the same period last year, ranking first among peers.

The Bank achieved sound growth in wealth management business. In the first half of 2013, the Bank independently issued 3,953 batches of wealth management products with an amount of RMB3,199,200 million. The balance of wealth management products was RMB1,016,100 million. In this amount, the balance of principal-guaranteed wealth management products was RMB489,900 million. The income from wealth management business was RMB4,870 million. The funds raised from wealth management products were mainly granted to industries including manufacturing, transportation, storage and postal services, production and supply of electric power, heat, gas and water, instead of those policy-restrained industries such as commercial real estate and "high-pollution, high-energy-consumption industries and industries with excess capacity". The Bank took the lead in providing underwriting service for asset-backed notes. Application materials have been officially submitted to regulatory authorities for "Jianyuan", the first securitisation project of corporate loans in 2013.

## Overseas Business and Domestic Subsidiaries

### *Overseas business*

Leveraging on the development opportunity of the internationalisation of RMB and the national "Going-Global" strategy, the Bank accelerated the establishment of global integrated service network, with the further improved profitability and capability of sustainable development of overseas entities. In the first half of 2013, subsidiary banks were established in Russia and Dubai, and Taipei Branch opened successfully. The integration of entities in Hong Kong went on smoothly. At the end of June 2013, the Group had ten tier-one overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Ho Chi Minh City, Sydney and Taipei, and five wholly-owned subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Dubai and CCB International. Its overseas entities covered 14 countries and regions. The total assets of overseas business were RMB636,310 million, up 22.70% over the end of last year, and the net profit was RMB1,004 million, up 49.45% over the same period last year.

### *Domestic subsidiaries*

The Group's integrated operation strategy is to accelerate the development of the insurance, trust, investment banking, mutual funds, leasing, securities and other non-banking businesses, while developing banking as its core business. The Group endeavours to build an operating framework that covers interconnected markets and complementary businesses, with diversified income and decentralised and controllable risk, and realise customer-oriented functions selection, to provide customers with integrated and diversified financial services. At the end of June 2013, the Group had several domestic subsidiaries in non-banking financial sector, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, and CCB Life. The Group set up banking institutions in specific sectors and regions, to provide professional and differentiated services, such as Sino-German Bausparkasse and 27 rural banks.

At the end of June, the total assets of domestic subsidiaries were RMB101,139 million, up 9.15% over the end of last year, and the net profit reached RMB1,021 million, a year-on year increase of 47.64%. In this amount, CCB Life maintained a fast business growth and gained premium income of RMB4,078 million. CCB Trust established active management trusts of RMB21,382 million, an increase of RMB9,668 million over the same period last year. The Group enhanced cross-selling and business collaboration between parent company and subsidiaries, and promoted synergistic collaboration in channels, customers and products, with further optimised business synergy mechanism between parent company and subsidiaries.

### Analysed by Geographical Segment

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2013** | | Six months ended 30 June 2012 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | Amount | % of total |
| Yangtze River Delta | **19,392** | **12.50** | 20,793 | 15.01 |
| Pearl River Delta | **22,214** | **14.31** | 18,387 | 13.28 |
| Bohai Rim | **24,629** | **15.87** | 20,324 | 14.67 |
| Central | **23,699** | **15.27** | 18,426 | 13.30 |
| Western | **25,489** | **16.42** | 20,977 | 15.15 |
| Northeastern | **8,077** | **5.21** | 7,329 | 5.29 |
| Head office | **30,383** | **19.58** | 31,437 | 22.70 |
| Overseas | **1,306** | **0.84** | 839 | 0.60 |
| **Profit before tax** | **155,189** | **100.00** | 138,512 | 100.00 |

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** | | As at 31 December 2012 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | Amount | % of total |
| Yangtze River Delta | **2,621,903** | **17.65** | 2,453,994 | 17.57 |
| Pearl River Delta | **2,096,048** | **14.11** | 2,006,787 | 14.36 |
| Bohai Rim | **2,658,515** | **17.89** | 2,590,592 | 18.54 |
| Central | **2,349,305** | **15.81** | 2,171,327 | 15.54 |
| Western | **2,433,540** | **16.38** | 2,269,546 | 16.24 |
| Northeastern | **903,683** | **6.08** | 863,899 | 6.18 |
| Head office | **5,715,220** | **38.46** | 5,431,210 | 38.87 |
| Overseas | **636,310** | **4.28** | 518,579 | 3.71 |
| Deferred tax assets | **28,257** | **0.19** | 27,051 | 0.19 |
| Elimination | **(4,583,567)** | **(30.85)** | (4,360,157) | (31.20) |
| **Total assets** | **14,859,214** | **100.00** | 13,972,828 | 100.00 |

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** Loans and advances | % of total | NPLs | NPL ratio (%) | As at 31 December 2012 Loans and advances | % of total | NPLs | NPL ratio (%) |
|---|---|---|---|---|---|---|---|---|
| Yangtze River Delta | **1,722,646** | **21.28** | **40,128** | **2.33** | 1,670,643 | 22.24 | 32,941 | 1.97 |
| Pearl River Delta | **1,140,457** | **14.09** | **10,510** | **0.92** | 1,091,848 | 14.53 | 9,096 | 0.83 |
| Bohai Rim | **1,364,794** | **16.86** | **6,250** | **0.46** | 1,301,564 | 17.33 | 6,848 | 0.53 |
| Central | **1,276,106** | **15.76** | **9,950** | **0.78** | 1,195,748 | 15.92 | 9,635 | 0.81 |
| Western | **1,367,164** | **16.89** | **6,335** | **0.46** | 1,270,163 | 16.91 | 8,187 | 0.64 |
| Northeastern | **482,175** | **5.96** | **4,400** | **0.91** | 461,574 | 6.14 | 4,920 | 1.07 |
| Head office | **229,481** | **2.83** | **2,148** | **0.94** | 188,074 | 2.50 | 1,966 | 1.05 |
| Overseas | **512,229** | **6.33** | **589** | **0.11** | 332,698 | 4.43 | 1,025 | 0.31 |
| **Gross loans and advances to customers** | **8,095,052** | **100.00** | **80,310** | **0.99** | 7,512,312 | 100.00 | 74,618 | 0.99 |

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

| (In millions of RMB, except percentages) | **As at 30 June 2013** Amount | % of total | As at 31 December 2012 Amount | % of total |
|---|---|---|---|---|
| Yangtze River Delta | **2,409,440** | **19.83** | 2,215,637 | 19.53 |
| Pearl River Delta | **1,870,724** | **15.40** | 1,743,868 | 15.38 |
| Bohai Rim | **2,237,688** | **18.42** | 2,161,208 | 19.05 |
| Central | **2,243,829** | **18.47** | 2,054,347 | 18.11 |
| Western | **2,324,867** | **19.13** | 2,156,594 | 19.01 |
| Northeastern | **851,613** | **7.01** | 814,177 | 7.18 |
| Head office | **16,089** | **0.13** | 17,396 | 0.15 |
| Overseas | **195,188** | **1.61** | 179,852 | 1.59 |
| **Deposits from customers** | **12,149,438** | **100.00** | 11,343,079 | 100.00 |

## Distribution Channels

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

The Bank had a total of 14,295 operating outlets nationwide, including the head office, 38 tier-one branches, 316 tier-two branches, 10,226 sub-branches, 3,714 entities under the sub-branches and a specialised credit card centre at the head office. The Bank pushed forward the building of operating outlets, and accumulatively started renovation of 1,040 operating outlets in the first half of 2013, with continuously improved overall image of outlets; 196 new outlets opened, with further optimised outlet layout.

In the first half of 2013, the Bank established 11 private banking centres and wealth management centres, pushing the total number of such centres in operation to 322. At the end of June, there were 286 small business operating centres in the form of “Credit Factory”, an increase of 42 centres, covering 236 cities at prefecture level. A total of nearly 1,300 personal loan centres were built, covering all cities at prefecture level and above as well as the top hundred counties (cities), and became the major channel for the Bank to provide its personal loan products and service.

### *Electronic banking*

The Bank strived to develop the strength of electronic banking by capitalising on one core application of “E.ccb.com” plus two classic cases of “Joy Life” and “Student Benefit”. The Bank proactively promoted the development of electronic banking channels, which was tightly connected to the usage of mobile phone, personal computer and tablet computer, explored the integration of website and online banking as well as intelligent development mode, and constantly enriched and optimised products and services. In the first half of 2013, the volume of accounting transactions through electronic banking accounted for 44.07% of that through various channels, up 3.65 percentage points over the end of last year.

**Online banking**

The Bank’s personal online banking released functions such as cross-bank fund collection and two-way trading of Account Precious Metals. The number of personal online banking customers increased by 13.08% to 134.86 million over the end of last year; the number of transactions was 2,558 million, an increase of 25.82% over the same period last year. The Bank kept pushing the corporate channel integration for corporate online banking, and enhanced optimisation of the second phase of overseas corporate online banking and its application and promotion in New York Branch. The number of corporate online banking customers reached 2.53 million, an increase of 18.78% over the end of last year; the number of transactions was 927 million, an increase of 68.85% over the same period last year.

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

The Bank adhered to the development strategy of “business companion plus financial innovation” for e.ccb.com, provided corporate customers with financing products such as factoring, order financing, guaranteed joint loans and collateralised loans, and provided personal customers with financial services including petty loans, collateralised loans and credit card instalment. The Bank continued to improve its financing service platform- “ehome.ccb.com”, for independent property trading, and further optimised collaborative mechanism with physical channels such as personal loan centres, with improved customer experience. By further enhancing the merchant management and the promotion of classic cases, the Bank constantly launched various marketing activities such as flash sale, low-ball bid and seckill, to significantly increase the number of active merchants, transactions and financing volume. At the end of June 2013, e.ccb.com had more than 1.50 million members, the transaction volume reached nearly RMB10 billion, and the financing volume to merchants reached several billion RMB.

**Telephone banking**

The number of telephone banking customers was 137.55 million, an increase of 10.63% over the end of last year. In the first half of 2013, the total number of received calls to 95533 reached 204.27 million.

**Mobile phone banking**

The number of mobile phone banking customers reached 100.75 million, an increase of 20.08% over the end of last year; the number of transactions was 456 million, an increase of 235.29% over the same period last year. The number of SMS finance customers amounted to 180.63 million, an increase of 14.03% over the end of last year.

**Self-service banks**

The Bank continuously accelerated the launch of self-service equipment. At the end of June 2013, there were 62,391 ATMs with cash service in operation, an increase of 5,423. There were 15,304 self-service banks in operation, an increase of 1,490.

## Staff Information

The following table sets forth the distribution of the Group's staff by geographical segment:

| | As at 30 June 2013 | | As at 31 December 2012 | |
|---|---|---|---|---|
| | **Number of staff** | **% of total** | Number of staff | % of total |
| Yangtze River Delta | **54,067** | **15.38** | 54,676 | 15.39 |
| Pearl River Delta | **42,099** | **11.97** | 42,587 | 11.99 |
| Bohai Rim | **59,300** | **16.87** | 59,218 | 16.67 |
| Central | **77,257** | **21.97** | 78,602 | 22.12 |
| Western | **67,037** | **19.07** | 68,195 | 19.20 |
| Northeastern | **36,551** | **10.40** | 37,029 | 10.42 |
| Head office | **12,286** | **3.49** | 12,129 | 3.41 |
| Overseas | **2,990** | **0.85** | 2,854 | 0.80 |
| **Total** | **351,587** | **100.00** | 355,290 | 100.00 |

At the end June 2013, the Bank had 344,913 staff members (besides, the Bank had 19,386 workers dispatched by labour leasing companies). The staff members with academic qualifications of bachelor's degrees or above were 186,236, or 54.00%, and the number of local employees in overseas entities was 498. In addition, the Bank had to assume the expenses of 45,695 retired employees. The subsidiaries had 6,674 employees.

# Risk Management

In the first half of 2013, the Bank promoted the development of comprehensive risk management framework, and adhered to the bottom line of risk management, with the enhanced prospectiveness, effectiveness and market responsiveness of risk management. The overall risk profile remained stable.

## Credit Risk Management

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

In the first half of 2013, the Bank further strengthened credit risk management, reinforced the monitoring, reporting, handling and assessment of key risk indicators, and enhanced risk evaluation and prevention for key industries, regions, and large credit customers. It continued to promote credit structure adjustments and optimise customer structure, and the asset quality remained stable.

*Strengthening the monitoring of key risk indicators and promoting prevention and mitigation of key risk areas*. The Bank strengthened monitoring and analysis of warning indications for the quality of assets such as overdue and special mention loans as well as the off-balance-sheet advances to mitigate potential risks in a timely manner. For key areas such as wholesale and retail, manufacturing, steel trade, photovoltaic industry and shipping, the Bank conducted trace analysis and prediction of risk trends, and took active measures to ensure risks in related areas were controllable.

*Optimising risk management assessment mechanism to prevent and control risk at its source*. The Bank integrated risk compliance indicator and corresponding weight into the performance appraisal system, with indicators fully covering all types of risks. The Bank implemented "one-vote veto" policy in relation to the indicator of "case prevention and control", and adopted a zero tolerance policy for significant risk compliance events. The making of impairment allowances and measurement of economic capital fully reflected the condition of non-performing and overdue loans, which guided and promoted the Bank to attach great importance to the asset quality.

*Sticking to development strategy to promote structural adjustments and improve operation capability*. The Bank enhanced customer selection and risk ranking, highlighted the guiding role of economic capital and risk-adjusted return on capital in structural adjustments, and made a priority to allocate credit resources to businesses which occupy less capital, have lower risk weight and get higher returns. The Bank also optimised economic capital and industry limits to promote the transformation of business development model from scale-driven to capital intensification.

*Strengthening the development of risk measurement tools and deepening the application of those tools in all aspects of business processes*. The Bank strengthened the monitoring of the performance of customer rating model, and gradually optimised the customer rating model in an orderly and focused manner. The Bank researched and developed a set of quantitative assessment tools for major risk categories and set up a monitoring indicators system of concentration risks with regard to industries, regions, customers and other dimensions.

*Implementing responsibility system of comprehensive risk management, clarifying responsibilities and conscientiously performing duties*. The Bank had initially established a top-down responsibility system of comprehensive risk management, which covered all business lines and processes. At the head office level, each business line actively optimised the system and processes within its scope of responsibility, and monitored, inspected and mitigated related risks. At the branch level, the management of branches and sub-branches, particularly principal in-charge, conscientiously took responsibilities for risk prevention and personally involved in risk mitigation for key customers to ensure effective controls over risks.

### *Concentration of credit risks*

In the first half of 2013, in line with regulatory requirements, the Bank proactively adopted a series of measures to prevent large exposure of concentration risk, including further tightening lending criteria, adjusting business structure, controlling the credit granting pace, and revitalising existing credit assets.

At the end of June 2013, the gross loans to the largest single borrower accounted for 4.54% of the net capital of the Group, while those to the ten largest customers accounted for 14.20% of the net capital.

**Concentration of loans**

| | **As at 30 June 2013** | As at 31 December 2012 | As at 31 December 2011 |
|---|---|---|---|
| Ratio of loans to the largest single customer (%) | **4.54** | 3.86 | 3.30 |
| Ratio of loans to the ten largest customers (%) | **14.20** | 14.76 | 15.18 |

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

| (In millions of RMB, except percentages) | **Industry** | **As at 30 June 2013**<br>**Amount** | <br>**% of total loans** |
|---|---|---|---|
| Customer A | Transportation, storage and postal services | **56,206** | **0.69** |
| Customer B | Transportation, storage and postal services | **16,610** | **0.21** |
| Customer C | Manufacturing | **15,892** | **0.20** |
| Customer D | Transportation, storage and postal services | **13,616** | **0.17** |
| Customer E | Transportation, storage and postal services | **13,587** | **0.17** |
| Customer F | Transportation, storage and postal services | **12,524** | **0.15** |
| Customer G | Water, environment and public utility management | **11,969** | **0.15** |
| Customer H | Transportation, storage and postal services | **11,880** | **0.15** |
| Customer I | Transportation, storage and postal services | **11,877** | **0.15** |
| Customer J | Transportation, storage and postal services | **11,685** | **0.14** |
| **Total** | | **175,846** | **2.18** |

## Liquidity Risk Management

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

In the first half of 2013, the PBOC continued to implement prudent monetary policy. Since the statutory deposit reserve ratio was still at a high level, the bank's function of creating derivative deposits was inhibited to some extent, leading to intensified competition in deposit business. Subject to the joint influences of rapid loan growth, concentrated settlement of corporate income tax, increased demand of cash in Dragon Boat Festival, changes in the foreign exchange market, payment of statutory deposit reserve and other factors, interest rates of money market rose and fluctuated temporarily in June. In response to its liquidity situation, the Bank took timely measures, including actively attracting deposits, adjusting the amounts of investments in debt securities, financial assets held under resale agreements, deposits with banks and non-bank financial institutions, and other assets, and strengthening large fund flow forecast. The Bank continued to maintain a reasonable level of liquidity, and ensured safe payment and settlement.

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

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

| (%) | | **Regulatory standard** | **As at 30 June 2013** | As at 31 December 2012 | As at 31 December 2011 |
|---|---|---|---|---|---|
| Liquidity ratio[1] | RMB | ≥25 | **51.94** | 56.73 | 53.70 |
| | Foreign currency | ≥25 | **43.12** | 58.81 | 53.54 |

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

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

| (In millions of RMB) | **Indefinite** | **Repayable on demand** | **Within one month** | **Between one and three months** | **Between three months and one year** | **Between one and five years** | **More than five years** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Long/(short) position as at 30 June 2013** | **2,522,319** | **(6,265,587)** | **(502,011)** | **(269,669)** | **(153,141)** | **1,999,358** | **3,669,242** | **1,000,511** |
| Long/(short) position as at 31 December 2012 | 2,378,642 | (5,929,790) | (738,936) | (259,318) | 209,588 | 1,895,777 | 3,393,582 | 949,545 |

The Group regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 30 June 2013, the accumulated gap of various maturities of the Group was RMB1,000,511 million, an increase of RMB50,966 million over the end of 2012. Despite the negative gap for repayment on demand totalling RMB6,265,587 million, the Group is expected to enjoy a stable funding source and maintain stable liquidity in the future given its strong and expansive deposit customer base, relatively stable core demand deposits, and steady growth in deposits.

## Market Risk Management

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

In the first half of 2013, the Bank refined its market risk management policy system, strengthened risk monitoring, and optimised management tools, enhancing its market risk management capability.

*Refining market risk management policy system*. The Bank formulated and issued its market risk policies and limit schemes for the year 2013, conducted risk assessment and mitigation of new products in financial market business in advance and refined parameter management procedures of trading systems.

*Enhancing risk management of issuers and counterparties*. The Bank strengthened post-investment management of credit-related debt securities investments, conducted dynamic risk classification and assessment, and unified its counterparty management rules, further optimising the counterparty credit risk management.

*Strengthening market risk monitoring and reporting*. Significant market risk was reported to the senior management in a timely manner, and early warnings and risk alerts were sent to the trading front desk to ensure that market emergencies were responded effectively. The Bank continued to adhere to weekly re-inspection system, established and improved the mechanism for risk assessment and key risk points inspection and monitoring, and enhanced the whole process risk management and control of the financial market business.

*Improving market risk measurement capability*. The Bank re-examined market risk measurement curve, conducted verification of measurement models, position data and market parameters to further improve data quality, and optimised market risk measurement system with a global reach, focusing on improving the capability of independent measurement of market risk.

### *Value at Risk analysis*

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

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

| | **For the six months ended 30 June 2013** | | | | For the six months ended 30 June 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| (In millions of RMB) | **As at 30 June** | **Average** | **Maximum** | **Minimum** | As at 30 June | Average | Maximum | Minimum |
| Risk valuation of trading portfolio | **75** | **34** | **75** | **14** | 89 | 57 | 116 | 26 |
| – Interest rate risk | **86** | **21** | **86** | **6** | 49 | 30 | 59 | 16 |
| – Foreign exchange risk | **15** | **26** | **57** | **12** | 77 | 47 | 96 | 14 |
| – Commodity risk | **2** | **2** | **18** | **–** | 4 | 7 | 80 | – |

### *Interest rate risk management*

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

In the first half of 2013, the Bank strengthened management of net interest margin by adjusting the structure of assets and liabilities and enhancing the pricing capability for deposits and loans. Meanwhile, the Bank actively responded to the impact of interest rate liberalisation by dynamically tracking market changes, adopting a pricing strategy which combined the differentiated and standardised techniques, and adjusting authorisation in a timely manner to quickly respond to customers' needs. The Bank conducted regular analysis by comprehensively using multiple tools such as interest rate sensitivity gap, net interest income sensitivity analysis, scenario simulation, stress tests and other methods. The overall interest rate risk was kept within the set tolerable level and the net interest margin stayed unchanged over the same period last year.

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

| (In millions of RMB) | Non-interest-bearing | Less than three months | Between three months and one year | Between one year and five years | More than five years | Total |
|---|---|---|---|---|---|---|
| **Interest rate sensitivity gap as at 30 June 2013** | **20,068** | **(3,316,471)** | **3,444,169** | **(118,328)** | **971,073** | **1,000,511** |
| Interest rate sensitivity gap as at 31 December 2012 | 157,050 | (1,755,646) | 1,736,008 | (90,498) | 902,631 | 949,545 |

In the first half of 2013, the accumulated positive gap for a period less than one year was RMB127,698 million, which widened by RMB147,336 million compared to the end of last year, mainly due to the decrease of deposits and placements from banks and non-bank financial institutions which were re-priced within one year. The Group's positive gap for a period more than one year was RMB852,745 million, which widened by RMB40,612 million over the end of last year, mainly due to the growth of investments in long-term debt securities.

**Net interest income sensitivity analysis**

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

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

| | Change in net interest income | | | |
|---|---|---|---|---|
| (In millions of RMB) | Rise by 100 basis points | Fall by 100 basis points | Rise by 100 basis points (demand deposit rates being constant) | Fall by 100 basis points (demand deposit rates being constant) |
| **As at 30 June 2013** | **(45,588)** | **45,588** | **21,187** | **(21,187)** |
| As at 31 December 2012 | (36,670) | 36,670 | 26,887 | (26,887) |

### *Foreign exchange rate risk management*

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

The Bank continuously optimised the measurement, monitoring and reporting system of foreign exchange rate risk, had established a normalised exchange rate risk management mechanism, periodically reported to senior management exchange rate risk indicators, stress tests and change analysis. The Bank attached great importance to the development of the exchange rate risk management system, optimised the system twice in the first half of the year, i.e. improving measurement rules for currency options and data range of overseas branches respectively.

*Currency Concentrations*

| (In millions of RMB) | As at 30 June 2013 USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total | As at 31 December 2012 USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
|---|---|---|---|---|---|---|---|---|
| Spot assets | **630,777** | **167,739** | **68,484** | **867,000** | 524,730 | 153,916 | 125,957 | 804,603 |
| Spot liabilities | **(516,811)** | **(194,077)** | **(144,368)** | **(855,256)** | (432,029) | (161,150) | (178,574) | (771,753) |
| Forward purchases | **602,364** | **49,348** | **137,604** | **789,316** | 409,707 | 9,581 | 232,258 | 651,546 |
| Forward sales | **(717,235)** | **(5,789)** | **(54,631)** | **(777,655)** | (499,732) | (5,363) | (179,561) | (684,656) |
| Net options position | **188** | **–** | **–** | **188** | 28 | – | (1) | 27 |
| **Net long position** | **(717)** | **17,221** | **7,089** | **23,593** | 2,704 | (3,016) | 79 | (233) |

As at 30 June 2013, net exposure of the Group's foreign exchange rate risk was a positive value of RMB23,593 million, an increase of RMB23,826 million compared to 31 December 2012. Exchange rate risk rose a little bit but within a controllable level on the whole.

## Operational Risk Management

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

In the first half of 2013, the Bank continuously strengthened its operational risk management to guarantee the safe operation of the Bank's businesses. The Bank strengthened continuous identification, monitoring and alert of fraud risk, and actively explored the technological paths to control and monitor external fraud risk. The Bank continued to promote self-assessment of operational risk, focused on assessing risky areas and businesses, strengthened risk re-examination, and found out and rectified flaws in management. The Bank continued to carry out monitoring and inspection of key risk points, and monitored and reported risks in key positions and links by applying key risk indicators. The Bank constantly improved incompatible positions (responsibilities) management, re-examined policy, continued to enhance the proportion of machine control, and strengthened the rigid constraints of position checks and balances. The Bank revised and improved business continuity management policy, and promoted the application of advanced measurement method to support risk analysis and quantitative management.

### *Anti-money laundering*

In the first half of 2013, the Bank strictly enforced anti-money laundering (AML) laws, regulations and regulatory policies, enhanced customer investigation and reporting of large transactions and suspicious transactions, actively carried out trainings and promotion programmes on AML, and explored the establishment of AML risk assessment mechanism.

## Reputation Risk Management

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

The Bank attaches great importance to reputation risk management, and integrates reputation risk management into the comprehensive risk management system. It adheres to source management, integrates reputation risk management into the whole process of operation and management of the Bank and all aspects of customer service, actively and effectively prevents reputation risk and responds to reputation risk events to proactively maintain a good corporate image.

In the first half of 2013, the Bank further enhanced reputation risk management, actively promoted the building of reputation risk management mechanism, improved the accountability system, and clarified management requirements for the whole process from pre-event prevention, event dealing to post-event follow-up, to continuously improve product and service quality. The Bank further improved the degree of reputation risk identification, refined monitoring classifications and categories, optimised control measures, and enhanced post-event assessment. The Bank explored the characteristics, regularity and appropriate countermeasures of new media in depth, summarised the experience of reputation risk events handling, and prepared case studies to enhance response to reputation risk event. The Bank strengthened reputation risk training for staff at branch and sub-branch levels, improved staff's awareness and response capabilities regarding reputation risk, and fostered the culture of reputation risk management.

## Consolidated Management

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

In the first half of 2013, the Bank fully implemented the latest regulatory requirements of consolidation, and continued to strengthen consolidated management of subsidiaries. By focusing on the implementation of comprehensive strategic objectives, the Bank optimised consolidated management tools, refined consolidated management measures, and enhanced consolidated management capabilities to effectively improve risk prevention capability for comprehensive operation.

*Reinforcing consolidated management for capital adequacy ratio*. The Bank implemented the revised capital adequacy ratio management measures of the Bank to improve the precision of consolidated capital adequacy ratio measurement. The Bank implemented the requirements of *Measures for Capital Management of Commercial Banks (Trial)* to improve the Group's capital management capability.

*Enhancing large risk exposure management*. The Bank accelerated the unified credit management at the Group level, and strengthened the management and control for the same counterparty's credit risk exposure. The Bank continuously monitored and analysed large exposures at the Group level, and optimised the industry limit management by incorporating the subsidiaries into the scope of industry limit management.

*Strengthening the Group's internal transaction management*. The Bank improved the internal transaction management policies and procedures, guided subsidiaries to improve their policies, and optimised the management process of related party transactions. The Bank analysed the Group's data of internal transactions and reported these transactions periodically.

*Enhancing risk management in other fields at the Group level*. The Bank regularly organised and implemented liquidity risk stress tests at the Group level and submitted to the CBRC the Bank's liquidity risk report, which covers all subsidiaries. The Bank optimised country-specific risk management system and strengthened monitoring and early warning of country-specific risk. The Bank refined market risk policies at the Group level and carried out monitoring and reporting of overseas banking subsidiaries' market risk limits. The Bank conducted on-site survey with regard to subsidiaries' legal risk and standardised the Group's legal risk prevention.

*Promoting the building of consolidated management information system*. The Bank enhanced information sharing of customers shared by both the parent company and subsidiaries, opened the commercial lending process management system to subsidiaries, and accelerated the building of the Group's new generation core banking system.

## Internal Audit

The Bank adheres to a relatively independent and vertically managed internal audit system. In order to promote the establishment of a sound and effective risk management mechanism, internal control system and corporate governance procedures, the Bank's internal audit department evaluates the effectiveness of the internal controls and risk management, the effect of corporate governance procedures, the efficiency of business operations, and the economic responsibilities of relevant personnel, and proposes suggestions for improvement on the basis of its internal audit.

In the first half of 2013, the internal audit adhered to the principle of scientific auditing, and conducted a series of systemic audit projects across the bank, including follow-up audit for some branches' bulk agency collection and payment business, dynamic audit investigation for credit business, audit for entrusted loans business, audit for some branches' IT operation, audit for the operation and management of the principal businesses of overseas entities and subsidiaries, and audit on economic responsibility during the term of office. Audit offices conducted selected audit projects as appropriate based on actual situations of local branches, ensuring reasonable audit coverage. The Bank emphasised on improving audit quality and effectiveness, deployed audit resources adequately, reasonably and effectively, enhanced audit follow-up and rectification to promote the effective use of audit results. The Bank established a sound long-term mechanism for capability improvement, further promoted the development of audit specialisation and off-site audit techniques, exercised strict management over the audit offices and the staff to promote the continuous improvement of audit capability based on the achievements of the activity named "Audit Capability Enhancement Year".

# Prospects

In the second half of 2013, the global economy is expected to maintain a slow recovery. The US economy experiences an enhanced recovery and recession in Europe slows down, while emerging economies face weakened growth momentum. China's economy enters into a critical stage of structural adjustments, and "making progress while ensuring stability" will be the main tone of government's economic work in the second half of the year. China will continue to adopt proactive fiscal policy and prudent monetary policy, and money and credit supply as well as aggregate financing of the economy are expected to grow steadily and moderately. Meanwhile, diversified and multi-level financial services system advances rapidly; the PBOC has extensively removed control over the lending rate of financial institutions with the accelerated reform process of interest rate liberalisation.

Under such circumstances, the Group will continue to deepen structural adjustments and business transformation while focusing on revitalising the stock of credit resources, fully support the development of real economy, and stringently control all kinds of risks to ensure sound business development. Efforts will be made in the following areas. First, the Group will take advantage of the advantageous settlement products to consolidate customer funds, enhance deposit stability, and reasonably control the growth of the high-cost deposits. Second, the Group will intensify the guidance of structural adjustments, and grant more loans to residential mortgages, small and micro businesses and agriculture-related area. Third, the Group will actively promote fee-based business in compliance with laws and regulations, and cultivate growth potentials by capitalising on key products. Fourth, the Group will comprehensively consider a variety of cost factors including fund cost, operation cost, risk cost and capital cost, and promote differentiated and refined pricing policies. Fifth, the Group will accelerate the development of strategic businesses such as electronic banking, financial social security card, cash management and pension business. Sixth, the Group will reinforce credit risk control, expedite the disposal and mitigation of large exposures and cluster risks, and closely prevent liquidity risk, market risk, operational risk, reputation risk and other risks.

## Changes in Shares

Unit: share

| | 1 January 2013 | | Increase/(Decrease) during the reporting period | | | | | 30 June 2013 | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Percentage (%) | Issuance of additional shares | Bonus issue | Shares converted from capital reserve | Others | Sub-total | Number of shares | Percentage (%) |
| **(I) Shares subject to selling restrictions** | – | – | – | – | – | – | – | – | – |
| **(II) Shares not subject to selling restrictions** | | | | | | | | | |
| 1. RMB ordinary shares | 9,593,657,606 | 3.84 | – | – | – | – | – | 9,593,657,606 | 3.84 |
| 2. Overseas listed foreign investment shares | 91,915,429,499 | 36.76 | – | – | – | 43,965,000 | 43,965,000 | 91,959,394,499 | 36.78 |
| 3. Others[1] | 148,501,890,381 | 59.40 | – | – | – | (43,965,000) | (43,965,000) | 148,457,925,381 | 59.38 |
| **(III) Total number of shares** | 250,010,977,486 | 100.00 | – | – | – | – | – | 250,010,977,486 | 100.00 |

1. H-shares not subject to selling restrictions held by the promoters of the Bank, i.e. Huijin, Baosteel Group, State Grid, and Yangtze Power.

## Number of Shareholders and Particulars of Shareholdings

At the end of the reporting period, based on the register of members as at 30 June 2013, the Bank had a total of 804,043 shareholders, of which 52,581 were holders of H-shares and 751,462 were holders of A-shares.

Unit: share

**Total number of shareholders** — **804,043 (Total number of registered holders of A-shares and H-shares as at 30 June 2013)**

**Particulars of shareholdings of the top ten shareholders**

| Name of shareholder | Nature of shareholder | Shareholding percentage (%) | Total number of shares held | Number of shares subject to selling restrictions | Number of shares pledged or frozen |
|---|---|---|---|---|---|
| Huijin | State-owned | 57.03 | 142,590,494,651 (H-shares) | None | None |
| | | 0.23 | 568,586,125 (A-shares) | None | None |
| HKSCC Nominees Limited[1] | Foreign legal person | 28.24 | 70,599,517,306 (H-shares) | None | Unknown |
| Temasek[1] | Foreign legal person | 7.15 | 17,878,670,050 (H-shares) | None | None |
| State Grid[1,2] | State-owned | 1.14 | 2,851,817,730 (H-shares) | None | None |
| Baosteel Group | State-owned | 0.80 | 2,000,000,000 (H-shares) | None | None |
| | | 0.13 | 318,860,498 (A-shares) | None | None |
| China Ping An Life Insurance Company Limited – Traditional – Ordinary insurance products | Domestic non-state-owned legal person | 0.86 | 2,143,438,329 (A-shares) | None | None |
| Bank of America | Foreign legal person | 0.80 | 2,000,000,000 (H-shares) | None | None |
| Yangtze Power[1] | State-owned | 0.41 | 1,015,613,000 (H-shares) | None | None |
| Reca Investment Limited | Foreign legal person | 0.34 | 856,000,000 (H-shares) | None | None |
| China Ping An Life Insurance Company Limited – Traditional – High interest rate insurance policy products | Domestic non-state-owned legal person | 0.24 | 591,906,825 (A-shares) | None | None |

1. On 4 May 2012, Temasek declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 17,878,670,050 H-shares of the Bank. As at 30 June 2013, State Grid and Yangtze Power held 2,851,817,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Besides the H-shares of the Bank held by Temasek, State Grid and Yangtze Power, another 70,599,517,306 H-shares of the Bank were held under the name of HKSCC Nominees Limited.

2. As at 30 June 2013, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: Yingda International Holdings Group Co. Ltd. held 812,035,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 374,500,000 shares and State Grid International Development Co., Ltd. held 350,000,000 shares.

3. Some of the shareholders mentioned above are subject to management by the same entity. Apart from this, the Bank has not been aware of any connected relation or acting in concert among the shareholders.

## Changes in Substantial Shareholders and Actual Controlling Parties

During the reporting period, there had been no change in substantial shareholders and actual controlling parties.

## Material Interests and Short Positions

The interests and short positions held by substantial shareholders and other persons in the shares and underlying shares of the Bank as required to be recorded in the register kept under Section 336 of the *SFO* of Hong Kong were as follows as at 30 June 2013:

| Name | Interests and short positions in shares | Nature | % of the relevant class of issued shares | % of total issued shares |
|---|---|---|---|---|
| Huijin[1] | 133,262,144,534 (H-shares) | Long position | 59.31 | 57.03 |
| | 492,631,014 (A-shares) | Long position | 5.13 | 0.20 |
| Temasek[2] | 17,878,670,050 (H-shares) | Long position | 7.44 | 7.15 |

1. On 22 May 2009, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% of the H-shares issued then (224,689,084,000 shares) and 57.03% of total shares issued then (233,689,084,000 shares). As at 30 June 2013, according to the H-share register of members of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% of the H-shares issued (240,417,319,880 shares) and 57.03% of total shares issued (250,010,977,486 shares) at the end of the period. On 17 June 2013, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 492,631,014 A-shares of the Bank, accounting for 5.13% of the A-shares issued then (9,593,657,606 shares) and 0.20% of total shares issued then (250,010,977,486 shares). As at 30 June 2013, according to the A-share register of members of the Bank, Huijin directly held 568,586,125 A-shares of the Bank, accounting for 5.93% of the A-shares issued (9,593,657,606 shares) and 0.23% of total shares issued (250,010,977,486 shares) at the end of the period.

2. This is pursuant to the declaration of Temasek to Hong Kong Stock Exchange on 4 May 2012.

## Particulars of Directors, Supervisors and Senior Management

### Directors of the Bank

Members of the Bank's board of directors included executive directors: Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Zhu Hongbo and Mr. Hu Zheyi; non-executive directors: Mr. Zhu Zhenmin, Mr. Qi Shouyin, Ms. Chen Yuanling and Mr. Dong Shi; independent non-executive directors: Mr. Yam Chi Kwong, Joseph, Dame Jenny Shipley, Ms. Elaine La Roche, Mr. Zhao Xijun and Mr. Wong Kai-Man.

### Supervisors of the Bank

Members of the Bank's board of supervisors included shareholder representative supervisors: Mr. Zhang Furong, Ms. Liu Jin and Ms. Li Xiaoling; employee representative supervisors: Mr. Jin Panshi, Mr. Li Weiping, Ms. Huang Shuping and Mr. Zhang Huajian; and external supervisors: Mr. Wang Xinmin and Mr. Bai Jianjun.

### Senior Management of the Bank

Senior management of the Bank included Mr. Zhang Jianguo, Mr. Zhu Hongbo, Mr. Hu Zheyi, Mr. Pang Xiusheng, Mr. Zhao Huan, Mr. Zhang Gengsheng, Mr. Zeng Jianhua, Mr. Huang Zhiling, Mr. Yu Jingbo, Mr. Chen Caihong, Mr. Xu Huibin and Mr. Wang Guiya.

## Changes in Directors, Supervisors and Senior Management

### Directors of the Bank

In accordance with the resolution at the 2012 annual general meeting of the Bank, from 6 June 2013, Mr. Zhang Jianguo was re-elected executive director of the Bank, Mr. Zhao Xijun was re-elected independent non-executive director of the Bank, and Ms. Chen Yuanling was re-elected non-executive director of the Bank.

Upon election at the 2012 annual general meeting of the Bank and approval of the CBRC, Mr. Zhu Hongbo and Mr. Hu Zheyi commenced their positions as executive directors of the Bank from 11 July 2013; Mr. Qi Shouyin commenced his position as non-executive director of the Bank from 18 July 2013.

Upon conclusion of the 2012 annual general meeting of the Bank, Ms. Li Xiaoling ceased to serve as non-executive director of the Bank due to the expiration of her term of office.

Upon conclusion of the Board meeting of the Bank on 7 June 2013, Mr. Wang Yong ceased to serve as non-executive director of the Bank due to his change of work.

### Supervisors of the Bank

In accordance with the resolution at the 2012 annual general meeting of the Bank, from 6 June 2013, Mr. Zhang Furong and Ms. Liu Jin were re-elected shareholder representative supervisors of the Bank; Ms. Li Xiaoling commenced her position as shareholder representative supervisor of the Bank; Mr. Wang Xinmin and Mr. Bai Jianjun commenced their positions as external supervisors of the Bank.

In accordance with the resolution at the second joint session of the third employee representatives meeting, from 6 June 2013, Mr. Jin Panshi, Mr. Li Weiping, and Ms. Huang Shuping were re-elected employee representative supervisors of the Bank.

From 29 May 2013, Mr. Zhang Huajian ceased to serve as shareholder representative supervisor of the Bank due to his work arrangement; in accordance with the resolution at the second joint session of the third employee representatives meeting, Mr. Zhang Huajian commenced his position as employee representative supervisor of the Bank from 6 June 2013.

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

## Senior Management of the Bank

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

From May 2013, Mr. Tian Huiyu ceased to serve as controller of retail banking of the Bank due to his change of work.

## Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

Except for the fact that Mr. Zhang Huajian, Mr. Li Weiping and Ms. Huang Shuping, the supervisors of the Bank, indirectly held 18,999 H-shares, 20,446 H-shares and 21,910 H-shares of the Bank, respectively, by participating in the employee stock incentive plan before they were appointed as supervisors, as at 30 June 2013, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the *SFO* of Hong Kong) as recorded in the register required to be kept under Section 352 of the *SFO* of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange.

As of 30 June 2013, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children below the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

## Directors and Supervisors' Securities Transactions

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* set out in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange regarding securities transactions by its directors and supervisors. All directors and supervisors had complied with the provisions of this code during the six months ended 30 June 2013.

## Shares of the Bank held by Directors, Supervisors and Senior Management

During the reporting period, some of the Bank's supervisors and senior management indirectly held H-shares of the Bank through employee stock incentive plan before they assumed their current positions. Mr. Li Weiping held 20,446 H-shares, Ms. Huang Shuping 21,910 H-shares, Mr. Zhang Huajian held 18,999 H-shares, Mr. Zhao Huan 18,292 H-shares, Mr. Zhang Gengsheng 19,304 H-shares, Mr. Zeng Jianhua 25,838 H-shares, Mr. Huang Zhiling 18,751 H-shares, Mr. Yu Jingbo 22,567 H-shares, Mr. Chen Caihong 19,417 H-shares, Mr. Xu Huibin 20,004 H-shares, and Mr. Wang Guiya 19,724 H-shares. Apart from the above, none of the directors, supervisors or senior management of the Bank held any shares of the Bank.

## Corporate Governance

The Bank continued to improve its corporate governance structure in strict compliance with the *Company Law,* the *Law of the People's Republic of China on Commercial Banks* and other laws and regulations, as well as the listing rules of the relevant stock exchanges, and with reference to its practical conditions, in order to further upgrade its corporate governance standard. During the reporting period, the general meeting of the Bank reviewed and approved the resolutions of electing new directors and supervisors, and amended the Articles of Association.

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

## Formulation and Implementation of Cash Dividend Policy

As approved by the 2012 annual general meeting, the Bank distributed the 2012 cash dividend of RMB0.268 per share (including tax) on 12 July 2013 to all of its shareholders whose names appeared on the register of members on 20 June 2013.

The Bank would not distribute interim dividend for the six months ended 30 June 2013, nor did it propose any capitalisation of capital reserve into share capital.

Pursuant to the *Articles of Association* of the Bank, the after-tax profits of the Bank shall be distributed in accordance with the following order: making up for the losses of the previous years, allocating the statutory reserve fund, allocating general reserve fund, allocating discretionary reserve fund and paying for the dividend of the shareholders. The dividend may be distributed in form of cash or shares.

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

## Performance of Undertakings Given by the Bank or Shareholders Holding 5% or More of the Shares

On 13 June 2013, Huijin increased its shareholding of A-shares of the Bank by 24,490,425 shares through the trading system of the Shanghai Stock Exchange, and undertook to continue to increase its shareholding of the Bank on the secondary market in its own name in the following six months.

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

## Material Contracts and their Performance

During the reporting period, the Bank did not enter into any material arrangements for custody, contracting or lease of other companies' assets, or allow its assets to be subject to such arrangements by other companies. The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business, and the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services within its business scope as approved by the regulators. The Bank did not entrust any material cash assets to others for management during the reporting period.

## Acquisition and Sale of Major Assets and Merger of Enterprises

There was neither material acquisition and sale of assets nor material merger of enterprises by the Bank during the reporting period.

## Use of Raised Proceeds

The Bank used the raised proceeds in line with the disclosed purpose in its prospectus, i.e., to supplement its capital base and support sustained business development.

## Material Projects Invested with Funds other than Raised Proceeds

There were no material projects invested with funds other than raised proceeds during the reporting period.

## Purchase, Sale and Redemption of Shares

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

## Material Related Party Transactions

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

## Progress of Implementation of Employee Stock Incentive Plan

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

## Material Litigations, Arbitrations and Matters Questioned by the Majority Media

There were no material litigations or arbitrations, and no matters in relation to the Bank that were questioned by the majority media, during the reporting period.

## Penalties

During the reporting period, the Bank, the directors, the supervisors, the senior management, shareholders holding 5% or more of the shares and the actual controller had no record of being subject to investigations by relevant authorities, coercive measures by judicial or disciplinary departments, transfer to judicial organs or criminal investigation and punishment, inspections and administrative penalties as well as being banned entry into the market, being considered inappropriate persons by the CSRC, penalties by other administrative authorities or public censures by the stock exchanges.

## Review of Half-Year Report

The Group's 2013 half-year financial statements prepared under the PRC GAAP has been reviewed by PricewaterhouseCoopers Zhong Tian LLP and the Group's 2013 half-year financial statements prepared under the IFRS has been reviewed by PricewaterhouseCoopers.

The Audit Committee of the Bank has reviewed the half-year report of the Group.

## Other Shareholding or Share Participations

### Top ten investments in securities

| No. | Stock Code | Stock Abbreviation | Initial investment amount (RMB) | % of shareholding at the beginning of the period | % of shareholding at the end of the period | Carrying amount at the end of the period (RMB) | Accounting item |
|---|---|---|---|---|---|---|---|
| 1 | 601600 | CHALCO | 758,427,946 | 4.50 | 4.50 | 1,918,811,932 | Available-for-sale financial assets |
| 2 | 000792 | QINGHAI SALT LAKE | 135,653,599 | 3.90 | 3.90 | 1,050,362,684 | Available-for-sale financial assets |
| 3 | 600068 | G.C.L | 307,222,950 | 5.69 | 5.69 | 781,384,941 | Available-for-sale financial assets |
| 4 | VTBR.RM | JSC VTB Bank | 616,740,072 | 0.58 | 0.58 | 671,475,124 | Available-for-sale financial assets |
| 5 | 601989 | CSICL | 242,991,417 | 0.89 | 0.89 | 587,600,240 | Available-for-sale financial assets |
| 6 | 998.HK | CITIC BANK | 414,561,810 | 0.36 | 0.36 | 477,497,670 | Available-for-sale financial assets |
| 7 | 600537 | EGING PV | 197,778,078 | 10.07 | 10.07 | 366,123,219 | Financial assets at fair value through profit or loss |
| 8 | 000906 | ZMD | 272,820,010 | 14.08 | 14.08 | 208,572,295 | Financial assets at fair value through profit or loss |
| 9 | 1303.HK | HUILI RES | 122,938,854 | 12.63 | 12.63 | 199,911,850 | Financial assets at fair value through profit or loss |
| 10 | 1369.HK | WUZHOU INT'L[1] | 184,121,075 | – | 4.18 | 185,630,264 | Financial assets at fair value through profit or loss |
| Total | | | 3,253,255,811 | | | 6,447,370,219 | |

1. The Group held no such investment at the beginning of the period.

2. Investment in securities in this table refers to stocks, warrants, convertible bonds and open-ended or close-ended funds that are classified as available-for-sale financial assets or financial assets at fair value through profit or loss.

### Interests in non-listed financial institutions

| Name | Initial investment amount (RMB) | % of shareholding at the beginning of the period | % of shareholding at the end of the period | Carrying amount at the end of the period (RMB) |
|---|---|---|---|---|
| Xiamen International Bank | 300,000,000 | 2.49 | 2.49 | 300,000,000 |
| Huishang Bank Co., Ltd. | 228,835,900 | 2.76 | 2.76 | 228,835,900 |
| China UnionPay Co., Ltd. | 221,250,000 | 4.87 | 4.87 | 220,572,660 |
| QBE Hongkong and Shanghai Insurance Limited | 98,758,409 | 25.50 | 25.50 | 146,002,427 |
| Shaanxi Yanchang Petroleum Finance Co., Ltd[1] | 80,000,000 | – | 8.00 | 80,000,000 |
| China Guangfa Bank Co., Ltd. | 48,558,031 | 0.09 | 0.09 | 48,558,031 |
| Evergrowing Bank Co., Ltd. | 7,000,000 | 1.58 | 1.58 | 41,125,000 |
| Huarong Xiangjiang Bank | 3,500,000 | 0.07 | 0.07 | 980,000 |

1. The Group held no such investment at the beginning of the period.

2. These do not include subsidiaries contained in the consolidated statements.

3. Allowances for impairment losses have been deducted from the carrying amount at the end of the period.

# Independent Review Report

羅兵咸永道

**To the Board of Directors of China Construction Bank Corporation**
*(a joint stock company incorporated in the People's Republic of China with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 56 to 153, which comprises the consolidated and Bank's statements of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related consolidated statement of comprehensive income, the consolidated and the Bank's statements of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 23 August 2013

# Half-Year Financial Statements

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013
(Expressed in millions of RMB, unless otherwise stated)

| | Note | Six months ended 30 June 2013 | 2012 (Restated) |
|---|---|---|---|
| Interest income | | **313,347** | 295,433 |
| Interest expense | | **(125,687)** | (125,741) |
| **Net interest income** | 3 | **187,660** | 169,692 |
| Fee and commission income | | **56,995** | 50,525 |
| Fee and commission expense | | **(1,471)** | (1,282) |
| **Net fee and commission income** | 4 | **55,524** | 49,243 |
| Net trading gain | 5 | **1,270** | 350 |
| Dividend income | 6 | **193** | 89 |
| Net gain arising from investment securities | 7 | **302** | 1,814 |
| Other operating income, net | 8 | **7,358** | 6,624 |
| **Operating income** | | **252,307** | 227,812 |
| **Operating expenses** | 9 | **(81,067)** | (74,570) |
| | | **171,240** | 153,242 |
| Impairment losses on: | | | |
| – Loans and advances to customers | | **(16,067)** | (14,726) |
| – Others | | **13** | (12) |
| **Impairment losses** | 10 | **(16,054)** | (14,738) |
| **Share of profits less losses of associates and jointly controlled entities** | | **3** | 8 |
| **Profit before tax** | | **155,189** | 138,512 |
| Income tax expense | 11 | **(35,225)** | (32,018) |
| **Net profit** | | **119,964** | 106,494 |
| **Other comprehensive income:** | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of post employment benefit obligations | | **(57)** | 31 |
| Others | | **–** | 5 |
| Total items that will not be reclassified to profit or loss | | **(57)** | 36 |
| Items that may be reclassified subsequently to profit or loss | | | |
| (Losses)/gains of available-for-sale financial assets arising during the period | | **(772)** | 7,557 |
| Less: Income tax relating to available-for-sale financial assets | | **273** | (1,886) |
| Reclassification adjustments for losses included in profit or loss | | **(839)** | (735) |
| Net gains on cash flow hedges | | **193** | – |
| Exchange difference on translating foreign operations | | **(836)** | 303 |
| Total items that may be reclassified subsequently to profit or loss | | **(1,981)** | 5,239 |
| **Other comprehensive income for the period, net of tax** | | **(2,038)** | 5,275 |
| **Total comprehensive income for the period** | | **117,926** | 111,769 |
| Net profit attributable to: | | | |
| Equity shareholders of the Bank | | **119,711** | 106,283 |
| Non-controlling interests | | **253** | 211 |
| | | **119,964** | 106,494 |
| Total comprehensive income attributable to: | | | |
| Equity shareholders of the Bank | | **117,709** | 111,544 |
| Non-controlling interests | | **217** | 225 |
| | | **117,926** | 111,769 |
| **Basic and diluted earnings per share (in RMB Yuan)** | 12 | **0.48** | 0.43 |

The notes on pages 63 to 153 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2013
(Expressed in millions of RMB, unless otherwise stated)

| | Note | **30 June 2013** | 31 December 2012 (Restated) |
|---|---|---|---|
| **Assets:** | | | |
| Cash and deposits with central banks | 13 | **2,536,161** | 2,458,069 |
| Deposits with banks and non-bank financial institutions | 14 | **754,193** | 585,898 |
| Precious metals | | **33,349** | 38,419 |
| Placements with banks and non-bank financial institutions | 15 | **111,206** | 129,653 |
| Financial assets at fair value through profit or loss | 16 | **44,244** | 27,572 |
| Positive fair value of derivatives | 17 | **12,515** | 12,671 |
| Financial assets held under resale agreements | 18 | **335,442** | 316,685 |
| Interest receivable | 19 | **78,835** | 68,264 |
| Loans and advances to customers | 20 | **7,882,071** | 7,309,879 |
| Available-for-sale financial assets | 21 | **756,318** | 701,041 |
| Held-to-maturity investments | 22 | **1,891,545** | 1,918,322 |
| Debt securities classified as receivables | 23 | **217,453** | 219,713 |
| Interests in associates and jointly controlled entities | 25 | **2,357** | 2,366 |
| Fixed assets | 26 | **119,935** | 113,946 |
| Land use rights | 27 | **15,966** | 16,232 |
| Intangible assets | 28 | **1,925** | 2,061 |
| Goodwill | 29 | **1,629** | 1,651 |
| Deferred tax assets | 30 | **28,257** | 27,051 |
| Other assets | 31 | **35,813** | 23,335 |
| **Total assets** | | **14,859,214** | 13,972,828 |
| **Liabilities:** | | | |
| Borrowings from central banks | 34 | **112,132** | 6,281 |
| Deposits from banks and non-bank financial institutions | 35 | **748,010** | 977,487 |
| Placements from banks and non-bank financial institutions | 36 | **140,130** | 120,256 |
| Financial liabilities at fair value through profit or loss | 37 | **35,596** | 37,251 |
| Negative fair value of derivatives | 17 | **13,967** | 11,541 |
| Financial assets sold under repurchase agreements | 38 | **1,177** | 2,360 |
| Deposits from customers | 39 | **12,149,438** | 11,343,079 |
| Accrued staff costs | 40 | **30,990** | 32,772 |
| Taxes payable | 41 | **34,822** | 53,271 |
| Interest payable | 42 | **144,116** | 123,215 |
| Provisions | 43 | **5,498** | 5,058 |
| Debt securities issued | 44 | **315,950** | 262,991 |
| Deferred tax liabilities | 30 | **327** | 332 |
| Other liabilities | 45 | **126,550** | 47,389 |
| **Total liabilities** | | **13,858,703** | 13,023,283 |
| **Equity:** | | | |
| Share capital | 46 | **250,011** | 250,011 |
| Capital reserve | 47 | **135,353** | 135,217 |
| Investment revaluation reserve | 48 | **1,722** | 3,023 |
| Surplus reserve | 49 | **86,718** | 86,718 |
| General reserve | 50 | **152,338** | 80,483 |
| Retained earnings | 51 | **371,887** | 391,034 |
| Exchange reserve | | **(5,655)** | (4,818) |
| **Total equity attributable to equity shareholders of the Bank** | | **992,374** | 941,668 |
| Non-controlling interests | | **8,137** | 7,877 |
| **Total equity** | | **1,000,511** | 949,545 |
| **Total liabilities and equity** | | **14,859,214** | 13,972,828 |

Approved and authorised for issue by the Board of Directors on 23 August 2013.

| **Zhang Jianguo** | **Wong Kai-Man** | **Jenny Shipley** |
|---|---|---|
| *Vice chairman, executive director and president* | *Independent non-executive director* | *Independent non-executive director* |

The notes on pages 63 to 153 form part of these financial statements.

# Statement of Financial Position

As at 30 June 2013
(Expressed in millions of RMB, unless otherwise stated)

| | Note | 30 June 2013 | 31 December 2012 (Restated) |
|---|---|---|---|
| **Assets:** | | | |
| Cash and deposits with central banks | 13 | **2,528,999** | 2,443,276 |
| Deposits with banks and non-bank financial institutions | 14 | **761,805** | 584,538 |
| Precious metals | | **33,349** | 38,419 |
| Placements with banks and non-bank financial institutions | 15 | **132,100** | 138,015 |
| Financial assets at fair value through profit or loss | 16 | **34,095** | 16,206 |
| Positive fair value of derivatives | 17 | **11,377** | 11,667 |
| Financial assets held under resale agreements | 18 | **335,064** | 316,624 |
| Interest receivable | 19 | **78,012** | 67,581 |
| Loans and advances to customers | 20 | **7,666,308** | 7,142,317 |
| Available-for-sale financial assets | 21 | **731,466** | 681,416 |
| Held-to-maturity investments | 22 | **1,888,481** | 1,915,811 |
| Debt securities classified as receivables | 23 | **214,175** | 217,741 |
| Investments in subsidiaries | 24 | **18,875** | 16,676 |
| Fixed assets | 26 | **113,433** | 110,343 |
| Land use rights | 27 | **15,916** | 16,181 |
| Intangible assets | 28 | **1,434** | 1,564 |
| Deferred tax assets | 30 | **28,838** | 27,517 |
| Other assets | 31 | **53,258** | 40,858 |
| **Total assets** | | **14,646,985** | 13,786,750 |
| **Liabilities:** | | | |
| Borrowings from central banks | 34 | **111,416** | 6,169 |
| Deposits from banks and non-bank financial institutions | 35 | **750,871** | 980,497 |
| Placements from banks and non-bank financial institutions | 36 | **98,978** | 77,640 |
| Financial liabilities at fair value through profit or loss | 37 | **32,920** | 34,533 |
| Negative fair value of derivatives | 17 | **11,835** | 10,045 |
| Financial assets sold under repurchase agreements | 38 | **594** | 891 |
| Deposits from customers | 39 | **12,047,656** | 11,250,000 |
| Accrued staff costs | 40 | **30,296** | 31,886 |
| Taxes payable | 41 | **34,399** | 52,862 |
| Interest payable | 42 | **143,602** | 122,804 |
| Provisions | 43 | **5,497** | 5,058 |
| Debt securities issued | 44 | **286,506** | 245,024 |
| Deferred tax liabilities | 30 | **–** | – |
| Other liabilities | 45 | **107,197** | 33,884 |
| **Total liabilities** | | **13,661,767** | 12,851,293 |
| **Equity:** | | | |
| Share capital | 46 | **250,011** | 250,011 |
| Capital reserve | 47 | **135,338** | 135,140 |
| Investment revaluation reserve | 48 | **1,407** | 3,078 |
| Surplus reserve | 49 | **86,718** | 86,718 |
| General reserve | 50 | **150,603** | 79,444 |
| Retained earnings | 51 | **362,282** | 381,844 |
| Exchange reserve | | **(1,141)** | (778) |
| **Total equity** | | **985,218** | 935,457 |
| **Total liabilities and equity** | | **14,646,985** | 13,786,750 |

Approved and authorised for issue by the Board of Directors on 23 August 2013.

| **Zhang Jianguo** | **Wong Kai-Man** | **Jenny Shipley** |
|---|---|---|
| *Vice chairman, executive director and president* | *Independent non-executive director* | *Independent non-executive director* |

The notes on pages 63 to 153 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013
(Expressed in millions of RMB, unless otherwise stated)

| | Note | Attributable to equity shareholders of the Bank | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | Investment revaluation reserve | Surplus reserve | General reserve | Retained earnings | Exchange reserve | Non-controlling interests | Total equity |
| **As at 31 December 2012** | | **250,011** | **135,281** | **3,023** | **86,718** | **80,483** | **391,034** | **(4,818)** | **7,877** | **949,609** |
| Change in accounting policy | 2(4) | **–** | **(64)** | **–** | **–** | **–** | **–** | **–** | **–** | **(64)** |
| **31 December 2012 (Restated)** | | **250,011** | **135,217** | **3,023** | **86,718** | **80,483** | **391,034** | **(4,818)** | **7,877** | **949,545** |
| **Movements during the period** | | **–** | **136** | **(1,301)** | **–** | **71,855** | **(19,147)** | **(837)** | **260** | **50,966** |
| **(1) Total comprehensive income for the period** | | **–** | **136** | **(1,301)** | **–** | **–** | **119,711** | **(837)** | **217** | **117,926** |
| **(2) Changes in share capital** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **51** | **51** |
| i Non-controlling interests of new subsidiaries | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **49** | **49** |
| ii Change in shareholdings in subsidiaries | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2** | **2** |
| **(3) Profit distribution** | | **–** | **–** | **–** | **–** | **71,855** | **(138,858)** | **–** | **(8)** | **(67,011)** |
| i Appropriation to general reserve | | **–** | **–** | **–** | **–** | **71,855** | **(71,855)** | **–** | **–** | **–** |
| ii Appropriation to equity shareholders | | **–** | **–** | **–** | **–** | **–** | **(67,003)** | **–** | **(8)** | **(67,011)** |
| **As at 30 June 2013** | | **250,011** | **135,353** | **1,722** | **86,718** | **152,338** | **371,887** | **(5,655)** | **8,137** | **1,000,511** |
| **As at 31 December 2011** | | 250,011 | 135,178 | 6,383 | 67,576 | 67,342 | 289,266 | (4,615) | 5,520 | 816,661 |
| Change in accounting policy | 2(4) | – | (1) | – | – | – | – | – | – | (1) |
| **31 December 2011 (Restated)** | | 250,011 | 135,177 | 6,383 | 67,576 | 67,342 | 289,266 | (4,615) | 5,520 | 816,660 |
| **Movements during the period** | | – | 36 | 4,922 | – | 12,821 | 34,334 | 303 | 359 | 52,775 |
| **(1) Total comprehensive income for the period** | | – | 36 | 4,922 | – | – | 106,283 | 303 | 225 | 111,769 |
| **(2) Changes in share capital** | | – | – | – | – | – | – | – | 181 | 181 |
| i. Non-controlling interests of new subsidiaries | | – | – | – | – | – | – | – | 186 | 186 |
| ii. Change in shareholdings in subsidiaries | | – | – | – | – | – | – | – | (5) | (5) |
| **(3) Profit distribution** | | – | – | – | – | 12,821 | (71,949) | – | (47) | (59,175) |
| i. Appropriation to general reserve | | – | – | – | – | 12,821 | (12,821) | – | – | – |
| ii. Appropriation to equity shareholders | | – | – | – | – | – | (59,128) | – | (47) | (59,175) |
| **As at 30 June 2012 (Restated)** | | 250,011 | 135,213 | 11,305 | 67,576 | 80,163 | 323,600 | (4,312) | 5,879 | 869,435 |
| **As at 31 December 2011** | | 250,011 | 135,178 | 6,383 | 67,576 | 67,342 | 289,266 | (4,615) | 5,520 | 816,661 |
| Change in accounting policy | 2(4) | – | (1) | – | – | – | – | – | – | (1) |
| **31 December 2011 (Restated)** | | 250,011 | 135,177 | 6,383 | 67,576 | 67,342 | 289,266 | (4,615) | 5,520 | 816,660 |
| **Movements during the year** | | – | 40 | (3,360) | 19,142 | 13,141 | 101,768 | (203) | 2,357 | 132,885 |
| **(1) Total comprehensive income for the year** | | – | (31) | (3,360) | – | – | 193,179 | (203) | 443 | 190,028 |
| **(2) Changes in share capital** | | – | 71 | – | – | – | – | – | 1,999 | 2,070 |
| i Capital injection by non-controlling interests | | – | 26 | – | – | – | – | – | 2,803 | 2,829 |
| ii Non-controlling interests of new subsidiaries | | – | – | – | – | – | – | – | 529 | 529 |
| iii Change in shareholdings in subsidiaries | | – | 45 | – | – | – | – | – | (1,333) | (1,288) |
| **(3) Profit distribution** | | – | – | – | 19,142 | 13,141 | (91,411) | – | (85) | (59,213) |
| i Appropriation to surplus reserve | | – | – | – | 19,142 | – | (19,142) | – | – | – |
| ii Appropriation to general reserve | | – | – | – | – | 13,141 | (13,141) | – | – | – |
| iii Appropriation to equity shareholders | | – | – | – | – | – | (59,128) | – | (85) | (59,213) |
| **As at 31 December 2012 (Restated)** | | 250,011 | 135,217 | 3,023 | 86,718 | 80,483 | 391,034 | (4,818) | 7,877 | 949,545 |

The notes on pages 63 to 153 form part of these financial statements.

# Statement of Changes in Equity

For the six months ended 30 June 2013
(Expressed in millions of RMB, unless otherwise stated)

| | Note | Share capital | Capital reserve | Investment revaluation reserve | Surplus reserve | General reserve | Retained earnings | Exchange reserve | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2012** | | **250,011** | **135,204** | **3,078** | **86,718** | **79,444** | **381,844** | **(778)** | **935,521** |
| Change in accounting policy | 2(4) | **–** | **(64)** | **–** | **–** | **–** | **–** | **–** | **(64)** |
| **31 December 2012 (Restated)** | | **250,011** | **135,140** | **3,078** | **86,718** | **79,444** | **381,844** | **(778)** | **935,457** |
| **Movements during the period** | | **–** | **198** | **(1,671)** | **–** | **71,159** | **(19,562)** | **(363)** | **49,761** |
| **(1) Total comprehensive income for the period** | | **–** | **136** | **(1,671)** | **–** | **–** | **118,600** | **(363)** | **116,702** |
| **(2) Changes in share capital** | | **–** | **62** | **–** | **–** | **–** | **–** | **–** | **62** |
| i Acquisition of subsidiary | | **–** | **62** | **–** | **–** | **–** | **–** | **–** | **62** |
| **(3) Profit distribution** | | **–** | **–** | **–** | **–** | **71,159** | **(138,162)** | **–** | **(67,003)** |
| i Appropriation to general reserve | | **–** | **–** | **–** | **–** | **71,159** | **(71,159)** | **–** | **–** |
| ii Appropriation to equity shareholders | | **–** | **–** | **–** | **–** | **–** | **(67,003)** | **–** | **(67,003)** |
| **As at 30 June 2013** | | **250,011** | **135,338** | **1,407** | **86,718** | **150,603** | **362,282** | **(1,141)** | **985,218** |
| **As at 31 December 2011** | | 250,011 | 135,178 | 6,472 | 67,576 | 66,645 | 281,491 | (796) | 806,577 |
| Change in accounting policy | 2(4) | – | (1) | – | – | – | – | – | (1) |
| **1 December 2011 (Restated)** | | 250,011 | 135,177 | 6,472 | 67,576 | 66,645 | 281,491 | (796) | 806,576 |
| **Movements during the period** | | – | 36 | 4,911 | – | 12,746 | 33,663 | 25 | 51,381 |
| **(1) Total comprehensive income for the period** | | – | 36 | 4,911 | – | – | 105,537 | 25 | 110,509 |
| **(2) Profit distribution** | | – | – | – | – | 12,746 | (71,874) | – | (59,128) |
| i Appropriation to general reserve | | – | – | – | – | 12,746 | (12,746) | – | – |
| ii Appropriation to equity shareholders | | – | – | – | – | – | (59,128) | – | (59,128) |
| **As at 30 June 2012 (Restated)** | | 250,011 | 135,213 | 11,383 | 67,576 | 79,391 | 315,154 | (771) | 857,957 |
| **As at 31 December 2011** | | 250,011 | 135,178 | 6,472 | 67,576 | 66,645 | 281,491 | (796) | 806,577 |
| Change in accounting policy | 2(4) | – | (1) | – | – | – | – | – | (1) |
| **31 December 2011 (Restated)** | | 250,011 | 135,177 | 6,472 | 67,576 | 66,645 | 281,491 | (796) | 806,576 |
| **Movements during the year** | | – | (37) | (3,394) | 19,142 | 12,799 | 100,353 | 18 | 128,881 |
| **(1) Total comprehensive income for the year** | | – | (37) | (3,394) | – | – | 191,422 | 18 | 188,009 |
| **(2) Profit distribution** | | – | – | – | 19,142 | 12,799 | (91,069) | – | (59,128) |
| i Appropriation to surplus reserve | | – | – | – | 19,142 | – | (19,142) | – | – |
| ii Appropriation to general reserve | | – | – | – | – | 12,799 | (12,799) | – | – |
| iii Appropriation to equity shareholders | | – | – | – | – | – | (59,128) | – | (59,128) |
| **As at 31 December 2012 (Restated)** | | 250,011 | 135,140 | 3,078 | 86,718 | 79,444 | 381,844 | (778) | 935,457 |

The notes on pages 63 to 153 form part of these financial statements.

# Consolidated Statement of Cash Flows

For the six months ended 30 June 2013
(Expressed in millions of RMB, unless otherwise stated)

| | Note | Six months ended 30 June 2013 | 2012 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **155,189** | 138,512 |
| *Adjustments for:* | | | |
| – Impairment losses | 10 | **16,054** | 14,738 |
| – Depreciation and amortisation | 9 | **7,463** | 6,647 |
| – Unwinding of discount | | **(721)** | (839) |
| – Revaluation loss on financial instruments at fair value through profit or loss | | **1,734** | 365 |
| – Share of profit less losses of associates and jointly controlled entities | | **(3)** | (8) |
| – Dividend income | 6 | **(193)** | (89) |
| – Unrealised foreign exchange loss/(gains) | | **1,540** | (178) |
| – Interest expense on subordinated bonds issued | | **3,783** | 2,750 |
| – Net gain on disposal of investment securities | 7 | **(302)** | (1,814) |
| – Net gain on disposal of fixed assets and other long-term assets | | **(45)** | (23) |
| | | **184,499** | 160,061 |
| *Changes in operating assets:* | | | |
| Net increase in deposits with central banks and with banks and non-bank financial institutions | | **(170,195)** | (170,028) |
| Net increase in placements with banks and non-bank financial institutions | | **(26,171)** | (4,809) |
| Net increase in loans and advances to customers | | **(599,502)** | (561,731) |
| Net increase in financial assets held under resale agreements | | **(18,757)** | (121,007) |
| Increase in other operating assets | | **(34,512)** | (26,934) |
| | | **(849,137)** | (884,509) |
| *Changes in operating liabilities:* | | | |
| Net increase in borrowings from central banks | | **106,099** | 558 |
| Net increase in placements from banks and non-bank financial institutions | | **21,413** | 22,022 |
| Net increase in deposits from customers and from banks and non-bank financial institutions | | **585,915** | 1,016,808 |
| Net decrease in financial assets sold under repurchase agreements | | **(1,183)** | (7,254) |
| Net increase in certificates of deposit issued | | **54,879** | 43,664 |
| Income tax paid | | **(52,995)** | (52,785) |
| Increase in other operating liabilities | | **27,241** | 42,377 |
| | | **741,369** | 1,065,390 |
| **Net cash from operating activities** | | **76,731** | 340,942 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale and redemption of investments | | **301,617** | 282,470 |
| Dividends received | | **194** | 88 |
| Proceeds from disposal of fixed assets and other long-term assets | | **303** | 358 |
| Purchase of investment securities | | **(329,854)** | (359,078) |
| Purchase of fixed assets and other long-term assets | | **(13,083)** | (11,466) |
| Acquisition of subsidiaries, associates and jointly controlled entities | | **(8)** | (209) |
| **Net cash used in investing activities** | | **(40,831)** | (87,837) |
| **Cash flows from financing activities** | | | |
| Issue of bonds | | **–** | 993 |
| Capital contribution by non-controlling interests | | **49** | 186 |
| Dividends paid | | **(18)** | (36) |
| Interest paid on bonds issued | | **(1,536)** | (1,505) |
| Cash paid relating to other financing activities | | **–** | (5) |
| **Net cash used in financing activities** | | **(1,505)** | (367) |

The notes on pages 63 to 153 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

| | Note | Six months ended 30 June 2013 | 2012 |
|---|---|---|---|
| **Effect of exchange rate changes on cash and cash equivalents** | | **(1,773)** | 1,814 |
| **Net increase in cash and cash equivalents** | | **32,622** | 254,552 |
| **Cash and cash equivalents as at 1 January** | 52 | **748,920** | 558,463 |
| **Cash and cash equivalents as at 30 June** | 52 | **781,542** | 813,015 |
| **Cash flows from operating activities include:** | | | |
| Interest received | | **302,065** | 279,396 |
| Interest paid, excluding interest expense on bonds issued | | **(103,237)** | (100,436) |

The notes on pages 63 to 153 form part of these financial statements.

## 1 Company information

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

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

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has several overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC and Taiwan. Overseas refers to countries and regions other than Mainland China.

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

## 2 Basis of preparation and significant accounting policies

### (1) Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2012. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

### (2) Use of estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

### (3) Consolidation

The interim financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entities.

The results and affairs of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Necessary adjustments on the accounting period and accounting policies of subsidiaries are made to comply with those of the Bank. Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The Group's interest in associates or jointly controlled entities is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities.

IFRS 10, 'Consolidated financial statements': IFRS 10 was issued in May 2011 and replaces all the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Special purpose entities'.

## 2 Basis of preparation and significant accounting policies (continued)

### (3) Consolidation (continued)

The Group assessed whether the consolidation conclusion under IFRS 10 differs from IAS 27/SIC 12 as at 1 January 2013.

If the consolidation conclusion under IFRS 10 differs from IAS 27/SIC 12 as at 1 January 2013, the immediately preceding comparative period (i.e. financial year beginning 1 January 2012) is restated to be consistent with the accounting conclusion under IFRS 10, unless impracticable. Any difference between IFRS 10 carrying amounts and previous carrying amounts on 1 January 2013 is adjusted to equity.

For investees that will be consolidated under both IFRS 10 and the previous guidance in IAS 27/SIC 12 as at 1 January 2013, or investees that will be unconsolidated under both sets of guidance as at 1 January 2013, no adjustment to previous accounting has been made.

The Group assessed that adoption of IFRS 10 did not result in any change in the consolidation status of its subsidiaries.

IAS 27, 'Separate financial statements': IAS 27 was amended in May 2011 following the issuance of IFRS 10. The revised IAS 27 deals only with the accounting for subsidiaries, associates and joint ventures in the separate financial statements of the parent company.

The Group has applied the above standards retrospectively. The above standards did not result in significant changes to the Group's financial statements.

### (4) Significant accounting policies

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year ended 31 December 2012 except consolidation and supplementary retirement benefits as described below:

*(a) Supplementary retirement benefits*

From 1 January 2013, the Group adopted IAS 19 (revised) 'Employee benefits' and the impact on the Group is as follows:

The revised accounting standard eliminates the option of deferred recognition for "actuarial gains and losses". Such gains and losses are now renamed "remeasurements" and are recognised in other comprehensive income in the period in which they occur. A retrospective adjustment to the 2013 beginning balances of "capital reserve" and "accrued staff costs" were restated by RMB64 million.

### (5) Interim financial statements and statutory accounts

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 23 August 2013. The interim financial statements have also been reviewed by the Bank's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial statements as previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. The auditor has expressed an unqualified opinion on those financial statements in the report dated 22 March 2013.

(Expressed in millions of RMB, unless otherwise stated)

## 3 Net interest income

| | Six months ended 30 June 2013 | 2012 |
|---|---|---|
| **Interest income arising from:** | | |
| Deposits with central banks | **18,413** | 17,107 |
| Deposits with banks and non-bank financial institutions | **9,990** | 8,992 |
| Placements with banks and non-bank financial institutions | **2,385** | 1,671 |
| Financial assets at fair value through profit or loss | **420** | 362 |
| Financial assets held under resale agreements | **3,589** | 3,732 |
| Investment securities | **51,430** | 48,604 |
| Loans and advances to customers | | |
| – Corporate loans and advances | **161,373** | 155,943 |
| – Personal loans and advances | **62,005** | 54,015 |
| – Discounted bills | **3,742** | 5,007 |
| Total | **313,347** | 295,433 |
| **Interest expense arising from:** | | |
| Borrowings from central banks | **(504)** | (17) |
| Deposits from banks and non-bank financial institutions | **(9,277)** | (16,606) |
| Placements from banks and non-bank financial institutions | **(1,355)** | (1,213) |
| Financial liabilities at fair value through profit or loss | **–** | (1) |
| Financial assets sold under repurchase agreements | **(575)** | (925) |
| Debt securities issued | **(4,958)** | (3,399) |
| Deposits from customers | | |
| – Corporate deposits | **(53,847)** | (50,904) |
| – Personal deposits | **(55,171)** | (52,676) |
| Total | **(125,687)** | (125,741) |
| Net interest income | **187,660** | 169,692 |

Notes:

(1) Interest income from impaired financial assets is listed as follows:

| | Six months ended 30 June 2013 | 2012 |
|---|---|---|
| Impaired loans and advances | **721** | 839 |
| Other impaired financial assets | **110** | 219 |
| Total | **831** | 1,058 |

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(Expressed in millions of RMB, unless otherwise stated)

# 4 Net fee and commission income

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| **Fee and commission income** | | |
| Consultancy and advisory fees | **13,035** | 10,475 |
| Bank card fees | **11,947** | 9,132 |
| Settlement and clearing fees | **6,514** | 6,175 |
| Agency service fees | **6,509** | 7,282 |
| Commission on trust and fiduciary activities | **5,300** | 4,562 |
| Wealth management service fees | **5,189** | 5,618 |
| Electronic banking service fees | **2,807** | 2,251 |
| Credit commitment fees | **1,518** | 1,467 |
| Guarantee fees | **1,009** | 1,095 |
| Others | **3,167** | 2,468 |
| Total | **56,995** | 50,525 |
| **Fee and commission expense** | | |
| Bank card transaction fees | **(913)** | (795) |
| Inter-bank transaction fees | **(224)** | (185) |
| Others | **(334)** | (302) |
| Total | **(1,471)** | (1,282) |
| Net fee and commission income | **55,524** | 49,243 |

# 5 Net trading gain

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Debt securities | **(26)** | 366 |
| Derivatives | **808** | 175 |
| Equity investments | **143** | (341) |
| Others | **345** | 150 |
| Total | **1,270** | 350 |

For the six months ended 30 June 2013, the trading loss related to financial assets designated at fair value through profit or loss of the Group amounted to RMB124 million (for the six months ended 30 June 2012: RMB54 million loss). Trading gain related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB980 million (for the six months ended 30 June 2012: RMB866 million gain).

(Expressed in millions of RMB, unless otherwise stated)

## 6 Dividend income

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Dividend income from listed trading equity investments | **17** | 11 |
| Dividend income from available-for-sale equity investments | | |
| – Listed | **34** | 23 |
| – Unlisted | **142** | 55 |
| Total | **193** | 89 |

## 7 Net gain arising from investment securities

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Net gain on sale of available-for-sale financial assets | **131** | 1,018 |
| Net revaluation gain reclassified from other comprehensive income on disposal | **76** | 738 |
| Net gain on sale of held-to-maturity investments | **95** | 58 |
| Total | **302** | 1,814 |

## 8 Other operating income, net

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Insurance related income | **4,078** | 2,789 |
| Net foreign exchange gain | **1,778** | 2,488 |
| Net gain on disposal of repossessed assets | **117** | 50 |
| Net gain on disposal of fixed assets | **45** | 22 |
| Others | **1,340** | 1,275 |
| Total | **7,358** | 6,624 |

Net foreign exchange gain or loss includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency interest rate swaps entered into in order to economically hedge long positions in foreign currency assets).

(Expressed in millions of RMB, unless otherwise stated)

## 9 Operating expenses

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Staff costs | | |
| – Salaries, bonuses, allowances and subsidies | **24,704** | 23,974 |
| – Defined contribution retirement schemes | **4,419** | 3,769 |
| – Other social insurance and welfare | **3,389** | 3,107 |
| – Housing funds | **2,461** | 2,139 |
| – Union operating costs and employee education costs | **1,008** | 987 |
| – Compensation to employees for termination of employment | **4** | 6 |
| | **35,985** | 33,982 |
| Premises and equipment expenses | | |
| – Depreciation charges | **6,300** | 5,580 |
| – Rent and property management expenses | **3,270** | 2,802 |
| – Maintenance | **958** | 888 |
| – Utilities | **872** | 827 |
| – Others | **682** | 560 |
| | **12,082** | 10,657 |
| Business taxes and surcharges | **15,780** | 14,975 |
| Amortisation expenses | **1,163** | 1,067 |
| Audit fees | **56** | 76 |
| Other general and administrative expenses | **16,001** | 13,813 |
| Total | **81,067** | 74,570 |

## 10 Impairment losses

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Loans and advances to customers | **16,067** | 14,726 |
| – Additions | **21,935** | 20,644 |
| – Releases | **(5,868)** | (5,918) |
| Available-for-sale debt securities | **(1,096)** | (262) |
| Available-for-sale equity investments | **(24)** | 9 |
| Held-to-maturity investments | **598** | 55 |
| Debt securities classified as receivables | **(130)** | 370 |
| Others | **639** | (160) |
| Total | **16,054** | 14,738 |

(Expressed in millions of RMB, unless otherwise stated)

# 11 Income tax expense

## (1) Income tax expense

| | Six months ended 30 June 2013 | Six months ended 30 June 2012 |
|---|---|---|
| Current tax | **35,929** | 35,509 |
| – Mainland China | **35,600** | 35,110 |
| – Hong Kong | **246** | 301 |
| – Other countries and regions | **83** | 98 |
| Adjustments for prior years | **(46)** | 590 |
| Deferred tax | **(658)** | (4,081) |
| Total | **35,225** | 32,018 |

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the period respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

## (2) Reconciliation between income tax expense and accounting profit

| | Six months ended 30 June 2013 | Six months ended 30 June 2012 |
|---|---|---|
| Profit before tax | **155,189** | 138,512 |
| Income tax calculated at statutory tax rates | **38,797** | 34,628 |
| Non-deductible expenses | | |
| – Staff costs | **156** | 134 |
| – Others | **599** | 440 |
| | **755** | 574 |
| Non-taxable income | | |
| – Interest income from PRC government bonds | **(3,958)** | (3,607) |
| – Others | **(323)** | (167) |
| | **(4,281)** | (3,774) |
| Total | **35,271** | 31,428 |
| Adjustments on income tax for prior years which affect profit or loss | **(46)** | 590 |
| Income tax expense | **35,225** | 32,018 |

(Expressed in millions of RMB, unless otherwise stated)

## 12 Earnings per share

Basic earnings per share for the six months ended 30 June 2013 and 2012 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2013 and 2012.

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Net profit attributable to shareholders of the Bank | **119,711** | 106,283 |
| Weighted average number of shares (in million shares) | **250,011** | 250,011 |
| Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan) | **0.48** | 0.43 |

## 13 Cash and deposits with central banks

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Note | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Cash | | **60,468** | 72,653 | **60,168** | 72,393 |
| Deposits with central banks | | | | | |
| – Statutory deposit reserves | (1) | **2,267,229** | 2,140,099 | **2,265,298** | 2,138,410 |
| – Surplus deposit reserves | (2) | **180,820** | 231,318 | **175,889** | 218,474 |
| – Fiscal deposits | | **27,644** | 13,999 | **27,644** | 13,999 |
| Subtotal | | **2,475,693** | 2,385,416 | **2,468,831** | 2,370,883 |
| Total | | **2,536,161** | 2,458,069 | **2,528,999** | 2,443,276 |

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China were as follows:

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| Reserve rate for RMB deposits | **20.0%** | 20.0% |
| Reserve rate for foreign currency deposits | **5.0%** | 5.0% |

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

(Expressed in millions of RMB, unless otherwise stated)

## 14 Deposits with banks and non-bank financial institutions

### (1) Analysed by type of counterparties

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Banks | **751,362** | 583,014 | **759,114** | 581,716 |
| Non-bank financial institutions | **2,835** | 2,891 | **2,695** | 2,829 |
| Gross balances | **754,197** | 585,905 | **761,809** | 584,545 |
| Allowances for impairment losses (Note 32) | **(4)** | (7) | **(4)** | (7) |
| Net balances | **754,193** | 585,898 | **761,805** | 584,538 |

### (2) Analysed by geographical sectors

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Mainland China | **736,223** | 557,348 | **738,567** | 557,048 |
| Overseas | **17,974** | 28,557 | **23,242** | 27,497 |
| Gross balances | **754,197** | 585,905 | **761,809** | 584,545 |
| Allowances for impairment losses (Note 32) | **(4)** | (7) | **(4)** | (7) |
| Net balances | **754,193** | 585,898 | **761,805** | 584,538 |

## 15 Placements with banks and non-bank financial institutions

### (1) Analysed by type of counterparties

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Banks | **29,521** | 65,340 | **45,472** | 68,620 |
| Non-bank financial institutions | **81,729** | 64,362 | **86,672** | 69,444 |
| Gross balances | **111,250** | 129,702 | **132,144** | 138,064 |
| Allowances for impairment losses (Note 32) | **(44)** | (49) | **(44)** | (49) |
| Net balances | **111,206** | 129,653 | **132,100** | 138,015 |

### (2) Analysed by geographical sectors

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Mainland China | **88,103** | 112,441 | **89,404** | 114,655 |
| Overseas | **23,147** | 17,261 | **42,740** | 23,409 |
| Gross balances | **111,250** | 129,702 | **132,144** | 138,064 |
| Allowances for impairment losses (Note 32) | **(44)** | (49) | **(44)** | (49) |
| Net balances | **111,206** | 129,653 | **132,100** | 138,015 |

(Expressed in millions of RMB, unless otherwise stated)

# 16 Financial assets at fair value through profit or loss

## Analysed by nature

| | Note | Group 30 June 2013 | Group 31 December 2012 | Bank 30 June 2013 | Bank 31 December 2012 |
|---|---|---|---|---|---|
| Held for trading purposes | (1) | | | | |
| – Debt securities | | **34,834** | 16,404 | **34,095** | 16,206 |
| – Equity instruments | | **201** | 378 | **–** | – |
| – Funds | | **55** | 443 | **–** | – |
| | | **35,090** | 17,225 | **34,095** | 16,206 |
| Designated at fair value through profit or loss | (2) | | | | |
| – Debt securities | | **3,215** | 4,188 | **–** | – |
| – Equity instruments | | **5,939** | 6,159 | **–** | – |
| | | **9,154** | 10,347 | **–** | – |
| Total | | **44,244** | 27,572 | **34,095** | 16,206 |

## Analysed by types of issuer

*(1) Held for trading purposes*

*(a) Debt securities*

| | Note | Group 30 June 2013 | Group 31 December 2012 | Bank 30 June 2013 | Bank 31 December 2012 |
|---|---|---|---|---|---|
| Government | | **1,770** | 818 | **1,247** | 814 |
| Central banks | | **587** | 80 | **587** | 80 |
| Policy banks | | **2,396** | 904 | **2,396** | 904 |
| Banks and non-bank financial institutions | | **9,606** | 3,149 | **9,606** | 3,149 |
| Others | | **20,475** | 11,453 | **20,259** | 11,259 |
| Listed | (i) | **34,834** | 16,404 | **34,095** | 16,206 |
| – of which in Hong Kong | | **5** | 23 | **–** | – |

*(b) Equity instruments and funds*

| | Note | Group 30 June 2013 | Group 31 December 2012 |
|---|---|---|---|
| Banks and non-bank financial institutions | | **6** | 404 |
| Others | | **250** | 417 |
| Total | | **256** | 821 |
| Listed | (i) | **201** | 416 |
| – of which in Hong Kong | | **166** | 240 |
| Unlisted | | **55** | 405 |
| Total | | **256** | 821 |

(Expressed in millions of RMB, unless otherwise stated)

# 16 Financial assets at fair value through profit or loss (continued)

## Analysed by types of issuer (continued)

### *(2) Designated at fair value through profit or loss*

#### *(a) Debt securities*

| | Note | Group 30 June 2013 | Group 31 December 2012 |
|---|---|---|---|
| Policy banks | | **249** | 258 |
| Banks and non-bank financial institutions | | **530** | 548 |
| Others | | **2,436** | 3,382 |
| Total | | **3,215** | 4,188 |
| Listed | (i) | **862** | 1,047 |
| – of which in Hong Kong | | **811** | 965 |
| Unlisted | | **2,353** | 3,141 |
| Total | | **3,215** | 4,188 |

#### *(b) Equity instruments*

| | Note | Group 30 June 2013 | Group 31 December 2012 |
|---|---|---|---|
| Banks and non-bank financial institutions | | **685** | 804 |
| Others | | **5,254** | 5,355 |
| Total | | **5,939** | 6,159 |
| Listed | (i) | **1,608** | 1,399 |
| – of which in Hong Kong | | **1,034** | 1,046 |
| Unlisted | | **4,331** | 4,760 |
| Total | | **5,939** | 6,159 |

(i) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed category.

There was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss.

(Expressed in millions of RMB, unless otherwise stated)

# 17 Derivatives

## (1) Analysed by type of contract

*Group*

| | 30 June 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Notional amounts** | **Assets** | **Liabilities** | Notional amounts | Assets | Liabilities |
| Interest rate contracts | **321,837** | **1,879** | **1,681** | 368,207 | 3,143 | 2,870 |
| Exchange rate contracts | **1,283,881** | **9,328** | **10,601** | 1,017,303 | 9,059 | 7,832 |
| Other contracts | **10,822** | **1,308** | **1,685** | 12,153 | 469 | 839 |
| Total | **1,616,540** | **12,515** | **13,967** | 1,397,663 | 12,671 | 11,541 |

*Bank*

| | 30 June 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Notional amounts** | **Assets** | **Liabilities** | Notional amounts | Assets | Liabilities |
| Interest rate contracts | **310,789** | **1,857** | **1,646** | 360,165 | 3,127 | 2,831 |
| Exchange rate contracts | **1,136,961** | **8,401** | **9,439** | 905,066 | 8,382 | 7,155 |
| Other contracts | **9,282** | **1,119** | **750** | 10,667 | 158 | 59 |
| Total | **1,457,032** | **11,377** | **11,835** | 1,275,898 | 11,667 | 10,045 |

## (2) Analysed by credit risk-weighted assets

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Interest rate contracts | **2,449** | 3,067 | **2,476** | 3,058 |
| Exchange rate contracts | **19,388** | 11,616 | **17,910** | 10,714 |
| Other contracts | **1,596** | 525 | **1,248** | 107 |
| Total | **23,433** | 15,208 | **21,634** | 13,879 |

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period. They do not represent the amounts at risk. Since 1 January 2013 the Group has adopted *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* and the related policies. In accordance with the rules set out by the CBRC, the credit risk-weighted assets added the credit valuation adjustment-weighted assets, and were the characteristics of the counterparties and the maturities. It included customer driven transactions, which were hedged back to back.

(Expressed in millions of RMB, unless otherwise stated)

# 17 Derivatives (continued)

## (3) Hedge accounting

The following designated hedging instruments are included in the derivate financial instruments as disclosed above.

*Group and the Bank*

| | 30 June 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Notional amounts** | **Assets** | **Liabilities** | Notional amounts | Assets | Liabilities |
| Fair value hedges | | | | | | |
| Interest rate swaps | **11,576** | **69** | **(130)** | 6,786 | 126 | (174) |
| Cash flow hedges | | | | | | |
| Foreign exchange forwards | **42,840** | **12** | **(574)** | – | – | – |
| Total | **54,416** | **81** | **(704)** | 6,786 | 126 | (174) |

(a) *Fair value hedge*

The Group uses interest rate swaps to hedge against changes in fair value of available-for-sale financial assets, certificates of deposit issued, placements with banks and non-bank financial institutions, loans and advances to customers arising from changes in interest rates.

Gains or losses on fair value hedges are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Net (losses)/gains on | | |
| – hedging instruments | **(13)** | 103 |
| – hedged items | **13** | (103) |
| Ineffectiveness recognised in net gain or loss on fair value changes | **–** | – |

(b) *Cash flow hedge*

The Group uses foreign exchange forwards to hedge against exposures to cash flow variability primarily from foreign exchange risks of loans and advances to customers. The maturities of hedging instruments and hedged items are both within one year.

For the six months ended 30 June 2013, total impact of the cash flow hedge on other comprehensive income was a net gain of RMB193 million which was recognised in “Capital reserve” (six months ended 30 June 2012: nil), and there was no ineffectiveness for the six months ended 30 June 2013 and 30 June 2012.

There were no transactions for which cash flow hedge accounting had to be ceased on 30 June 2013 and 31 December 2012 as a result of the highly probable cash flows no longer being expected to occur.

(Expressed in millions of RMB, unless otherwise stated)

## 18 Financial assets held under resale agreements

Financial assets held under resale agreements by underlying assets are shown as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Securities | | | | |
| – Government bonds | **76,794** | 67,125 | **76,622** | 67,125 |
| – Bills issued by the PBOC | **4,766** | 3,733 | **4,766** | 3,733 |
| – Debt securities issued by banks and non-bank financial institutions | **140,196** | 144,215 | **140,166** | 144,154 |
| – Other securities | **176** | – | **–** | – |
| Subtotal | **221,932** | 215,073 | **221,554** | 215,012 |
| Discounted bills | **112,710** | 94,612 | **112,710** | 94,612 |
| Loans and advances to customers | **800** | 7,000 | **800** | 7,000 |
| Total and net balances | **335,442** | 316,685 | **335,064** | 316,624 |

## 19 Interest receivable

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Deposits with central banks | **939** | 988 | **939** | 987 |
| Deposits with banks and non-bank financial institutions | **4,435** | 3,346 | **4,286** | 3,220 |
| Financial assets held under resale agreements | **1,162** | 807 | **1,162** | 807 |
| Loans and advances to customers | **22,570** | 20,408 | **22,157** | 20,006 |
| Debt securities | **49,373** | 42,398 | **49,123** | 42,218 |
| Others | **357** | 318 | **346** | 344 |
| Gross balances | **78,836** | 68,265 | **78,013** | 67,582 |
| Allowances for impairment losses (Note 32) | **(1)** | (1) | **(1)** | (1) |
| Net balances | **78,835** | 68,264 | **78,012** | 67,581 |

(Expressed in millions of RMB, unless otherwise stated)

# 20 Loans and advances to customers

## (1) Analysed by nature

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Corporate loans and advances | | | | |
| – Loans | **5,539,553** | 5,230,891 | **5,397,861** | 5,134,038 |
| – Finance leases | **37,901** | 38,630 | **–** | – |
| | **5,577,454** | 5,269,521 | **5,397,861** | 5,134,038 |
| Personal loans and advances | | | | |
| – Residential mortgages | **1,715,616** | 1,543,966 | **1,699,928** | 1,528,757 |
| – Personal business loans | **98,486** | 104,096 | **95,489** | 101,776 |
| – Personal consumer loans | **82,042** | 84,631 | **77,578** | 80,556 |
| – Credit cards | **222,286** | 182,507 | **218,431** | 177,936 |
| – Others | **153,601** | 135,894 | **143,199** | 128,801 |
| | **2,272,031** | 2,051,094 | **2,234,625** | 2,017,826 |
| Discounted bills | **245,567** | 191,697 | **245,369** | 191,540 |
| Gross loans and advances to customers | **8,095,052** | 7,512,312 | **7,877,855** | 7,343,404 |
| Allowances for impairment losses (Note 32) | **(212,981)** | (202,433) | **(211,547)** | (201,087) |
| – Individual assessment | **(50,217)** | (45,814) | **(50,012)** | (45,678) |
| – Collective assessment | **(162,764)** | (156,619) | **(161,535)** | (155,409) |
| Net loans and advances to customers | **7,882,071** | 7,309,879 | **7,666,308** | 7,142,317 |

(Expressed in millions of RMB, unless otherwise stated)

## 20 Loans and advances to customers (continued)

### (2) Analysed by assessment method of allowances for impairment losses

| | Note | Loans and advances for which collectively assessed | Impaired loans and advances: for which allowance are collectively assessed | Impaired loans and advances: for which allowance are individually assessed | Total |
|---|---|---|---|---|---|
| | | (a) | (b) | (b) | |
| *Group* | | | | | |
| As at 30 June 2013 | | | | | |
| Gross loans and advances to customers | | **8,014,742** | **7,551** | **72,759** | **8,095,052** |
| Allowances for impairment losses | | **(157,780)** | **(4,984)** | **(50,217)** | **(212,981)** |
| Net loans and advances to customers | | **7,856,962** | **2,567** | **22,542** | **7,882,071** |
| As at 31 December 2012 | | | | | |
| Gross loans and advances to customers | | 7,437,694 | 5,991 | 68,627 | 7,512,312 |
| Allowances for impairment losses | | (152,710) | (3,909) | (45,814) | (202,433) |
| Net loans and advances to customers | | 7,284,984 | 2,082 | 22,813 | 7,309,879 |
| *Bank* | | | | | |
| As at 30 June 2013 | | | | | |
| Gross loans and advances to customers | | **7,798,001** | **7,451** | **72,403** | **7,877,855** |
| Allowances for impairment losses | | **(156,566)** | **(4,969)** | **(50,012)** | **(211,547)** |
| Net loans and advances to customers | | **7,641,435** | **2,482** | **22,391** | **7,666,308** |
| As at 31 December 2012 | | | | | |
| Gross loans and advances to customers | | 7,269,057 | 5,895 | 68,452 | 7,343,404 |
| Allowances for impairment losses | | (151,510) | (3,899) | (45,678) | (201,087) |
| Net loans and advances to customers | | 7,117,547 | 1,996 | 22,774 | 7,142,317 |

(a) Loans and advances assessed on a collective basis for impairment are those graded normal or special mention.

(b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

- individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
- collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 30 June 2013 is 0.99% (31 December 2012: 0.99%).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 30 June 2013 is 1.01% (31 December 2012: 1.01%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 59(1).

(Expressed in millions of RMB, unless otherwise stated)

# 20 Loans and advances to customers (continued)

## (3) Movements of allowances for impairment losses

*Group*

| | | Six months ended 30 June 2013 | | | |
|---|---|---|---|---|---|
| | | Allowances for loans and advances | Allowances for impaired loans and advances | | |
| | Note | which are collectively assessed | which are collectively assessed | which are individually assessed | Total |
| As at 1 January | | **152,710** | **3,909** | **45,814** | **202,433** |
| Charge for the period | | **5,070** | **1,410** | **15,232** | **21,712** |
| Release during the period | | **–** | **–** | **(5,645)** | **(5,645)** |
| Unwinding of discount | | **–** | **–** | **(721)** | **(721)** |
| Transfers out | (a) | **–** | **(1)** | **(450)** | **(451)** |
| Write-offs | | **–** | **(386)** | **(4,994)** | **(5,380)** |
| Recoveries | | **–** | **52** | **981** | **1,033** |
| As at 30 June | | **157,780** | **4,984** | **50,217** | **212,981** |

| | | 2012 | | | |
|---|---|---|---|---|---|
| | | Allowances for loans and advances | Allowances for impaired loans and advances | | |
| | Note | which are collectively assessed | which are collectively assessed | which are individually assessed | Total |
| As at 1 January | | 129,832 | 3,276 | 38,109 | 171,217 |
| Charge for the year | | 22,878 | 1,371 | 23,024 | 47,273 |
| Release during the year | | – | – | (8,943) | (8,943) |
| Unwinding of discount | | – | – | (1,612) | (1,612) |
| Transfers out | (a) | – | (5) | (232) | (237) |
| Write-offs | | – | (832) | (5,821) | (6,653) |
| Recoveries | | – | 99 | 1,289 | 1,388 |
| As at 31 December | | 152,710 | 3,909 | 45,814 | 202,433 |

(Expressed in millions of RMB, unless otherwise stated)

# 20 Loans and advances to customers (continued)

## (3) Movements of allowances for impairment losses (continued)

*Bank*

| | Note | Six months ended 30 June 2013 | | | |
|---|---|---|---|---|---|
| | | Allowances for loans and advances | Allowances for impaired loans and advances | | |
| | Note | which are collectively assessed | which are collectively assessed | which are individually assessed | Total |
| As at 1 January | | **151,510** | **3,899** | **45,678** | **201,087** |
| Charge for the period | | **5,056** | **1,361** | **15,150** | **21,567** |
| Release during the period | | **–** | **–** | **(5,639)** | **(5,639)** |
| Unwinding of discount | | **–** | **–** | **(721)** | **(721)** |
| Transfers out | (a) | **–** | **–** | **(443)** | **(443)** |
| Write-offs | | **–** | **(329)** | **(4,994)** | **(5,323)** |
| Recoveries | | **–** | **38** | **981** | **1,019** |
| As at 30 June | | **156,566** | **4,969** | **50,012** | **211,547** |

| | Note | 2012 | | | |
|---|---|---|---|---|---|
| | | Allowances for loans and advances | Allowances for impaired loans and advances | | |
| | Note | which are collectively assessed | which are collectively assessed | which are individually assessed | Total |
| As at 1 January | | 128,898 | 3,265 | 38,020 | 170,183 |
| Charge for the year | | 22,612 | 1,292 | 22,954 | 46,858 |
| Release during the year | | – | – | (8,921) | (8,921) |
| Unwinding of discount | | – | – | (1,612) | (1,612) |
| Transfers out | (a) | – | (2) | (231) | (233) |
| Write-offs | | – | (731) | (5,820) | (6,551) |
| Recoveries | | – | 75 | 1,288 | 1,363 |
| As at 31 December | | 151,510 | 3,899 | 45,678 | 201,087 |

(a) Transfers out include the transfer for allowances for impairment losses to repossessed assets, and the exchange difference.

## (4) Overdue loans analysed by overdue period

*Group*

| | 30 June 2013 | | | | |
|---|---|---|---|---|---|
| | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years | Total |
| Unsecured loans | **4,428** | **3,062** | **852** | **1,005** | **9,347** |
| Guaranteed loans | **6,096** | **14,096** | **8,020** | **3,201** | **31,413** |
| Loans secured by tangible assets other than monetary assets | **15,267** | **10,859** | **11,758** | **5,972** | **43,856** |
| Loans secured by monetary assets | **1,106** | **2,072** | **1,997** | **644** | **5,819** |
| Total | **26,897** | **30,089** | **22,627** | **10,822** | **90,435** |
| As a percentage of gross loans and advances to customers | **0.34%** | **0.37%** | **0.28%** | **0.13%** | **1.12%** |

(Expressed in millions of RMB, unless otherwise stated)

# 20 Loans and advances to customers (continued)

## (4) Overdue loans analysed by overdue period (continued)

*Group (continued)*

| | 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years | Total |
| Unsecured loans | 3,630 | 1,310 | 897 | 1,151 | 6,988 |
| Guaranteed loans | 5,384 | 9,740 | 4,405 | 4,112 | 23,641 |
| Loans secured by tangible assets other than monetary assets | 14,550 | 12,328 | 7,717 | 6,664 | 41,259 |
| Loans secured by monetary assets | 1,151 | 2,462 | 909 | 666 | 5,188 |
| Total | 24,715 | 25,840 | 13,928 | 12,593 | 77,076 |
| As a percentage of gross loans and advances to customers | 0.33% | 0.34% | 0.19% | 0.17% | 1.03% |

*Bank*

| | **30 June 2013** | | | | |
|---|---|---|---|---|---|
| | **Overdue within three months** | **Overdue between three months and one year** | **Overdue between one year and three years** | **Overdue over three years** | **Total** |
| Unsecured loans | **4,342** | **3,053** | **850** | **963** | **9,208** |
| Guaranteed loans | **6,022** | **13,995** | **7,969** | **3,201** | **31,187** |
| Loans secured by tangible assets other than monetary assets | **13,540** | **10,802** | **11,754** | **5,971** | **42,067** |
| Loans secured by monetary assets | **1,104** | **2,072** | **1,997** | **644** | **5,817** |
| Total | **25,008** | **29,922** | **22,570** | **10,779** | **88,279** |
| As a percentage of gross loans and advances to customers | **0.31%** | **0.38%** | **0.29%** | **0.14%** | **1.12%** |

| | 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years | Total |
| Unsecured loans | 3,536 | 1,299 | 894 | 1,104 | 6,833 |
| Guaranteed loans | 5,371 | 9,686 | 4,336 | 4,112 | 23,505 |
| Loans secured by tangible assets other than monetary assets | 14,212 | 12,322 | 7,717 | 6,662 | 40,913 |
| Loans secured by monetary assets | 1,151 | 2,462 | 909 | 666 | 5,188 |
| Total | 24,270 | 25,769 | 13,856 | 12,544 | 76,439 |
| As a percentage of gross loans and advances to customers | 0.33% | 0.35% | 0.19% | 0.17% | 1.04% |

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(Expressed in millions of RMB, unless otherwise stated)

# 21 Available-for-sale financial assets

## Analysed by nature

| | Note | Group 30 June 2013 | Group 31 December 2012 | Bank 30 June 2013 | Bank 31 December 2012 |
|---|---|---|---|---|---|
| Debt securities | (1) | **743,176** | 688,814 | **724,655** | 672,073 |
| Equity instruments | (2) | **12,472** | 11,430 | **6,811** | 9,343 |
| Funds | (2) | **670** | 797 | **–** | – |
| Total | | **756,318** | 701,041 | **731,466** | 681,416 |

(1) *Debt securities*

Analysed by type of issuers

| | Note | Group 30 June 2013 | Group 31 December 2012 | Bank 30 June 2013 | Bank 31 December 2012 |
|---|---|---|---|---|---|
| Government | | **113,201** | 92,364 | **105,640** | 91,450 |
| Central banks | | **75,271** | 100,176 | **73,704** | 95,473 |
| Policy banks | | **90,653** | 76,655 | **90,653** | 76,655 |
| Banks and non-bank financial institutions | | **231,553** | 192,276 | **226,139** | 184,917 |
| Public sector entities | | **303** | 341 | **303** | 341 |
| Other enterprises | | **232,195** | 227,002 | **228,216** | 223,237 |
| Total | | **743,176** | 688,814 | **724,655** | 672,073 |
| Listed | (i) | **704,386** | 641,715 | **699,636** | 637,694 |
| – of which in Hong Kong | | **917** | 1,284 | **755** | 1,117 |
| Unlisted | | **38,790** | 47,099 | **25,019** | 34,379 |
| Total | | **743,176** | 688,814 | **724,655** | 672,073 |

(2) *Equity instruments and funds*

| | Note | Group 30 June 2013 | Group 31 December 2012 | Bank 30 June 2013 | Bank 31 December 2012 |
|---|---|---|---|---|---|
| Debt equity swap ("DES") investments | | **5,623** | 7,931 | **5,623** | 7,931 |
| Other equity instruments | | **6,849** | 3,499 | **1,188** | 1,412 |
| Funds | | **670** | 797 | **–** | – |
| Total | | **13,142** | 12,227 | **6,811** | 9,343 |
| Listed | (i) | **6,938** | 8,489 | **5,321** | 7,848 |
| – of which in Hong Kong | | **478** | 623 | **478** | 623 |
| Unlisted | | **6,204** | 3,738 | **1,490** | 1,495 |
| Total | | **13,142** | 12,227 | **6,811** | 9,343 |

(i) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed category.

Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control, joint control or significant influence over these entities.

(Expressed in millions of RMB, unless otherwise stated)

# 22 Held-to-maturity investments

## Analysed by types of issuers

| | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Government | | **802,102** | 796,075 | **801,449** | 795,422 |
| Central banks | | **141,115** | 235,053 | **141,115** | 235,053 |
| Policy banks | | **300,124** | 273,270 | **300,124** | 273,270 |
| Banks and non-bank financial institutions | | **526,913** | 526,376 | **526,315** | 525,879 |
| Other enterprises | | **125,754** | 91,626 | **123,941** | 90,265 |
| Gross balances | | **1,896,008** | 1,922,400 | **1,892,944** | 1,919,889 |
| Allowances for impairment losses (Note 32) | | **(4,463)** | (4,078) | **(4,463)** | (4,078) |
| Net balances | | **1,891,545** | 1,918,322 | **1,888,481** | 1,915,811 |
| Listed | (1) | **1,875,427** | 1,895,728 | **1,873,265** | 1,893,618 |
| – of which in Hong Kong | | **243** | – | **243** | – |
| Unlisted | | **16,118** | 22,594 | **15,216** | 22,193 |
| Total | | **1,891,545** | 1,918,322 | **1,888,481** | 1,915,811 |
| Market value of listed securities | | **1,874,000** | 1,894,253 | **1,871,839** | 1,892,131 |

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed category.

# 23 Debt securities classified as receivables

| | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Government | | | | | |
| – Special government bond | (1) | **49,200** | 49,200 | **49,200** | 49,200 |
| – Others | | **762** | 755 | **530** | 530 |
| Banks and non-bank financial institutions | | **83,538** | 79,707 | **80,492** | 77,960 |
| China Cinda Assets Management Co., Ltd. (“Cinda”) | (2) | **52,794** | 57,622 | **52,794** | 57,622 |
| Other enterprises | | **32,050** | 33,450 | **32,050** | 33,450 |
| Gross balances | | **218,344** | 220,734 | **215,066** | 218,762 |
| Allowance for impairment losses (Note 32) | | **(891)** | (1,021) | **(891)** | (1,021) |
| Net balances | | **217,453** | 219,713 | **214,175** | 217,741 |
| Listed outside Hong Kong | (3) | **30,209** | 31,537 | **30,209** | 31,537 |
| Unlisted | | **187,244** | 188,176 | **183,966** | 186,204 |
| Total | | **217,453** | 219,713 | **214,175** | 217,741 |

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance (“MOF”) in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank’s use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) China Cinda Assets Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation) (“Cinda”) issued a bond (“Cinda Bond”) with a nominal value of RMB247 billion specifically to CCB in 1999 with a fixed coupon rate of 2.25%. Cinda Bond has been extended for 10 years upon its expiry and the interest rate remained unchanged from 2009. Cinda has already repaid RMB194.2 billion of the principal amount of the bond as at 30 June 2013.

(3) Debt securities traded on the China Domestic Interbank Bond Market are include in the Listed outside Hong Kong category.

(Expressed in millions of RMB, unless otherwise stated)

## 24 Investments in subsidiaries

### (1) Investment cost

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| CCB Financial Leasing Corporation Limited ("CCBFLCL") | **4,663** | 4,663 |
| CCB Life Insurance Company Limited ("CCB Life") | **3,902** | 3,902 |
| Jianxin Trust Corporation Limited ("Jianxin Trust") | **3,409** | 3,409 |
| Sino-German Bausparkasse Corporation Limited ("Sino-German") | **1,502** | 1,502 |
| China Construction Bank (London) Limited ("CCB London") | **1,361** | 1,361 |
| China Construction Bank (Russia) Limited ("CCB Russia") | **851** | – |
| Golden Fountain Finance Limited ("Golden Fountain") | **676** | – |
| China Construction Bank (Dubai) Limited ("CCB Dubai") | **620** | – |
| Sing Jian Development Company Limited ("SJDCL") | **383** | 383 |
| CCB Principal Asset Management Corporation Limited ("CCB Principal") | **130** | 130 |
| CCB International Group Holdings Limited ("CCBIG") | **–** | – |
| Rural Banks | **1,378** | 1,326 |
| Total | **18,875** | 16,676 |

The total investment amount of rural banks consists of investment costs of 27 rural banks in total, which are established and controlled by the Bank in substance (31 December 2012: 26 rural banks).

### (2) Major subsidiaries of the Group are unlisted enterprises; details of the investments in subsidiaries are as follows:

| Name of company | Place of incorporation | Particulars of the issued and paid up capital | Principal activities | % of ownership directly held by the Bank | % of ownership indirectly held by the Bank | % of voting rights held by the Bank |
|---|---|---|---|---|---|---|
| CCBFLCL | Beijing, the PRC | RMB4,500 million | Financial leasing | 100% | – | 100% |
| CCB Life | Shanghai, the PRC | RMB4,496 million | Insurance | 51% | – | 51% |
| Jianxin Trust | Anhui, the PRC | RMB1,527 million | Trust business | 67% | – | 67% |
| Sino-German | Tianjin, the PRC | RMB2,000 million | House savings bank | 75.1% | – | 75.1% |
| CCB London | London, United Kingdom | US$200 million | Commercial banking | 100% | – | 100% |
| CCB Russia | Moscow, Russia | RUB4,200 million | Commercial banking | 100% | – | 100% |
| Golden Fountain | British Virgin Islands | US$50,000 | Investment | 100% | – | 100% |
| CCB Dubai | Dubai, United Arab Emirates | US$100 million | Commercial banking | 100% | – | 100% |
| SJDCL | Hong Kong, the PRC | HK$300 million | Investment | 100% | – | 100% |
| CCB Principal | Beijing, the PRC | RMB200 million | Fund management services | 65% | – | 65% |
| CCBIG | Hong Kong, the PRC | HK$1 | Investment | 100% | – | 100% |
| Lanhye Investment Holdings Limited | British Virgin Islands | US$1 | Investment | – | 100% | 100% |
| CCB International (Holdings) Limited ("CCBI") | Hong Kong, the PRC | US$601 million | Investment | – | 100% | 100% |
| China Construction Bank (Asia) Corporation Limited ("CCB Asia") | Hong Kong, the PRC | HK$6,511 million | Commercial banking | – | 100% | 100% |

(Expressed in millions of RMB, unless otherwise stated)

## 25 Interests in associates and jointly controlled entities

(1) The movement of the Group's interests in associates and jointly controlled entities is as follows:

| | Six months ended 30 June 2013 | 2012 |
|---|---|---|
| As at 1 January | **2,366** | 2,069 |
| Acquisition during the period/year | **42** | 294 |
| Disposal during the period/year | **(23)** | (4) |
| Share of profits less losses | **3** | 28 |
| Cash dividend receivable | **(3)** | (11) |
| Effect of exchange difference and others | **(28)** | (10) |
| As at 30 June/31 December | **2,357** | 2,366 |

(2) Details of the interests in major associates and jointly controlled entities are as follows:

| Name of Company | Place of incorporation | Particulars of issued and paid up capital | Principal activity | % of ownership held | % of voting held | Total assets at period end | Total liabilities at period end | Revenue for the period | Net profit for the period |
|---|---|---|---|---|---|---|---|---|---|
| QBE Hong Kong and Shanghai Insurance Limited | Hong Kong, the PRC | HK$78,192,220 | Insurance | 25.50% | 25.50% | 1,924 | 1,350 | 391 | 12 |
| Diamond String Limited | Hong Kong, the PRC | HK$10,000 | Property investment | 50.00% | 50.00% | 1,620 | 1,644 | 27 | (22) |
| CCBT Private Equity Fund | Beijing, the PRC | RMB365 million | Investment management and consultancy | 45.70% | 50.00% | 341 | 5 | – | (8) |
| CCBT Fortune Private Equity Fund | Beijing, the PRC | RMB510 million | Investment management and consultancy | 32.83% | 33.33% | 507 | – | 10 | 3 |

(Expressed in millions of RMB, unless otherwise stated)

# 26 Fixed assets

*Group*

| | Bank premises | Construction in progress | Equipment | Others | Total |
|---|---|---|---|---|---|
| **Cost/Deemed cost** | | | | | |
| As at 1 January 2013 | **79,525** | **22,891** | **35,985** | **27,752** | **166,153** |
| Additions | **1,471** | **5,291** | **1,932** | **4,028** | **12,722** |
| Transfer in/(out) | **1,695** | **(2,217)** | **17** | **505** | **–** |
| Disposals | **(95)** | **(270)** | **(529)** | **(530)** | **(1,424)** |
| As at 30 June 2013 | **82,596** | **25,695** | **37,405** | **31,755** | **177,451** |
| **Accumulated depreciation** | | | | | |
| As at 1 January 2013 | **(16,296)** | **–** | **(21,842)** | **(13,631)** | **(51,769)** |
| Charge for the period | **(1,453)** | **–** | **(2,470)** | **(2,377)** | **(6,300)** |
| Disposals | **18** | **–** | **498** | **469** | **985** |
| As at 30 June 2013 | **(17,731)** | **–** | **(23,814)** | **(15,539)** | **(57,084)** |
| **Allowances for impairment losses (Note 32)** | | | | | |
| As at 1 January 2013 | **(427)** | **–** | **(1)** | **(10)** | **(438)** |
| Disposals | **1** | **–** | **–** | **5** | **6** |
| As at 30 June 2013 | **(426)** | **–** | **(1)** | **(5)** | **(432)** |
| **Net carrying value** | | | | | |
| As at 1 January 2013 | **62,802** | **22,891** | **14,142** | **14,111** | **113,946** |
| As at 30 June 2013 | **64,439** | **25,695** | **13,590** | **16,211** | **119,935** |

| | Bank premises | Construction in progress | Equipment | Others | Total |
|---|---|---|---|---|---|
| **Cost/Deemed cost** | | | | | |
| As at 1 January 2012 | 65,691 | 18,933 | 30,075 | 23,233 | 137,932 |
| Additions | 8,001 | 13,316 | 7,759 | 3,883 | 32,959 |
| Transfer in/(out) | 6,090 | (8,109) | 51 | 1,968 | – |
| Disposals | (257) | (1,249) | (1,900) | (1,332) | (4,738) |
| As at 31 December 2012 | 79,525 | 22,891 | 35,985 | 27,752 | 166,153 |
| **Accumulated depreciation** | | | | | |
| As at 1 January 2012 | (13,761) | – | (18,965) | (10,517) | (43,243) |
| Charge for the year | (2,585) | – | (4,717) | (4,383) | (11,685) |
| Disposals | 50 | – | 1,840 | 1,269 | 3,159 |
| As at 31 December 2012 | (16,296) | – | (21,842) | (13,631) | (51,769) |
| **Allowances for impairment losses (Note 32)** | | | | | |
| As at 1 January 2012 | (459) | – | (1) | (7) | (467) |
| Charge for the year | – | – | – | (5) | (5) |
| Disposals | 32 | – | – | 2 | 34 |
| As at 31 December 2012 | (427) | – | (1) | (10) | (438) |
| **Net carrying value** | | | | | |
| As at 1 January 2012 | 51,471 | 18,933 | 11,109 | 12,709 | 94,222 |
| As at 31 December 2012 | 62,802 | 22,891 | 14,142 | 14,111 | 113,946 |

(Expressed in millions of RMB, unless otherwise stated)

## 26 Fixed assets (continued)

*Bank*

| | Bank premises | Construction in progress | Equipment | Others | Total |
|---|---|---|---|---|---|
| **Cost/Deemed cost** | | | | | |
| As at 1 January 2013 | **76,226** | **22,819** | **35,574** | **27,242** | **161,861** |
| Additions | **1,468** | **5,275** | **1,904** | **952** | **9,599** |
| Transfer in/(out) | **1,678** | **(2,199)** | **17** | **504** | **–** |
| Disposals | **(52)** | **(266)** | **(510)** | **(462)** | **(1,290)** |
| As at 30 June 2013 | **79,320** | **25,629** | **36,985** | **28,236** | **170,170** |
| **Accumulated depreciation** | | | | | |
| As at 1 January 2013 | **(16,150)** | **–** | **(21,555)** | **(13,381)** | **(51,086)** |
| Charge for the period | **(1,406)** | **–** | **(2,447)** | **(2,334)** | **(6,187)** |
| Disposals | **15** | **–** | **494** | **458** | **967** |
| As at 30 June 2013 | **(17,541)** | **–** | **(23,508)** | **(15,257)** | **(56,306)** |
| **Allowances for impairment losses (Note 32)** | | | | | |
| As at 1 January 2013 | **(427)** | **–** | **(1)** | **(4)** | **(432)** |
| Disposals | **1** | **–** | **–** | **–** | **1** |
| As at 30 June 2013 | **(426)** | **–** | **(1)** | **(4)** | **(431)** |
| **Net carrying value** | | | | | |
| As at 1 January 2013 | **59,649** | **22,819** | **14,018** | **13,857** | **110,343** |
| As at 30 June 2013 | **61,353** | **25,629** | **13,476** | **12,975** | **113,433** |

| | Bank premises | Construction in progress | Equipment | Others | Total |
|---|---|---|---|---|---|
| **Cost/Deemed cost** | | | | | |
| As at 1 January 2012 | 65,140 | 18,928 | 29,765 | 22,716 | 136,549 |
| Additions | 5,247 | 13,236 | 7,650 | 3,814 | 29,947 |
| Transfer in/(out) | 6,090 | (8,109) | 51 | 1,968 | – |
| Disposals | (251) | (1,236) | (1,892) | (1,256) | (4,635) |
| As at 31 December 2012 | 76,226 | 22,819 | 35,574 | 27,242 | 161,861 |
| **Accumulated depreciation** | | | | | |
| As at 1 January 2012 | (13,680) | – | (18,762) | (10,272) | (42,714) |
| Charge for the year | (2,518) | – | (4,629) | (4,352) | (11,499) |
| Disposals | 48 | – | 1,836 | 1,243 | 3,127 |
| As at 31 December 2012 | (16,150) | – | (21,555) | (13,381) | (51,086) |
| **Allowances for impairment losses (Note 32)** | | | | | |
| As at 1 January 2012 | (459) | – | (1) | (6) | (466) |
| Disposals | 32 | – | – | 2 | 34 |
| As at 31 December 2012 | (427) | – | (1) | (4) | (432) |
| **Net carrying value** | | | | | |
| As at 1 January 2012 | 51,001 | 18,928 | 11,002 | 12,438 | 93,369 |
| As at 31 December 2012 | 59,649 | 22,819 | 14,018 | 13,857 | 110,343 |

(Expressed in millions of RMB, unless otherwise stated)

# 26 Fixed assets (continued)

Notes:

(1) As at 30 June 2013, the ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB16,438 million (31 December 2012: RMB16,492 million) was still being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group and the Bank to these assets nor have any significant impact on the business operation of the Group and the Bank.

(2) Analysed by remaining terms of the leases

The net carrying values of bank premises of the Group and the Bank as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Long term leases (over 50 years) held overseas | **672** | 686 | **–** | – |
| Medium term leases (10-50 years) held overseas | **2,003** | 2,082 | **85** | 102 |
| Short term leases (less than 10 years) held overseas | **15** | 20 | **15** | 20 |
| Long term leases (over 50 years) held in Mainland China | **3,273** | 4,045 | **3,273** | 4,045 |
| Medium term leases (10-50 years) held in Mainland China | **56,309** | 54,047 | **55,813** | 53,563 |
| Short term leases (less than 10 years) held in Mainland China | **2,167** | 1,922 | **2,167** | 1,919 |
| Total | **64,439** | 62,802 | **61,353** | 59,649 |

# 27 Land use rights

*Group*

| | **Six months ended 30 June 2013** | 2012 |
|---|---|---|
| **Cost/Deemed cost** | | |
| As at 1 January | **20,758** | 20,475 |
| Additions | **–** | 327 |
| Disposals | **(15)** | (44) |
| As at 30 June/31 December | **20,743** | 20,758 |
| **Amortisation** | | |
| As at 1 January | **(4,384)** | (3,872) |
| Charge for the period/year | **(255)** | (522) |
| Disposals | **4** | 10 |
| As at 30 June/31 December | **(4,635)** | (4,384) |
| **Allowances for impairment losses (Note 32)** | | |
| As at 1 January | **(142)** | (146) |
| Disposals | **–** | 4 |
| As at 30 June/31 December | **(142)** | (142) |
| **Net carrying value** | | |
| As at 1 January | **16,232** | 16,457 |
| As at 30 June/31 December | **15,966** | 16,232 |

(Expressed in millions of RMB, unless otherwise stated)

## 27 Land use rights (continued)

*Bank*

| | Six months ended 30 June 2013 | 2012 |
|---|---|---|
| **Cost/Deemed cost** | | |
| As at 1 January | **20,688** | 20,417 |
| Additions | **–** | 314 |
| Disposals | **(13)** | (43) |
| As at 30 June/31 December | **20,675** | 20,688 |
| **Amortisation** | | |
| As at 1 January | **(4,365)** | (3,867) |
| Charge for the period/year | **(255)** | (508) |
| Disposals | **3** | 10 |
| As at 30 June/31 December | **(4,617)** | (4,365) |
| **Allowances for impairment losses (Note 32)** | | |
| As at 1 January | **(142)** | (146) |
| Disposals | **–** | 4 |
| As at 30 June/31 December | **(142)** | (142) |
| **Net carrying value** | | |
| As at 1 January | **16,181** | 16,404 |
| As at 30 June/31 December | **15,916** | 16,181 |

## 28 Intangible assets

*Group*

| | Software | Others | Total |
|---|---|---|---|
| **Cost/Deemed cost** | | | |
| As at 1 January 2013 | **5,098** | **545** | **5,643** |
| Additions | **159** | **42** | **201** |
| Disposals | **(43)** | **(1)** | **(44)** |
| As at 30 June 2013 | **5,214** | **586** | **5,800** |
| **Amortisation** | | | |
| As at 1 January 2013 | **(3,483)** | **(91)** | **(3,574)** |
| Charge for the period | **(256)** | **(42)** | **(298)** |
| Disposals | **4** | **1** | **5** |
| As at 30 June 2013 | **(3,735)** | **(132)** | **(3,867)** |
| **Allowances for impairment losses (Note 32)** | | | |
| As at 1 January 2013 | **(1)** | **(7)** | **(8)** |
| As at 30 June 2013 | **(1)** | **(7)** | **(8)** |
| **Net carrying value** | | | |
| As at 1 January 2013 | **1,614** | **447** | **2,061** |
| As at 30 June 2013 | **1,478** | **447** | **1,925** |

(Expressed in millions of RMB, unless otherwise stated)

## 28 Intangible assets (continued)

*Group (continued)*

| | Software | Others | Total |
|---|---|---|---|
| **Cost/Deemed cost** | | | |
| As at 1 January 2012 | 4,245 | 539 | 4,784 |
| Additions | 899 | 23 | 922 |
| Disposals | (46) | (17) | (63) |
| As at 31 December 2012 | 5,098 | 545 | 5,643 |
| **Amortisation** | | | |
| As at 1 January 2012 | (3,033) | (83) | (3,116) |
| Charge for the year | (494) | (24) | (518) |
| Disposals | 44 | 16 | 60 |
| As at 31 December 2012 | (3,483) | (91) | (3,574) |
| **Allowances for impairment losses (Note 32)** | | | |
| As at 1 January 2012 | (1) | (7) | (8) |
| As at 31 December 2012 | (1) | (7) | (8) |
| **Net carrying value** | | | |
| As at 1 January 2012 | 1,211 | 449 | 1,660 |
| As at 31 December 2012 | 1,614 | 447 | 2,061 |

*Bank*

| | **Software** | **Others** | **Total** |
|---|---|---|---|
| **Cost/Deemed cost** | | | |
| As at 1 January 2013 | **4,933** | **108** | **5,041** |
| Additions | **144** | **40** | **184** |
| Disposals | **(40)** | **(1)** | **(41)** |
| As at 30 June 2013 | **5,037** | **147** | **5,184** |
| **Amortisation** | | | |
| As at 1 January 2013 | **(3,403)** | **(66)** | **(3,469)** |
| Charge for the period | **(246)** | **(33)** | **(279)** |
| Disposals | **5** | **1** | **6** |
| As at 30 June 2013 | **(3,644)** | **(98)** | **(3,742)** |
| **Allowances for impairment losses (Note 32)** | | | |
| As at 1 January 2013 | **(1)** | **(7)** | **(8)** |
| As at 30 June 2013 | **(1)** | **(7)** | **(8)** |
| **Net carrying value** | | | |
| As at 1 January 2013 | **1,529** | **35** | **1,564** |
| As at 30 June 2013 | **1,392** | **42** | **1,434** |

(Expressed in millions of RMB, unless otherwise stated)

## 28 Intangible assets (continued)

*Bank (continued)*

| | Software | Others | Total |
|---|---|---|---|
| **Cost/Deemed cost** | | | |
| As at 1 January 2012 | 4,127 | 102 | 4,229 |
| Additions | 849 | 23 | 872 |
| Disposals | (43) | (17) | (60) |
| As at 31 December 2012 | 4,933 | 108 | 5,041 |
| **Amortisation** | | | |
| As at 1 January 2012 | (2,970) | (75) | (3,045) |
| Charge for the year | (475) | (7) | (482) |
| Disposals | 42 | 16 | 58 |
| As at 31 December 2012 | (3,403) | (66) | (3,469) |
| **Allowances for impairment losses (Note 32)** | | | |
| As at 1 January 2012 | (1) | (7) | (8) |
| As at 31 December 2012 | (1) | (7) | (8) |
| **Net carrying value** | | | |
| As at 1 January 2012 | 1,156 | 20 | 1,176 |
| As at 31 December 2012 | 1,529 | 35 | 1,564 |

## 29 Goodwill

(1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006, Jianxin Trust on 29 July 2009 and CCB Life on 29 June 2011. Movement of the goodwill is as follows:

| | **Six months ended 30 June 2013** | 2012 |
|---|---|---|
| As at 1 January | **1,651** | 1,662 |
| Effect of exchange difference | **(22)** | (11) |
| As at 30 June/31 December | **1,629** | 1,651 |

### (2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment test, no impairment losses on goodwill were recognised as at 30 June 2013 (31 December 2012: nil).

(Expressed in millions of RMB, unless otherwise stated)

# 30 Deferred tax

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Deferred tax assets | **28,257** | 27,051 | **28,838** | 27,517 |
| Deferred tax liabilities | **(327)** | (332) | **–** | – |
| Total | **27,930** | 26,719 | **28,838** | 27,517 |

## (1) Analysed by nature

*Group*

| | 30 June 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | **Deductible/ (taxable) temporary differences** | **Deferred tax assets/ (liabilities)** | Deductible/ (taxable) temporary differences | Deferred tax assets/ (liabilities) |
| Deferred tax assets | | | | |
| – Fair value adjustments | **(2,346)** | **(590)** | (5,938) | (1,488) |
| – Allowances for impairment losses | **111,348** | **27,783** | 105,164 | 26,208 |
| – Early retirement benefits and accrued salaries | **22,517** | **5,626** | 25,318 | 6,321 |
| – Others | **(17,407)** | **(4,562)** | (15,056) | (3,990) |
| Total | **114,112** | **28,257** | 109,488 | 27,051 |
| Deferred tax liabilities | | | | |
| – Fair value adjustments | **(1,239)** | **(297)** | (1,235) | (297) |
| – Allowances for impairment losses | **17** | **4** | 17 | 4 |
| – Others | **(148)** | **(34)** | (176) | (39) |
| Total | **(1,370)** | **(327)** | (1,394) | (332) |

*Bank*

| | 30 June 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | **Deductible/ (taxable) temporary differences** | **Deferred tax assets/ (liabilities)** | Deductible/ (taxable) temporary differences | Deferred tax assets/ (liabilities) |
| Deferred tax assets | | | | |
| – Fair value adjustments | **(2,335)** | **(590)** | (5,926) | (1,487) |
| – Allowances for impairment losses | **110,785** | **27,668** | 104,587 | 26,093 |
| – Early retirement benefits and accrued salaries | **22,299** | **5,575** | 25,069 | 6,267 |
| – Others | **(11,594)** | **(3,815)** | (9,979) | (3,356) |
| Total | **119,155** | **28,838** | 113,751 | 27,517 |

(Expressed in millions of RMB, unless otherwise stated)

# 30 Deferred tax (continued)

## (2) Movements of deferred tax

*Group*

| | Fair value adjustments | Allowances for impairment losses | Early retirement benefits and accrued salaries | Others | Total |
|---|---|---|---|---|---|
| As at 1 January 2013 | **(1,785)** | **26,212** | **6,321** | **(4,029)** | **26,719** |
| Recognised in profit or loss | **345** | **1,575** | **(695)** | **(567)** | **658** |
| Recognised in other comprehensive income | **553** | **–** | **–** | **–** | **553** |
| As at 30 June 2013 | **(887)** | **27,787** | **5,626** | **(4,596)** | **27,930** |
| As at 1 January 2012 | (2,580) | 21,375 | 5,689 | (3,432) | 21,052 |
| Recognised in profit or loss | (301) | 4,837 | 632 | (597) | 4,571 |
| Recognised in other comprehensive income | 1,096 | – | – | – | 1,096 |
| As at 31 December 2012 | (1,785) | 26,212 | 6,321 | (4,029) | 26,719 |

*Bank*

| | Fair value adjustments | Allowances for impairment losses | Early retirement benefits and accrued salaries | Others | Total |
|---|---|---|---|---|---|
| As at 1 January 2013 | **(1,487)** | **26,093** | **6,267** | **(3,356)** | **27,517** |
| Recognised in profit or loss | **332** | **1,575** | **(692)** | **(459)** | **756** |
| Recognised in other comprehensive income | **565** | **–** | **–** | **–** | **565** |
| As at 30 June 2013 | **(590)** | **27,668** | **5,575** | **(3,815)** | **28,838** |
| As at 1 January 2012 | (2,294) | 21,309 | 5,651 | (2,686) | 21,980 |
| Recognised in profit or loss | (293) | 4,784 | 616 | (670) | 4,437 |
| Recognised in other comprehensive income | 1,100 | – | – | – | 1,100 |
| As at 31 December 2012 | (1,487) | 26,093 | 6,267 | (3,356) | 27,517 |

The Group and the Bank did not have significant unrecognised deferred tax as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

## 31 Other assets

| | Note | Group 30 June 2013 | Group 31 December 2012 | Bank 30 June 2013 | Bank 31 December 2012 |
|---|---|---|---|---|---|
| Repossessed assets | (1) | | | | |
| – Buildings | | **1,307** | 1,398 | **1,307** | 1,398 |
| – Land use rights | | **244** | 233 | **244** | 233 |
| – Others | | **74** | 61 | **74** | 60 |
| | | **1,625** | 1,692 | **1,625** | 1,691 |
| Long-term deferred expenses | | **590** | 625 | **531** | 564 |
| Receivables from CCBIG | (2) | **–** | – | **20,370** | 20,681 |
| Other receivables | | **33,634** | 20,942 | **30,616** | 17,704 |
| Leasehold improvements | | **2,438** | 2,566 | **2,410** | 2,542 |
| Subtotal | | **38,287** | 25,825 | **55,552** | 43,182 |
| Allowances for impairment losses (Note 32) | | | | | |
| – Repossessed assets | | **(202)** | (217) | **(202)** | (217) |
| – Others | | **(2,272)** | (2,273) | **(2,092)** | (2,107) |
| Total | | **35,813** | 23,335 | **53,258** | 40,858 |

(1) During the six months ended 30 June 2013, the original cost of repossessed assets disposed of by the Group amounted to RMB288 million (for the six months ended 30 June 2012: RMB187 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

(2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity investments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

## 32 Movements of allowances for impairment losses

*Group*

| | Note | Six months ended 30 June 2013 | | | | |
|---|---|---|---|---|---|---|
| | | **As at 1 January** | **Charge/ (Write-back)** | **Transfer out** | **Write-offs** | **As at 30 June** |
| Deposits with banks and non-bank financial institutions | 14 | **7** | **(3)** | **–** | **–** | **4** |
| Placements with banks and non-bank financial institutions | 15 | **49** | **–** | **–** | **(5)** | **44** |
| Interest receivable | 19 | **1** | **–** | **–** | **–** | **1** |
| Loans and advances to customers | 20(3) | **202,433** | **16,067** | **(139)** | **(5,380)** | **212,981** |
| Held-to-maturity investments | 22 | **4,078** | **598** | **(35)** | **(178)** | **4,463** |
| Debt securities classified as receivables | 23 | **1,021** | **(130)** | **–** | **–** | **891** |
| Fixed assets | 26 | **438** | **–** | **–** | **(6)** | **432** |
| Land use rights | 27 | **142** | **–** | **–** | **–** | **142** |
| Intangible assets | 28 | **8** | **–** | **–** | **–** | **8** |
| Other assets | 31 | **2,490** | **92** | **–** | **(108)** | **2,474** |
| Total | | **210,667** | **16,624** | **(174)** | **(5,677)** | **221,440** |

Transfer out includes exchange differences.

(Expressed in millions of RMB, unless otherwise stated)

## 32 Movements of allowances for impairment losses (continued)

*Group (continued)*

| | | 2012 | | | | |
|---|---|---|---|---|---|---|
| | Note | As at 1 January | Charge/ (Write-back) | Transfer out | Write-offs | As at 31 December |
| Deposits with banks and non-bank financial institutions | 14 | 9 | (1) | – | (1) | 7 |
| Placements with banks and non-bank financial institutions | 15 | 65 | (9) | – | (7) | 49 |
| Interest receivable | 19 | 1 | – | – | – | 1 |
| Loans and advances to customers | 20(3) | 171,217 | 38,330 | (461) | (6,653) | 202,433 |
| Held-to-maturity investments | 22 | 3,994 | 1,126 | (29) | (1,013) | 4,078 |
| Debt securities classified as receivables | 23 | 615 | 406 | – | – | 1,021 |
| Fixed assets | 26 | 467 | 5 | – | (34) | 438 |
| Land use rights | 27 | 146 | – | – | (4) | 142 |
| Intangible assets | 28 | 8 | – | – | – | 8 |
| Other assets | 31 | 2,503 | 297 | – | (310) | 2,490 |
| Total | | 179,025 | 40,154 | (490) | (8,022) | 210,667 |

*Bank*

| | | **Six months ended 30 June 2013** | | | | |
|---|---|---|---|---|---|---|
| | Note | **As at 1 January** | **Charge/ (Write-back)** | **Transfer out** | **Write-offs** | **As at 30 June** |
| Deposits with banks and non-bank financial institutions | 14 | **7** | **(3)** | **–** | **–** | **4** |
| Placements with banks and non-bank financial institutions | 15 | **49** | **–** | **–** | **(5)** | **44** |
| Interest receivable | 19 | **1** | **–** | **–** | **–** | **1** |
| Loans and advances to customers | 20(3) | **201,087** | **15,928** | **(145)** | **(5,323)** | **211,547** |
| Held-to-maturity investments | 22 | **4,078** | **598** | **(35)** | **(178)** | **4,463** |
| Debt securities classified as receivables | 23 | **1,021** | **(130)** | **–** | **–** | **891** |
| Fixed assets | 26 | **432** | **–** | **–** | **(1)** | **431** |
| Land use rights | 27 | **142** | **–** | **–** | **–** | **142** |
| Intangible assets | 28 | **8** | **–** | **–** | **–** | **8** |
| Other assets | 31 | **2,324** | **44** | **–** | **(74)** | **2,294** |
| Total | | **209,149** | **16,437** | **(180)** | **(5,581)** | **219,825** |

| | | 2012 | | | | |
|---|---|---|---|---|---|---|
| | Note | As at 1 January | Charge/ (Write-back) | Transfer out | Write-offs | As at 31 December |
| Deposits with banks and non-bank financial institutions | 14 | 9 | (1) | – | (1) | 7 |
| Placements with banks and non-bank financial institutions | 15 | 65 | (9) | – | (7) | 49 |
| Interest receivable | 19 | 1 | – | – | – | 1 |
| Loans and advances to customers | 20(3) | 170,183 | 37,937 | (482) | (6,551) | 201,087 |
| Held-to-maturity investments | 22 | 3,994 | 1,126 | (29) | (1,013) | 4,078 |
| Debt securities classified as receivables | 23 | 615 | 406 | – | – | 1,021 |
| Fixed assets | 26 | 466 | – | – | (34) | 432 |
| Land use rights | 27 | 146 | – | – | (4) | 142 |
| Intangible assets | 28 | 8 | – | – | – | 8 |
| Other assets | 31 | 2,503 | 96 | – | (275) | 2,324 |
| Total | | 177,990 | 39,555 | (511) | (7,885) | 209,149 |

(Expressed in millions of RMB, unless otherwise stated)

## 33 Amounts due from/to subsidiaries

Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Deposits with banks and non-bank financial institutions | 15,435 | 7,593 |
| Placements with banks and non-bank financial institutions | 30,568 | 12,670 |
| Interest receivable | 96 | 43 |
| Loans and advances to customers | 1,259 | 760 |
| Available-for-sale financial assets | 1,606 | 2,022 |
| Other assets | 20,431 | 20,809 |
| Total | 69,395 | 43,897 |

Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Deposits from banks and non-bank financial institutions | 7,246 | 7,631 |
| Placements from banks and non-bank financial institutions | 6,174 | 3,321 |
| Deposits from customers | 7,346 | 5,279 |
| Interest payable | 134 | 97 |
| Other liabilities | 5 | 2 |
| Total | 20,905 | 16,330 |

## 34 Borrowings from central banks

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2013 | 31 December 2012 | 30 June 2013 | 31 December 2012 |
| Mainland China | 80,326 | 118 | 80,006 | 6 |
| Overseas | 31,806 | 6,163 | 31,410 | 6,163 |
| Total | 112,132 | 6,281 | 111,416 | 6,169 |

## 35 Deposits from banks and non-bank financial institutions

### (1) Analysed by type of counterparties

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2013 | 31 December 2012 | 30 June 2013 | 31 December 2012 |
| Banks | 319,894 | 506,141 | 321,058 | 508,097 |
| Non-bank financial institutions | 428,116 | 471,346 | 429,813 | 472,400 |
| Total | 748,010 | 977,487 | 750,871 | 980,497 |

### (2) Analysed by geographical sectors

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2013 | 31 December 2012 | 30 June 2013 | 31 December 2012 |
| Mainland China | 745,841 | 974,231 | 746,563 | 972,348 |
| Overseas | 2,169 | 3,256 | 4,308 | 8,149 |
| Total | 748,010 | 977,487 | 750,871 | 980,497 |

(Expressed in millions of RMB, unless otherwise stated)

## 36 Placements from banks and non-bank financial institutions

### (1) Analysed by type of counterparties

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Banks | **127,183** | 119,988 | **85,166** | 77,434 |
| Non-bank financial institutions | **12,947** | 268 | **13,812** | 206 |
| Total | **140,130** | 120,256 | **98,978** | 77,640 |

### (2) Analysed by geographical sectors

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Mainland China | **47,218** | 49,406 | **18,555** | 20,899 |
| Overseas | **92,912** | 70,850 | **80,423** | 56,741 |
| Total | **140,130** | 120,256 | **98,978** | 77,640 |

## 37 Financial liabilities at fair value through profit or loss

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Structured financial instruments | **5,678** | 5,117 | **3,002** | 2,399 |
| Financial liabilities related to precious metals | **29,918** | 32,134 | **29,918** | 32,134 |
| Total | **35,596** | 37,251 | **32,920** | 34,533 |

The Group's and the Bank's financial liabilities at fair value through profit or loss are those designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period and year presented and cumulatively as at 30 June 2013 and 31 December 2012.

## 38 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Securities | | | | |
| – Government bonds | **500** | 1,281 | **–** | – |
| – Standard bonds | **55** | 130 | **–** | – |
| Subtotal | **555** | 1,411 | **–** | – |
| Discounted bills | **622** | 949 | **594** | 891 |
| Total | **1,177** | 2,360 | **594** | 891 |

(Expressed in millions of RMB, unless otherwise stated)

## 39 Deposits from customers

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Demand deposits | | | | |
| – Corporate customers | **3,922,845** | 3,816,312 | **3,883,666** | 3,806,391 |
| – Personal customers | **2,319,692** | 2,107,369 | **2,306,949** | 2,092,833 |
| Subtotal | **6,242,537** | 5,923,681 | **6,190,615** | 5,899,224 |
| Time deposits (including call deposits) | | | | |
| – Corporate customers | **2,571,380** | 2,392,797 | **2,570,880** | 2,365,610 |
| – Personal customers | **3,335,521** | 3,026,601 | **3,286,161** | 2,985,166 |
| Subtotal | **5,906,901** | 5,419,398 | **5,857,041** | 5,350,776 |
| Total | **12,149,438** | 11,343,079 | **12,047,656** | 11,250,000 |

Deposits from customers include:

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| (1) | Pledged deposits | | | | |
| | – Deposits for acceptance | **158,145** | 124,367 | **158,144** | 124,423 |
| | – Deposits for letter of credit | **55,390** | 42,616 | **55,390** | 42,616 |
| | – Deposits for guarantee | **37,053** | 34,443 | **37,233** | 34,443 |
| | – Others | **179,586** | 192,272 | **181,802** | 195,045 |
| | Total | **430,174** | 393,698 | **432,569** | 396,527 |
| (2) | Outward remittance and remittance payables | **22,318** | 8,722 | **22,211** | 8,592 |

(3) As at 30 June 2013, the deposits arising from wealth management products with principal guaranteed by the Group and the Bank were RMB486,801 million (31 December 2012: RMB355,284 million).

(Expressed in millions of RMB, unless otherwise stated)

# 40 Accrued staff costs

*Group*

| | Note | Six months ended 30 June 2013 | | | |
|---|---|---|---|---|---|
| | | **As at 1 January (Restated)** | **Accrued** | **Paid** | **As at 30 June** |
| Salaries, bonuses, allowances and subsidies | | **23,488** | **24,704** | **(26,849)** | **21,343** |
| Defined contribution retirement schemes | | **606** | **4,419** | **(4,387)** | **638** |
| Other social insurance and welfare | | **1,975** | **3,297** | **(2,990)** | **2,282** |
| Housing funds | | **134** | **2,461** | **(2,417)** | **178** |
| Union running costs and employee education costs | | **1,269** | **1,008** | **(607)** | **1,670** |
| Supplementary retirement benefits | (1) | **699** | **64** | **–** | **763** |
| Early retirement benefits | | **4,596** | **99** | **(584)** | **4,111** |
| Compensation to employees for termination of employment relationship | | **5** | **4** | **(4)** | **5** |
| Total | | **32,772** | **36,056** | **(37,838)** | **30,990** |

| | Note | 2012 | | | |
|---|---|---|---|---|---|
| | | As at 1 January (Restated) | Accrued (Restated) | Paid | As at 31 December (Restated) |
| Salaries, bonuses, allowances and subsidies | | 19,871 | 54,352 | (50,735) | 23,488 |
| Defined contribution retirement schemes | | 552 | 10,214 | (10,160) | 606 |
| Other social insurance and welfare | | 1,630 | 7,807 | (7,462) | 1,975 |
| Housing funds | | 124 | 4,685 | (4,675) | 134 |
| Union running costs and employee education costs | | 1,174 | 2,205 | (2,110) | 1,269 |
| Supplementary retirement benefits | (1) | 7,033 | 661 | (6,995) | 699 |
| Early retirement benefits | | 5,542 | 210 | (1,156) | 4,596 |
| Compensation to employees for termination of employment relationship | | 6 | 8 | (9) | 5 |
| Total | | 35,932 | 80,142 | (83,302) | 32,772 |

*Bank*

| | Note | Six months ended 30 June 2013 | | | |
|---|---|---|---|---|---|
| | | **As at 1 January (Restated)** | **Accrued** | **Paid** | **As at 30 June** |
| Salaries, bonuses, allowances and subsidies | | **22,728** | **23,707** | **(25,741)** | **20,694** |
| Defined contribution retirement schemes | | **603** | **4,341** | **(4,311)** | **633** |
| Other social insurance and welfare | | **1,866** | **3,237** | **(2,836)** | **2,267** |
| Housing funds | | **133** | **2,436** | **(2,394)** | **175** |
| Union running costs and employee education costs | | **1,256** | **993** | **(601)** | **1,648** |
| Supplementary retirement benefits | (1) | **699** | **64** | **–** | **763** |
| Early retirement benefits | | **4,596** | **99** | **(584)** | **4,111** |
| Compensation to employees for termination of employment relationship | | **5** | **4** | **(4)** | **5** |
| Total | | **31,886** | **34,881** | **(36,471)** | **30,296** |

| | Note | 2012 | | | |
|---|---|---|---|---|---|
| | | As at 1 January (Restated) | Accrued (Restated) | Paid | As at 31 December (Restated) |
| Salaries, bonuses, allowances and subsidies | | 19,222 | 52,455 | (48,949) | 22,728 |
| Defined contribution retirement schemes | | 550 | 10,076 | (10,023) | 603 |
| Other social insurance and welfare | | 1,544 | 7,690 | (7,368) | 1,866 |
| Housing funds | | 124 | 4,643 | (4,634) | 133 |
| Union running costs and employee education costs | | 1,162 | 2,187 | (2,093) | 1,256 |
| Supplementary retirement benefits | (1) | 7,033 | 661 | (6,995) | 699 |
| Early retirement benefits | | 5,542 | 210 | (1,156) | 4,596 |
| Compensation to employees for termination of employment relationship | | 6 | 8 | (9) | 5 |
| Total | | 35,183 | 77,930 | (81,227) | 31,886 |

(Expressed in millions of RMB, unless otherwise stated)

# 40 Accrued staff costs (continued)

## (1) Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

*(a) Breakdowns of supplementary retirement benefits obligations of the Group and the Bank are as follows:*

| | **30 June 2013** | 31 December 2012 (Restated) |
|---|---|---|
| Fair value of plan assets | **6,095** | 6,370 |
| Supplementary retirement benefits obligations | **763** | 699 |
| Present value of supplementary retirement benefit obligations | **6,858** | 7,069 |

*(b) Movements of supplementary retirement benefits of the Group and the Bank are as follows:*

(i) Movements of fair value of plan assets of the Group and the Bank are as follows:

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| As at 1 January | **6,370** | – |
| Interest income | **111** | – |
| Remeasurements | | |
| – Return on plan assets, excluding amounts included in interest income | **(51)** | – |
| Contributions to plan assets – from the Bank | **–** | 6,370 |
| Benefit payments from plan assets | **(335)** | – |
| As at 30 June/31 December | **6,095** | 6,370 |

(ii) Movements of present value of supplementary retirement benefit obligations of the Group and the Bank are as follows:

| | **30 June 2013** | 31 December 2012 (Restated) |
|---|---|---|
| As at 1 January | **7,069** | 7,033 |
| Payments made | **(335)** | (625) |
| Expenses recognised in profit or loss | | |
| – Interest cost | **118** | 232 |
| – Past service costs | **–** | 366 |
| Remeasurements – Actuarial losses | **6** | 63 |
| As at 30 June/31 December | **6,858** | 7,069 |

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

*(c) Principal actuarial assumptions of the Group and the Bank as at the balance sheet date are as follows:*

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| Discount rate | **3.50%** | 3.50% |
| Health care cost increase rate | **7.00%** | 7.00% |
| Average expected future lifetime of eligible employees | **12.8 years** | 13.1 years |

(Expressed in millions of RMB, unless otherwise stated)

# 40 Accrued staff costs (continued)

## (1) Supplementary retirement benefits (continued)

(d) *The sensitivity of the present value of supplementary retirement benefits obligation to changes in the weighted principal assumption is:*

| | Impact on present value of supplementary retirement benefits obligation | |
|---|---|---|
| | Increase in assumption by 0.25% | Decrease in assumption by 0.25% |
| Discount rate | (139) | 144 |
| Health care cost increase rate | 47 | (45) |

(e) The weighted average duration of supplementary retirement benefits obligation of the Group and the Bank is 8.3 years.

(f) *Plan assets of the Group and the Bank are as follows:*

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| Equity instruments | **40** | – |
| Debt instruments | **5,234** | – |
| Cash and cash equivalents | **748** | 6,370 |
| Others | **73** | – |
| Total | **6,095** | 6,370 |

(2) The Group and the Bank had no overdue balance of accrued staff costs as at the end of the reporting period.

# 41 Taxes payable

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Income tax | **27,249** | 44,361 | **26,920** | 44,076 |
| Business tax and surcharges | **7,648** | 8,373 | **7,584** | 8,281 |
| Value added tax | **(959)** | (656) | **(961)** | (659) |
| Others | **884** | 1,193 | **856** | 1,164 |
| Total | **34,822** | 53,271 | **34,399** | 52,862 |

# 42 Interest payable

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Deposits from customers | **136,585** | 117,974 | **136,218** | 117,724 |
| Debts securities issued | **4,371** | 2,137 | **4,371** | 2,137 |
| Deposits from banks and non-bank financial institutions | **2,288** | 2,652 | **2,365** | 2,671 |
| Others | **872** | 452 | **648** | 272 |
| Total | **144,116** | 123,215 | **143,602** | 122,804 |

(Expressed in millions of RMB, unless otherwise stated)

## 43 Provisions

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Litigation provisions | **733** | 741 | **733** | 741 |
| Others | **4,765** | 4,317 | **4,764** | 4,317 |
| Total | **5,498** | 5,058 | **5,497** | 5,058 |

## 44 Debt securities issued

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Note | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Certificates of deposit issued | (1) | **154,169** | 101,223 | **125,664** | 84,195 |
| Bonds issued | (2) | **1,935** | 1,934 | **996** | 995 |
| Subordinated bonds issued | (3) | **159,846** | 159,834 | **159,846** | 159,834 |
| Total | | **315,950** | 262,991 | **286,506** | 245,024 |

(1) Certificates of deposit were mainly issued by overseas branches and CCB Asia.

(2) Bonds issued

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Note | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| 3.20% fixed rate RMB bonds | (a) | **940** | 940 | **–** | – |
| 3.08% fixed rate RMB bonds | (b) | **500** | 500 | **500** | 500 |
| 3.25% fixed rate RMB bonds | (c) | **500** | 500 | **500** | 500 |
| Total nominal value | | **1,940** | 1,940 | **1,000** | 1,000 |
| Less: unamortised issuance costs | | **(5)** | (6) | **(4)** | (5) |
| Carrying value as at 30 June/31 December | | **1,935** | 1,934 | **996** | 995 |

(a) 3.20% fixed rate RMB bonds were issued in November 2012 in London, and will mature on 29 November 2015.

(b) 3.08% fixed rate RMB bonds were issued in June 2012 in Hong Kong, and will mature on 28 June 2014.

(c) 3.25% fixed rate RMB bonds were issued in June 2012 in Hong Kong, and will mature on 28 June 2015.

(Expressed in millions of RMB, unless otherwise stated)

# 44 Debt securities issued (continued)

(3) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC and the CBRC is as follows:

| | Note | Group and Bank | |
|---|---|---|---|
| | | **30 June 2013** | 31 December 2012 |
| 3.20% subordinated fixed rate bonds maturing in February 2019 | (a) | **12,000** | 12,000 |
| 4.00% subordinated fixed rate bonds maturing in February 2024 | (b) | **28,000** | 28,000 |
| 3.32% subordinated fixed rate bonds maturing in August 2019 | (c) | **10,000** | 10,000 |
| 4.04% subordinated fixed rate bonds maturing in August 2024 | (d) | **10,000** | 10,000 |
| 4.80% subordinated fixed rate bonds maturing in December 2024 | (e) | **20,000** | 20,000 |
| 5.70% subordinated fixed rate bonds maturing in November 2026 | (f) | **40,000** | 40,000 |
| 4.99% subordinated fixed rate bonds maturing in November 2027 | (g) | **40,000** | 40,000 |
| Total nominal value | | **160,000** | 160,000 |
| Less: Unamortised issuance cost | | **(154)** | (166) |
| Carrying value as at 30 June/31 December | | **159,846** | 159,834 |

(a) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 3.20%. The Group has an option to redeem the bonds on 26 February 2014. If they are not redeemed by the Group, the interest rate will increase to 6.20% per annum from 26 February 2014 for the next five years.

(b) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 4.00%. The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(c) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 3.32%. The Group has an option to redeem the bonds on 11 August 2014. If they are not redeemed by the Group, the interest rate will increase to 6.32% per annum from 11 August 2014 for the next five years.

(d) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 4.04%. The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(e) The interest rate per annum on the subordinated fixed rate bonds issued in December 2009 is 4.80%. The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(f) The interest rate per annum on the subordinated fixed rate bonds issued in November 2011 is 5.70%, which will be remained fixed in the duration. The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.

(g) The interest rate per annum on the subordinated fixed rate bonds issued in November 2012 is 4.99%, which will be remained fixed in the duration. The Group has an option to redeem the bonds on 21 November 2022, subject to an approval from relevant authority.

# 45 Other liabilities

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Dividend payable | **66,947** | 18 | **66,934** | – |
| Deferred income | **12,280** | 10,150 | **12,147** | 10,035 |
| Insurance reserve of CCB life | **10,947** | 7,574 | **–** | – |
| Capital expenditure payable | **5,238** | 5,831 | **5,238** | 5,831 |
| Dormant accounts | **2,550** | 2,381 | **2,550** | 2,381 |
| Securities underwriting and redemption payable | **1,543** | 1,395 | **1,543** | 1,395 |
| Payment and collection clearance accounts | **817** | 439 | **817** | 439 |
| Settlement accounts | **334** | 1,752 | **345** | 1,742 |
| Payables to China Jianyin Investment Limited | **53** | 83 | **53** | 83 |
| Others | **25,841** | 17,766 | **17,570** | 11,978 |
| Total | **126,550** | 47,389 | **107,197** | 33,884 |

# 46 Share capital

| | Group and Bank | |
|---|---|---|
| | **30 June 2013** | 31 December 2012 |
| Listed in Hong Kong (H share) | **240,417** | 240,417 |
| Listed in Mainland China (A share) | **9,594** | 9,594 |
| Total | **250,011** | 250,011 |

All H and A shares are ordinary shares, have a par value of RMB1.00 per share and rank pari passu with the same rights and benefits.

(Expressed in millions of RMB, unless otherwise stated)

## 47 Capital reserve

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 (Restated) | **30 June 2013** | 31 December 2012 (Restated) |
| Share premium | **135,118** | 135,118 | **135,109** | 135,047 |
| Cash flow hedge reserve | **193** | – | **193** | – |
| Others | **42** | 99 | **36** | 93 |
| Total | **135,353** | 135,217 | **135,338** | 135,140 |

## 48 Investment revaluation reserve

The changes in fair value of available-for-sale financial assets were recognised in "investment revaluation reserve". Movements of investment revaluation reserve are as follows:

*Group*

| | Six months ended 30 June 2013 | | |
|---|---|---|---|
| | **Before-tax amount** | **Tax (expense)/benefit** | **Net-of-tax amount** |
| As at 1 January | **4,030** | **(1,007)** | **3,023** |
| Gains/(losses) during the period | | | |
| – Debt securities | **1,759** | **(359)** | **1,400** |
| – Equity instruments and funds | **(2,482)** | **620** | **(1,862)** |
| | **(723)** | **261** | **(462)** |
| Reclassification adjustments | | | |
| – Impairment | **(1,096)** | **274** | **(822)** |
| – Disposals | **(76)** | **19** | **(57)** |
| – Others | **53** | **(13)** | **40** |
| | **(1,119)** | **280** | **(839)** |
| As at 30 June | **2,188** | **(466)** | **1,722** |

| | 2012 | | |
|---|---|---|---|
| | Before-tax amount | Tax (expense)/benefit | Net-of-tax amount |
| As at 1 January | 8,492 | (2,109) | 6,383 |
| Losses during the year | | | |
| – Debt securities | (1,238) | 296 | (942) |
| – Equity instruments and funds | (1,383) | 346 | (1,037) |
| | (2,621) | 642 | (1,979) |
| Reclassification adjustments | | | |
| – Impairment | (337) | 84 | (253) |
| – Disposals | (1,546) | 387 | (1,159) |
| – Others | 42 | (11) | 31 |
| | (1,841) | 460 | (1,381) |
| As at 31 December | 4,030 | (1,007) | 3,023 |

(Expressed in millions of RMB, unless otherwise stated)

## 48 Investment revaluation reserve (continued)

*Bank*

| | Six months ended 30 June 2013 | | |
|---|---|---|---|
| | **Before-tax amount** | **Tax (expense)/benefit** | **Net-of-tax amount** |
| As at 1 January | **4,072** | **(994)** | **3,078** |
| Gains/(losses) during the period | | | |
| – Debt securities | **1,354** | **(333)** | **1,021** |
| – Equity instruments | **(2,469)** | **617** | **(1,852)** |
| | **(1,115)** | **284** | **(831)** |
| Reclassification adjustments | | | |
| – Impairment | **(1,103)** | **276** | **(827)** |
| – Disposals | **(71)** | **18** | **(53)** |
| – Others | **53** | **(13)** | **40** |
| | **(1,121)** | **281** | **(840)** |
| As at 30 June | **1,836** | **(429)** | **1,407** |

| | 2012 | | |
|---|---|---|---|
| | Before-tax amount | Tax (expense)/benefit | Net-of-tax amount |
| As at 1 January | 8,566 | (2,094) | 6,472 |
| Losses during the year | | | |
| – Debt securities | (1,179) | 271 | (908) |
| – Equity instruments | (1,505) | 376 | (1,129) |
| | (2,684) | 647 | (2,037) |
| Reclassification adjustments | | | |
| – Impairment | (355) | 89 | (266) |
| – Disposals | (1,497) | 375 | (1,122) |
| – Others | 42 | (11) | 31 |
| | (1,810) | 453 | (1,357) |
| As at 31 December | 4,072 | (994) | 3,078 |

Others refer to the amortisation of accumulated losses previously recognised in revaluation reserve for the period/year. These accumulated losses were related to certain debt securities reclassified from available-for-sale financial assets to held-to-maturity investments in prior period/years.

## 49 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006 and since, to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in annual general meetings.

(Expressed in millions of RMB, unless otherwise stated)

## 50 General reserve

The general reserve of the Group and the Bank is set up based upon the requirements of Ministry of Finance and other statutory and regulatory requirements:

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Note | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| MOF | (1) | **150,249** | 79,182 | **150,249** | 79,182 |
| Hong Kong Banking Ordinance | (2) | **1,144** | 819 | **105** | 105 |
| Other regulatory bodies in Mainland China | (3) | **695** | 324 | **–** | – |
| Other overseas regulatory bodies | | **250** | 158 | **249** | 157 |
| Total | | **152,338** | 80,483 | **150,603** | 79,444 |

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the 'Regulation on Management of Financial Institutions for Reserves' (Cai Jin [2012] No. 20), issued by the Ministry of Finance on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

## 51 Profit distribution

The Bank declared a cash dividend of RMB67,003 million for the year ended 31 December 2012 according to the profit distribution plan approved by the Annual General Meeting held on 6 June 2013.

## 52 Note to the consolidated statement of cash flows

| | **30 June 2013** | 31 December 2012 | 30 June 2012 |
|---|---|---|---|
| Cash | **60,468** | 72,653 | 53,823 |
| Surplus deposit reserves with central banks | **180,820** | 231,318 | 396,769 |
| Demand deposits with banks and non-bank financial institutions | **26,264** | 36,454 | 32,816 |
| Deposits with banks and non-bank financial institutions with original maturity of three months | **479,554** | 330,045 | 206,639 |
| Placements with banks and non-bank financial institutions with original maturity of three months | **34,436** | 78,450 | 122,968 |
| Total | **781,542** | 748,920 | 813,015 |

## 53 Credit Assets Securitisation Transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose vehicles ("SPVs") which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement.

As at 30 June 2013, loans with an original carrying amount of RMB7,177 million (31 December 2012: RMB7,177 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 30 June 2013, the carrying amount of assets that the Group continued to recognise was RMB831 million (31 December 2012: RMB834 million), and liabilities was RMB504 million (31 December 2012: RMB506 million).

# 54 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

## (1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City and certain subsidiaries operations in Hong Kong, London, Moscow and Dubai.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

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

– "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

– "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

– "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

– the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;

– the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

– the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(Expressed in millions of RMB, unless otherwise stated)

## 54 Operating segments (continued)

### (1) Geographical segments (continued)

| | Six months ended 30 June 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | Total |
| External net interest income | 28,866 | 17,436 | 17,322 | 20,279 | 23,317 | 6,961 | 71,520 | 1,959 | 187,660 |
| Internal net interest income/(expense) | 3,769 | 6,356 | 10,174 | 9,398 | 7,706 | 4,619 | (43,063) | 1,041 | – |
| **Net interest income** | 32,635 | 23,792 | 27,496 | 29,677 | 31,023 | 11,580 | 28,457 | 3,000 | 187,660 |
| Net fee and commission income | 10,857 | 9,032 | 9,067 | 9,221 | 7,291 | 3,049 | 6,220 | 787 | 55,524 |
| Net trading gain/(loss) | 304 | 338 | 238 | 146 | 232 | 66 | 1,320 | (1,374) | 1,270 |
| Dividend income | – | 1 | 2 | 116 | 47 | – | 27 | – | 193 |
| Net gain arising from investment securities | 169 | – | – | – | – | 10 | 83 | 40 | 302 |
| Other operating income, net | 4,200 | 162 | 212 | 270 | 670 | 2 | 226 | 1,616 | 7,358 |
| **Operating income** | 48,165 | 33,325 | 37,015 | 39,430 | 39,263 | 14,707 | 36,333 | 4,069 | 252,307 |
| Operating expenses | (17,888) | (10,600) | (12,474) | (14,041) | (13,655) | (5,908) | (4,913) | (1,588) | (81,067) |
| Impairment losses | (10,885) | (511) | 88 | (1,689) | (119) | (722) | (1,037) | (1,179) | (16,054) |
| Share of profits less losses of associates and jointly controlled entities | – | – | – | (1) | – | – | – | 4 | 3 |
| **Profit before tax** | 19,392 | 22,214 | 24,629 | 23,699 | 25,489 | 8,077 | 30,383 | 1,306 | 155,189 |
| Capital expenditure | 1,315 | 1,006 | 4,185 | 2,525 | 1,950 | 678 | 1,262 | 151 | 13,072 |
| Depreciation and amortisation | 1,284 | 833 | 1,044 | 1,395 | 1,220 | 651 | 945 | 91 | 7,463 |
| | 30 June 2013 | | | | | | | | |
| Segment assets | 2,621,903 | 2,096,048 | 2,658,515 | 2,348,861 | 2,433,540 | 903,683 | 5,715,220 | 634,397 | 19,412,167 |
| Interests in associates and jointly controlled entities | – | – | – | 444 | – | – | – | 1,913 | 2,357 |
| | 2,621,903 | 2,096,048 | 2,658,515 | 2,349,305 | 2,433,540 | 903,683 | 5,715,220 | 636,310 | 19,414,524 |
| Deferred tax assets | | | | | | | | | 28,257 |
| Elimination | | | | | | | | | (4,583,567) |
| Total assets | | | | | | | | | 14,859,214 |
| Segment liabilities | 2,602,760 | 2,084,838 | 2,644,375 | 2,334,511 | 2,420,170 | 898,505 | 4,849,398 | 607,386 | 18,441,943 |
| Deferred tax liabilities | | | | | | | | | 327 |
| Elimination | | | | | | | | | (4,583,567) |
| Total liabilities | | | | | | | | | 13,858,703 |
| Off-balance sheet credit commitments | 538,502 | 423,897 | 532,640 | 264,957 | 263,133 | 109,837 | 14,001 | 61,084 | 2,208,051 |

(Expressed in millions of RMB, unless otherwise stated)

# 54 Operating segments (continued)

## (1) Geographical segments (continued)

| | Six months ended 30 June 2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | Total |
| External net interest income | 26,739 | 14,274 | 14,906 | 17,397 | 20,497 | 6,416 | 68,269 | 1,194 | 169,692 |
| Internal net interest income/(expense) | 3,037 | 6,358 | 10,331 | 7,784 | 6,289 | 4,158 | (38,876) | 919 | – |
| **Net interest income** | 29,776 | 20,632 | 25,237 | 25,181 | 26,786 | 10,574 | 29,393 | 2,113 | 169,692 |
| Net fee and commission income | 10,857 | 8,903 | 8,026 | 7,564 | 6,519 | 2,952 | 3,869 | 553 | 49,243 |
| Net trading gain/(loss) | 281 | 345 | 166 | 74 | 128 | 69 | (766) | 3 | 350 |
| Dividend income | – | – | – | 45 | 10 | 13 | 11 | 10 | 89 |
| Net gain arising from investment securities | 85 | – | – | 384 | 639 | 15 | 665 | 26 | 1,814 |
| Other operating income, net | 2,961 | 180 | 110 | 163 | 379 | 42 | 2,666 | 123 | 6,624 |
| **Operating income** | 43,960 | 30,060 | 33,539 | 33,411 | 34,461 | 13,665 | 35,838 | 2,878 | 227,812 |
| Operating expenses | (16,009) | (10,195) | (11,695) | (13,059) | (12,358) | (5,608) | (4,279) | (1,367) | (74,570) |
| Impairment losses | (7,158) | (1,478) | (1,520) | (1,921) | (1,126) | (728) | (122) | (685) | (14,738) |
| Share of profits less losses of associates and jointly controlled entities | – | – | – | (5) | – | – | – | 13 | 8 |
| **Profit before tax** | 20,793 | 18,387 | 20,324 | 18,426 | 20,977 | 7,329 | 31,437 | 839 | 138,512 |
| Capital expenditure | 1,444 | 1,093 | 1,351 | 2,286 | 1,610 | 1,009 | 515 | 2,062 | 11,370 |
| Depreciation and amortisation | 1,159 | 761 | 970 | 1,216 | 1,082 | 572 | 833 | 54 | 6,647 |
| | 31 December 2012 (Restated) | | | | | | | | |
| Segment assets | 2,453,994 | 2,006,787 | 2,590,592 | 2,170,917 | 2,269,546 | 863,899 | 5,431,210 | 516,623 | 18,303,568 |
| Interests in associates and jointly controlled entities | – | – | – | 410 | – | – | – | 1,956 | 2,366 |
| | 2,453,994 | 2,006,787 | 2,590,592 | 2,171,327 | 2,269,546 | 863,899 | 5,431,210 | 518,579 | 18,305,934 |
| Deferred tax assets | | | | | | | | | 27,051 |
| Elimination | | | | | | | | | (4,360,157) |
| Total assets | | | | | | | | | 13,972,828 |
| Segment liabilities | 2,452,082 | 2,002,197 | 2,583,373 | 2,163,987 | 2,261,857 | 860,707 | 4,568,577 | 490,328 | 17,383,108 |
| Deferred tax liabilities | | | | | | | | | 332 |
| Elimination | | | | | | | | | (4,360,157) |
| Total liabilities | | | | | | | | | 13,023,283 |
| Off-balance sheet credit commitments | 517,083 | 376,871 | 441,783 | 255,566 | 249,619 | 104,579 | 13,002 | 57,796 | 2,016,299 |

(Expressed in millions of RMB, unless otherwise stated)

## 54 Operating segments (continued)

### (2) Business segments

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

*Corporate banking*

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

*Personal banking*

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

*Treasury business*

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

*Others*

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

| | Six months ended 30 June 2013 | | | | |
|---|---|---|---|---|---|
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| External net interest income | 113,391 | 287 | 69,623 | 4,359 | 187,660 |
| Internal net interest (expenses)/income | (19,829) | 63,338 | (42,628) | (881) | – |
| **Net interest income** | 93,562 | 63,625 | 26,995 | 3,478 | 187,660 |
| Net fee and commission income | 24,027 | 19,069 | 11,300 | 1,128 | 55,524 |
| Net trading (loss)/gain | (3) | 721 | 1,911 | (1,359) | 1,270 |
| Dividend income | – | – | – | 193 | 193 |
| Net gain/(loss) arising from investment securities | – | – | 322 | (20) | 302 |
| Other operating income/(expense), net | 225 | 389 | (93) | 6,837 | 7,358 |
| **Operating income** | 117,811 | 83,804 | 40,435 | 10,257 | 252,307 |
| Operating expenses | (31,544) | (40,237) | (2,441) | (6,845) | (81,067) |
| Impairment losses | (11,469) | (3,950) | 627 | (1,262) | (16,054) |
| Share of profits less losses of associates and jointly controlled entities | – | – | – | 3 | 3 |
| **Profit before tax** | 74,798 | 39,617 | 38,621 | 2,153 | 155,189 |
| Capital expenditure | 2,884 | 6,471 | 346 | 3,371 | 13,072 |
| Depreciation and amortisation | 2,167 | 4,863 | 260 | 173 | 7,463 |
| | 30 June 2013 | | | | |
| Segment assets | 5,665,623 | 2,520,007 | 6,016,274 | 745,644 | 14,947,548 |
| Interests in associates and jointly controlled entities | – | – | – | 2,357 | 2,357 |
| | 5,665,623 | 2,520,007 | 6,016,274 | 748,001 | 14,949,905 |
| Deferred tax assets | | | | | 28,257 |
| Elimination | | | | | (118,948) |
| Total assets | | | | | 14,859,214 |
| Segment liabilities | 6,587,529 | 6,250,021 | 283,519 | 856,255 | 13,977,324 |
| Deferred tax liabilities | | | | | 327 |
| Elimination | | | | | (118,948) |
| Total liabilities | | | | | 13,858,703 |
| Off-balance sheet credit commitments | 1,781,188 | 365,779 | – | 61,084 | 2,208,051 |

(Expressed in millions of RMB, unless otherwise stated)

# 54 Operating segments (continued)

## (2) Business segments (continued)

| | Six months ended 30 June 2012 | | | | |
|---|---|---|---|---|---|
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| External net interest income/(expenses) | 104,256 | (4,361) | 66,659 | 3,138 | 169,692 |
| Internal net interest (expenses)/income | (16,058) | 55,062 | (38,408) | (596) | – |
| **Net interest income** | 88,198 | 50,701 | 28,251 | 2,542 | 169,692 |
| Net fee and commission income | 21,892 | 16,205 | 10,165 | 981 | 49,243 |
| Net trading (loss)/gain | (7) | 322 | (9) | 44 | 350 |
| Dividend income | – | – | – | 89 | 89 |
| Net gain arising from investment securities | – | – | 200 | 1,614 | 1,814 |
| Other operating income, net | 231 | 129 | 2,768 | 3,496 | 6,624 |
| **Operating income** | 110,314 | 67,357 | 41,375 | 8,766 | 227,812 |
| Operating expenses | (29,754) | (36,846) | (2,851) | (5,119) | (74,570) |
| Impairment losses | (9,950) | (4,489) | 520 | (819) | (14,738) |
| Share of profits less losses of associates and jointly controlled entities | – | – | – | 8 | 8 |
| **Profit before tax** | 70,610 | 26,022 | 39,044 | 2,836 | 138,512 |
| Capital expenditure | 3,378 | 7,413 | 368 | 211 | 11,370 |
| Depreciation and amortisation | 1,975 | 4,334 | 215 | 123 | 6,647 |
| | 31 December 2012 (Restated) | | | | |
| Segment assets | 5,368,220 | 2,167,249 | 6,065,163 | 477,840 | 14,078,472 |
| Interests in associates and jointly controlled entities | – | – | – | 2,366 | 2,366 |
| | 5,368,220 | 2,167,249 | 6,065,163 | 480,206 | 14,080,838 |
| Deferred tax assets | | | | | 27,051 |
| Elimination | | | | | (135,061) |
| Total assets | | | | | 13,972,828 |
| Segment liabilities | 6,529,675 | 5,744,452 | 335,719 | 548,166 | 13,158,012 |
| Deferred tax liabilities | | | | | 332 |
| Elimination | | | | | (135,061) |
| Total liabilities | | | | | 13,023,283 |
| Off-balance sheet credit commitments | 1,641,277 | 317,226 | – | 57,796 | 2,016,299 |

(Expressed in millions of RMB, unless otherwise stated)

# 55 Entrusted lending business

As at the end of the reporting period, the entrusted loans and funds were as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Entrusted loans | **1,234,704** | 1,103,938 | **1,230,891** | 1,096,907 |
| Entrusted funds | **1,234,704** | 1,103,938 | **1,230,891** | 1,096,907 |

# 56 Pledged assets

## (1) Assets pledged as security

### *(a) Carrying value of pledged assets analysed by category*

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Bonds | **93,098** | 1,411 | **93,639** | 1,101 |
| Discounted bills | **622** | 949 | **594** | 891 |
| Pledged deposits | **262** | 268 | **262** | 268 |
| Total | **93,982** | 2,628 | **94,495** | 2,260 |

### *(b) Carrying value of pledged assets analysed by asset type*

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Deposits with banks and non-bank financial institutions | **262** | 268 | **262** | 268 |
| Loans and advances to customers | **622** | 949 | **594** | 891 |
| Available-for-sale financial assets | **60,560** | 806 | **61,101** | 1,101 |
| Held-to-maturity investments | **32,538** | 605 | **32,538** | – |
| Total | **93,982** | 2,628 | **94,495** | 2,260 |

## (2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 30 June 2013 and 31 December 2012, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of RMB, unless otherwise stated)

# 57 Commitments and contingent liabilities

## (1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Loan commitments | | | | |
| – with an original maturity under one year | **172,985** | 168,906 | **169,754** | 165,906 |
| – with an original maturity of one year or over | **259,217** | 272,360 | **258,850** | 272,303 |
| Credit card commitments | **393,108** | 343,698 | **365,778** | 317,226 |
| | **825,310** | 784,964 | **794,382** | 755,435 |
| Bank acceptances | **375,286** | 344,848 | **375,084** | 344,692 |
| Financing guarantees | **180,739** | 165,294 | **203,679** | 166,959 |
| Non-financing guarantees | **459,450** | 441,367 | **459,304** | 441,253 |
| Sight letters of credit | **25,204** | 28,246 | **25,204** | 28,246 |
| Usance letters of credit | **307,522** | 203,972 | **306,979** | 203,478 |
| Others | **34,540** | 47,608 | **34,502** | 48,645 |
| Total | **2,208,051** | 2,016,299 | **2,199,134** | 1,988,708 |

## (2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics.

| | Group | Bank |
|---|---|---|
| | **30 June 2013** | **30 June 2013** |
| Credit risk-weighted amount of contingent liabilities and commitments | **866,871** | **871,143** |

(Expressed in millions of RMB, unless otherwise stated)

## 57 Commitments and contingent liabilities (continued)

### (3) Operating lease commitments

The Group and the Bank lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Within one year | **3,567** | 3,973 | **3,326** | 3,719 |
| After one year but within two years | **3,203** | 2,976 | **3,026** | 2,846 |
| After two years but within three years | **2,459** | 2,268 | **2,364** | 2,224 |
| After three years but within five years | **3,013** | 2,699 | **2,905** | 2,678 |
| After five years | **2,553** | 1,662 | **2,110** | 1,653 |
| Total | **14,795** | 13,578 | **13,731** | 13,120 |

### (4) Capital commitments

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

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Contracted for | **2,144** | 4,351 | **2,065** | 4,311 |
| Authorised but not contracted for | **5,367** | 6,332 | **5,275** | 6,306 |
| Total | **7,511** | 10,683 | **7,340** | 10,617 |

### (5) Underwriting obligations

As at 30 June 2013, there was no unexpired underwriting commitment of the Group and the Bank (as at 31 December 2012: nil).

### (6) Government bonds redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 30 June 2013, were RMB50,757 million (as at 31 December 2012: RMB49,022 million).

### (7) Outstanding litigation and disputes

As at 30 June 2013, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB3,125 million (as at 31 December 2012: RMB2,735 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 43). The Group considers that the provisions made are reasonable and adequate.

### (8) Provision against commitments and contingent liabilities

The Group and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies.

(Expressed in millions of RMB, unless otherwise stated)

# 58 Related party relationships and transactions

## (1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 30 June 2013, Huijin directly held 57.26% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and jointly controlled entities.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under general commercial terms.

The Group has issued subordinated debts with a nominal value of RMB160 billion (as at 31 December 2012: RMB160 billion). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

### (a) *Transactions with parent companies*

In the ordinary course of the business, material transactions that the Group and the Bank entered into with parent companies are as follows:

*Amounts*

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2013** | | 2012 | |
| | **Amount** | **Ratio to similar transactions** | Amount | Ratio to similar transactions |
| Interest income | **289** | **0.09%** | 289 | 0.10% |
| Interest expense | **300** | **0.24%** | 278 | 0.22% |

*Balances outstanding as at the end of the reporting period*

| | | **30 June 2013** | | 31 December 2012 | |
|---|---|---|---|---|---|
| | Note | **Balance** | **Ratio to similar transactions** | Balance | Ratio to similar transactions |
| Interest receivable | | **476** | **0.60%** | 186 | 0.27% |
| Held-to-maturity investments | | **16,680** | **0.88%** | 16,680 | 0.87% |
| Deposits from customers | | **11,437** | **0.09%** | 20,018 | 0.18% |
| Interest payable | | **54** | **0.04%** | 306 | 0.25% |
| Other liabilities | (i) | **38,287** | **30.25%** | – | – |
| Credit commitments | | **288** | **0.02%** | 288 | 0.02% |

(i) Other liabilities as at 30 June 2013 represents cash dividends payable to Huijin approved by the 2012 Annual General Meeting.

(Expressed in millions of RMB, unless otherwise stated)

# 58 Related party relationships and transactions (continued)

## (1) Transactions with parent companies and their affiliates (continued)

### (b) *Transactions with the affiliates of parent companies*

In the ordinary course of the business, material transactions that the Group and the Bank entered into with the affiliates of parent companies are as follows:

*Amounts*

| | | Six months ended 30 June | | | |
|---|---|---|---|---|---|
| | | **2013** | | 2012 | |
| | Note | **Amount** | **Ratio to similar transactions** | Amount | Ratio to similar transactions |
| Interest income | | **16,757** | **5.35%** | 14,591 | 4.94% |
| Interest expense | | **612** | **0.49%** | 2,415 | 1.92% |
| Fee and commission income | | **209** | **0.37%** | 239 | 0.47% |
| Operating expenses | (i) | **590** | **0.97%** | 444 | 0.60% |

*Balances outstanding as at the end of the reporting period*

| | | **30 June 2013** | | 31 December 2012 | |
|---|---|---|---|---|---|
| | Note | **Balance** | **Ratio to similar transactions** | Balance | Ratio to similar transactions |
| Deposits with banks and non-bank financial institutions | | **43,475** | **5.76%** | 48,134 | 8.22% |
| Placements with banks and non-bank financial institutions | | **29,227** | **26.28%** | 19,114 | 14.74% |
| Financial assets at fair value through profit or loss | | **9,043** | **20.44%** | 2,783 | 10.09% |
| Positive fair value of derivatives | | **801** | **6.40%** | 1,237 | 9.76% |
| Financial assets held under resale agreements | | **22,984** | **6.85%** | 15,175 | 4.79% |
| Interest receivable | | **14,015** | **17.78%** | 13,199 | 19.34% |
| Loans and advances to customers | | **28,663** | **0.36%** | 40,233 | 0.55% |
| Available for sale financial assets | | **215,120** | **28.44%** | 176,896 | 25.23% |
| Held-to-maturity investments | | **494,233** | **26.13%** | 487,608 | 25.42% |
| Debt securities classified as receivables | | **66,200** | **30.44%** | 69,549 | 31.65% |
| Other assets | (ii) | **125** | **0.35%** | 12 | 0.05% |
| Deposits from banks and non-bank financial institutions | (iii) | **57,827** | **7.73%** | 72,956 | 7.46% |
| Placements from banks and non-bank financial institutions | | **19,979** | **14.26%** | 41,447 | 34.47% |
| Negative fair value of derivatives | | **516** | **3.69%** | 559 | 4.85% |
| Financial assets sold under repurchase agreements | | **–** | **–** | 1,181 | 50.04% |
| Deposits from customers | | **48,972** | **0.40%** | 21,856 | 0.19% |
| Interest payable | | **230** | **0.16%** | 153 | 0.12% |
| Credit commitments | | **3,624** | **0.24%** | 8,172 | 0.49% |

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under general commercial terms.

(Expressed in millions of RMB, unless otherwise stated)

# 58 Related party relationships and transactions (continued)

## (2) Transactions with associates and jointly controlled entities of the Group

Transactions between the Group and its associates and jointly controlled entities are conducted in the normal and ordinary course of the business and under general commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and jointly controlled entities are as follows:

*Amounts*

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Interest income | **12** | – |
| Fee and commission income | **37** | – |
| Interest expense | **1** | 1 |

*Balances outstanding as at the end of the reporting period*

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| Loans and advances to customers | **1,697** | 860 |
| Deposits from customers | **841** | 736 |

## (3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 2(3).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

*Amounts*

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| Interest income | **304** | 282 |
| Interest expense | **142** | 334 |
| Fee and commission income | **318** | 226 |
| Fee and commission expense | **4** | 27 |
| Dividend income | **573** | 70 |
| Net trading gain | **–** | 8 |
| Other operating income, net | **(5)** | 5 |

Balances outstanding as at the end of the reporting period are presented in Note 33.

As at 30 June 2013, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB2,229 million (as at 31 December 2012: RMB2,543 million).

For the six months ended 30 June 2013, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 30 June 2013, the balances of the above transactions were RMB644 million (as at 31 December 2012: RMB941 million) and RMB109 million (as at 31 December 2012: RMB138 million) respectively.

## (4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

## 58 Related party relationships and transactions (continued)

### (5) Transactions with the Annuity Scheme and Plan Assets

Apart for the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the six months ended 30 June 2013 and the year ended 31 December 2012.

As at 30 June 2013, RMB4.31 billion of the Group's supplementary retirement benefit plan assets(31 December 2012: nil) were managed by CCB Principal and management fees payable to CCB Principal was RMB4.48 million (31 December 2012: nil).

### (6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2013 and for the year ended 31 December 2012, there were no material transactions and balances with key management personnel.

### (7) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

## 59 Risk Management

The Group has exposures to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk
- operational risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures on a regular basis.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. The Chief Risk Officer, who reports directly to the President, is responsible for the Group's overall risk management. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures management, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control Department assists the Audit Committee to execute the above mentioned responsibilities. It is responsible for establishing, managing, monitoring and evaluating the Group's internal control and compliance system and reporting to the Audit Committee.

### (1) Credit risk

*Credit risk management*

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

*Credit business*

The Risk Management Department, under the supervision of the Chief Risk Officer, is responsible for establishing credit risk management policies and performing credit risk measurement and analysis. The Credit Management Department is responsible for monitoring the implementation of credit risk management policies and coordinating credit approval and credit ratings activities. The Credit Management Department works together with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Group Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, the Special Assets Resolution Department and Legal Affairs Department to implement credit risk management policies and procedures.

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### *Credit business (continued)*

With respect to the credit risk management of corporate and institutional business, the Group has sped up the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors loans, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating workflow for collateral was developed, and there is a guideline to specify the suitability of accepting specific types of collateral, as well as determining evaluation parameters. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

### *Credit grading classification*

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The core definitions of the five categories of loans and advances are set out below:

| | |
|---|---|
| Normal: | Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis. |
| Special mention: | Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors. |
| Substandard: | Borrowers' abilities to service their loans are apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain losses may ensue even when collateral or guarantees are invoked. |
| Doubtful: | Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked. |
| Loss: | Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures. |

The Group has also applied the same grading criteria and management approach in classifying the off-balance sheet credit-related operations.

### *Treasury business*

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### (a) *Maximum credit risk exposure*

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Deposits with central banks | **2,475,693** | 2,385,416 | **2,468,831** | 2,370,883 |
| Deposits with banks and non-bank financial institutions | **754,193** | 585,898 | **761,805** | 584,538 |
| Placements with banks and non-bank financial institutions | **111,206** | 129,653 | **132,100** | 138,015 |
| Financial assets at fair value through profit or loss | **38,049** | 20,592 | **34,095** | 16,206 |
| Positive fair value of derivatives | **12,515** | 12,671 | **11,377** | 11,667 |
| Financial assets held under resale agreements | **335,442** | 316,685 | **335,064** | 316,624 |
| Interest receivable | **78,835** | 68,264 | **78,012** | 67,581 |
| Loans and advances to customers | **7,882,071** | 7,309,879 | **7,666,308** | 7,142,317 |
| Available-for-sale debt securities | **743,176** | 688,814 | **724,655** | 672,073 |
| Held-to-maturity investments | **1,891,545** | 1,918,322 | **1,888,481** | 1,915,811 |
| Debt securities classified as receivables | **217,453** | 219,713 | **214,175** | 217,741 |
| Other financial assets | **31,365** | 18,669 | **48,895** | 36,279 |
| Total | **14,571,543** | 13,674,576 | **14,363,798** | 13,489,735 |
| Off-balance sheet credit commitments Commitments | **2,208,051** | 2,016,299 | **2,199,134** | 1,988,708 |
| Maximum credit risk exposure | **16,779,594** | 15,690,875 | **16,562,932** | 15,478,443 |

### (b) *Distribution of loans and advances to customers in terms of credit quality is analysed as follows:*

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Note | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Individually assessed and impaired gross amount | | **72,759** | 68,627 | **72,403** | 68,452 |
| Allowances for impairment losses | | **(50,217)** | (45,814) | **(50,012)** | (45,678) |
| Subtotal | | **22,542** | 22,813 | **22,391** | 22,774 |
| Collectively assessed and impaired gross amount | | **7,551** | 5,991 | **7,451** | 5,895 |
| Allowances for impairment losses | | **(4,984)** | (3,909) | **(4,969)** | (3,899) |
| Subtotal | | **2,567** | 2,082 | **2,482** | 1,996 |
| Overdue but not impaired | | | | | |
| – not more than 90 days | | **17,009** | 15,846 | **15,132** | 15,405 |
| – between 90 and 180 days | | **494** | – | **484** | – |
| Gross amount | | **17,503** | 15,846 | **15,616** | 15,405 |
| Allowances for impairment losses | (i) | **(1,934)** | (1,778) | **(1,918)** | (1,769) |
| Subtotal | | **15,569** | 14,068 | **13,698** | 13,636 |
| Neither overdue nor impaired | | | | | |
| – Unsecured loans | | **2,205,856** | 2,075,020 | **2,130,626** | 2,013,991 |
| – Guaranteed loans | | **1,547,229** | 1,414,006 | **1,501,375** | 1,370,632 |
| – Loans secured by tangible assets other than monetary assets | | **3,442,100** | 3,129,967 | **3,356,081** | 3,071,845 |
| – Loans secured by monetary assets | | **802,054** | 802,855 | **794,303** | 797,184 |
| Gross amount | | **7,997,239** | 7,421,848 | **7,782,385** | 7,253,652 |
| Allowances for impairment losses | (i) | **(155,846)** | (150,932) | **(154,648)** | (149,741) |
| Subtotal | | **7,841,393** | 7,270,916 | **7,627,737** | 7,103,911 |
| Total | | **7,882,071** | 7,309,879 | **7,666,308** | 7,142,317 |

(i) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### (b) *Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued):*

*Group*

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

| | **30 June 2013** | | |
|---|---|---|---|
| | **Overdue but not impaired loans and advances** | | **Impaired loans and advances which are subject to individual assessment** |
| | **Corporate** | **Personal** | **Corporate** |
| Portion covered | **1,471** | **10,516** | **10,488** |
| Portion not covered | **1,525** | **3,991** | **62,271** |
| Total | **2,996** | **14,507** | **72,759** |

| | 31 December 2012 | | |
|---|---|---|---|
| | Overdue but not impaired loans and advances | | Impaired loans and advances which are subject to individual assessment |
| | Corporate | Personal | Corporate |
| Portion covered | 1,026 | 10,388 | 12,084 |
| Portion not covered | 978 | 3,454 | 56,543 |
| Total | 2,004 | 13,842 | 68,627 |

*Bank*

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

| | **30 June 2013** | | |
|---|---|---|---|
| | **Overdue but not impaired loans and advances** | | **Impaired loans and advances which are subject to individual assessment** |
| | **Corporate** | **Personal** | **Corporate** |
| Portion covered | **478** | **9,773** | **10,438** |
| Portion not covered | **1,462** | **3,903** | **61,965** |
| Total | **1,940** | **13,676** | **72,403** |

| | 31 December 2012 | | |
|---|---|---|---|
| | Overdue but not impaired loans and advances | | Impaired loans and advances which are subject to individual assessment |
| | Corporate | Personal | Corporate |
| Portion covered | 860 | 10,215 | 12,081 |
| Portion not covered | 955 | 3,375 | 56,371 |
| Total | 1,815 | 13,590 | 68,452 |

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### (c) *Loans and advances to customers analysed by economic sector concentrations*

*Group*

| | 30 June 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Gross loan balance** | **Percentage** | **Balance secured by collateral** | Gross loan balance | Percentage | Balance secured by collateral |
| Corporate loans and advances | | | | | | |
| – Manufacturing | **1,366,433** | **16.88%** | **521,435** | 1,314,545 | 17.50% | 493,737 |
| – Transportation, storage and postal services | **941,574** | **11.63%** | **371,193** | 883,536 | 11.76% | 358,998 |
| – Production and supply of electric power, gas and water | **590,971** | **7.30%** | **158,695** | 615,635 | 8.20% | 157,825 |
| – Real estate | **526,041** | **6.50%** | **444,614** | 493,363 | 6.57% | 422,272 |
| – Wholesale and retail trade | **435,388** | **5.38%** | **170,810** | 399,601 | 5.32% | 165,099 |
| – Leasing and commercial services | **430,332** | **5.32%** | **197,183** | 392,363 | 5.22% | 178,234 |
| – Water, environment and public utility management | **259,844** | **3.21%** | **136,183** | 235,762 | 3.14% | 116,323 |
| – Construction | **231,913** | **2.86%** | **86,236** | 222,951 | 2.97% | 82,876 |
| – Mining | **214,948** | **2.66%** | **29,358** | 208,738 | 2.78% | 26,715 |
| – Public management, social securities and social organisation | **108,011** | **1.33%** | **53,740** | 97,605 | 1.30% | 45,856 |
| – Education | **71,025** | **0.88%** | **25,055** | 66,247 | 0.88% | 25,182 |
| – Telecommunications, computer services and software | **39,133** | **0.48%** | **9,567** | 33,811 | 0.45% | 9,251 |
| – Others | **361,841** | **4.47%** | **101,016** | 305,364 | 4.06% | 89,162 |
| Total corporate loans and advances | **5,577,454** | **68.90%** | **2,305,085** | 5,269,521 | 70.15% | 2,171,530 |
| Personal loans and advances | **2,272,031** | **28.07%** | **1,992,673** | 2,051,094 | 27.30% | 1,813,968 |
| Discounted bills | **245,567** | **3.03%** | **–** | 191,697 | 2.55% | – |
| Total loans and advances to customers | **8,095,052** | **100.00%** | **4,297,758** | 7,512,312 | 100.00% | 3,985,498 |

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

| | 30 June 2013 | | | | |
|---|---|---|---|---|---|
| | **Gross impaired loans** | **Individually assessed impairment allowances** | **Collectively assessed impairment allowances** | **Charged to profit or loss during the period** | **Written off during the period** |
| Manufacturing | **33,437** | **(22,773)** | **(32,947)** | **6,321** | **1,554** |
| Transportation, storage and postal services | **4,061** | **(2,614)** | **(22,423)** | **710** | **64** |

| | 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances | Charged to profit or loss during the year | Written off during the year |
| Manufacturing | 30,924 | (19,696) | (31,376) | 12,917 | 2,725 |
| Transportation, storage and postal services | 3,325 | (2,383) | (22,006) | 2,791 | 77 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### (c) *Loans and advances to customers analysed by economic sector concentrations (continued)*

*Bank*

| | 30 June 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Gross loan balance | Percentage | Balance secured by collateral | Gross loan balance | Percentage | Balance secured by collateral |
| Corporate loans and advances | | | | | | |
| – Manufacturing | 1,334,288 | 16.93% | 501,475 | 1,294,609 | 17.62% | 491,184 |
| – Transportation, storage and postal services | 920,858 | 11.69% | 364,452 | 866,624 | 11.80% | 354,018 |
| – Production and supply of electric power, gas and water | 580,360 | 7.37% | 157,566 | 603,524 | 8.22% | 156,032 |
| – Real estate | 499,273 | 6.34% | 420,351 | 467,421 | 6.37% | 398,967 |
| – Leasing and commercial services | 429,877 | 5.46% | 196,908 | 392,546 | 5.35% | 177,949 |
| – Wholesale and retail trade | 412,297 | 5.23% | 159,064 | 384,555 | 5.24% | 162,120 |
| – Water, environment and public utility management | 259,727 | 3.30% | 136,080 | 235,694 | 3.21% | 116,269 |
| – Construction | 230,231 | 2.92% | 85,867 | 220,490 | 3.00% | 82,511 |
| – Mining | 212,510 | 2.70% | 29,133 | 206,651 | 2.81% | 26,715 |
| – Public management, social securities and social organisation | 107,866 | 1.37% | 53,596 | 97,429 | 1.33% | 45,681 |
| – Education | 70,958 | 0.90% | 25,020 | 66,183 | 0.90% | 25,152 |
| – Telecommunications, computer services and software | 38,670 | 0.49% | 9,320 | 33,418 | 0.46% | 9,075 |
| – Others | 300,946 | 3.82% | 99,045 | 264,894 | 3.60% | 86,530 |
| Total corporate loans and advances | 5,397,861 | 68.52% | 2,237,877 | 5,134,038 | 69.91% | 2,132,203 |
| Personal loans and advances | 2,234,625 | 28.37% | 1,963,841 | 2,017,826 | 27.48% | 1,789,309 |
| Discounted bills | 245,369 | 3.11% | – | 191,540 | 2.61% | – |
| Total loans and advances to customers | 7,877,855 | 100.00% | 4,201,718 | 7,343,404 | 100.00% | 3,921,512 |

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

| | 30 June 2013 | | | | |
|---|---|---|---|---|---|
| | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances | Charged to profit or loss during the period | Written off during the period |
| Manufacturing | 33,329 | (22,682) | (32,763) | 6,311 | 1,554 |
| Transportation, storage and postal services | 3,944 | (2,533) | (22,199) | 669 | 64 |

| | 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances | Charged to profit or loss during the year | Written off during the year |
| Manufacturing | 30,870 | (19,642) | (31,170) | 12,926 | 2,724 |
| Transportation, storage and postal services | 3,208 | (2,303) | (21,822) | 2,666 | 77 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### *(d) Loans and advances to customers analysed by geographical sector concentrations*

*Group*

| | 30 June 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Gross loan balance** | **Percentage** | **Balance secured by collateral** | Gross loan balance | Percentage | Balance secured by collateral |
| Yangtze River Delta | **1,722,646** | **21.28%** | **1,096,009** | 1,670,643 | 22.24% | 1,041,606 |
| Western | **1,367,164** | **16.89%** | **795,118** | 1,270,163 | 16.91% | 725,755 |
| Bohai Rim | **1,364,794** | **16.86%** | **593,388** | 1,301,564 | 17.33% | 554,538 |
| Central | **1,276,106** | **15.76%** | **732,571** | 1,195,748 | 15.92% | 660,624 |
| Pearl River Delta | **1,140,457** | **14.09%** | **744,299** | 1,091,848 | 14.53% | 707,773 |
| Northeastern | **482,175** | **5.96%** | **250,437** | 461,574 | 6.14% | 238,941 |
| Head office | **229,481** | **2.83%** | **410** | 188,074 | 2.50% | 410 |
| Overseas | **512,229** | **6.33%** | **85,526** | 332,698 | 4.43% | 55,851 |
| Gross loans and advances to customers | **8,095,052** | **100.00%** | **4,297,758** | 7,512,312 | 100.00% | 3,985,498 |

Details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

| | 30 June 2013 | | |
|---|---|---|---|
| | **Gross impaired loans** | **Individually assessed impairment allowances** | **Collectively assessed impairment allowances** |
| Yangtze River Delta | **40,128** | **(25,143)** | **(37,190)** |
| Pearl River Delta | **10,510** | **(5,769)** | **(25,028)** |
| Central | **9,950** | **(6,078)** | **(26,396)** |
| Western | **6,335** | **(4,571)** | **(28,440)** |
| Bohai Rim | **6,250** | **(4,530)** | **(27,125)** |
| Northeastern | **4,400** | **(3,065)** | **(10,417)** |
| Head office | **2,148** | **(787)** | **(4,983)** |
| Overseas | **589** | **(274)** | **(3,185)** |
| Total | **80,310** | **(50,217)** | **(162,764)** |

| | 31 December 2012 | | |
|---|---|---|---|
| | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances |
| Yangtze River Delta | 32,941 | (19,634) | (35,725) |
| Pearl River Delta | 9,096 | (5,514) | (25,073) |
| Central | 9,635 | (6,207) | (25,121) |
| Western | 8,187 | (5,330) | (27,473) |
| Bohai Rim | 6,848 | (4,982) | (27,061) |
| Northeastern | 4,920 | (2,844) | (9,951) |
| Head office | 1,966 | (802) | (4,040) |
| Overseas | 1,025 | (501) | (2,175) |
| Total | 74,618 | (45,814) | (156,619) |

The definitions of geographical segments are set out in note 54(1).

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### (d) *Loans and advances to customers analysed by geographical sector concentrations (continued)*

*Bank*

| | 30 June 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Gross loan balance** | **Percentage** | **Balance secured by collateral** | Gross loan balance | Percentage | Balance secured by collateral |
| Yangtze River Delta | **1,715,111** | **21.77%** | **1,093,206** | 1,664,837 | 22.66% | 1,039,630 |
| Western | **1,366,832** | **17.35%** | **795,031** | 1,270,054 | 17.30% | 725,732 |
| Bohai Rim | **1,310,477** | **16.64%** | **572,633** | 1,248,330 | 17.00% | 535,728 |
| Central | **1,274,705** | **16.18%** | **732,234** | 1,193,720 | 16.26% | 660,355 |
| Pearl River Delta | **1,140,457** | **14.48%** | **744,299** | 1,091,848 | 14.87% | 707,773 |
| Northeastern | **482,120** | **6.12%** | **250,394** | 461,571 | 6.29% | 238,940 |
| Head office | **229,481** | **2.91%** | **410** | 188,074 | 2.56% | 410 |
| Overseas | **358,672** | **4.55%** | **13,511** | 224,970 | 3.06% | 12,944 |
| Gross loans and advances to customers | **7,877,855** | **100.00%** | **4,201,718** | 7,343,404 | 100.00% | 3,921,512 |

Details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

| | 30 June 2013 | | |
|---|---|---|---|
| | **Gross impaired loans** | **Individually assessed impairment allowances** | **Collectively assessed impairment allowances** |
| Yangtze River Delta | **40,076** | **(25,126)** | **(37,049)** |
| Pearl River Delta | **10,510** | **(5,769)** | **(25,028)** |
| Central | **9,950** | **(6,077)** | **(26,365)** |
| Western | **6,335** | **(4,571)** | **(28,433)** |
| Bohai Rim | **6,131** | **(4,449)** | **(26,428)** |
| Northeastern | **4,400** | **(3,065)** | **(10,417)** |
| Head office | **2,148** | **(787)** | **(4,983)** |
| Overseas | **304** | **(168)** | **(2,832)** |
| Total | **79,854** | **(50,012)** | **(161,535)** |

| | 31 December 2012 | | |
|---|---|---|---|
| | Gross impaired loans | Individually assessed impairment allowances | Collectively assessed impairment allowances |
| Yangtze River Delta | 32,937 | (19,632) | (35,604) |
| Pearl River Delta | 9,096 | (5,514) | (25,073) |
| Central | 9,634 | (6,207) | (25,085) |
| Western | 8,187 | (5,330) | (27,471) |
| Bohai Rim | 6,730 | (4,902) | (26,360) |
| Northeastern | 4,920 | (2,844) | (9,951) |
| Head office | 1,966 | (802) | (4,040) |
| Overseas | 877 | (447) | (1,825) |
| Total | 74,347 | (45,678) | (155,409) |

The definitions of geographical segments are set out in note 54(1).

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### (e) Loans and advances to customers analysed by types of collateral

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Unsecured loans | **2,217,693** | 2,084,988 | **2,140,291** | 2,023,753 |
| Guaranteed loans | **1,579,601** | 1,441,826 | **1,535,846** | 1,398,139 |
| Loans secured by tangible assets other than monetary assets | **3,489,172** | 3,176,420 | **3,401,247** | 3,118,078 |
| Loans secured by monetary assets | **808,586** | 809,078 | **800,471** | 803,434 |
| Gross loans and advances to customers | **8,095,052** | 7,512,312 | **7,877,855** | 7,343,404 |

### (f) Rescheduled loans and advances to customers

*Group*

| | 30 June 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | **Total** | **Percentage of gross loans and advances to customers** | Total | Percentage of gross loans and advances to customers |
| Rescheduled loans and advances to customers | **2,331** | **0.03%** | 2,563 | 0.03% |
| Of which: Rescheduled loans and advances overdue for more than 90 days | **1,130** | **0.01%** | 1,488 | 0.02% |

*Bank*

| | 30 June 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | **Total** | **Percentage of gross loans and advances to customers** | Total | Percentage of gross loans and advances to customers |
| Rescheduled loans and advances to customers | **2,249** | **0.03%** | 2,477 | 0.03% |
| Of which: Rescheduled loans and advances overdue for more than 90 days | **1,123** | **0.01%** | 1,480 | 0.02% |

### (g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Individually assessed and impaired gross amount | **54** | 82 | **54** | 82 |
| Allowances for impairment losses | **(48)** | (56) | **(48)** | (56) |
| Subtotal | **6** | 26 | **6** | 26 |
| Neither overdue nor impaired | | | | |
| – grade A to AAA | **1,119,856** | 957,554 | **1,128,461** | 961,185 |
| – grade B to BBB | **6,685** | 4,169 | **6,323** | 4,096 |
| – unrated | **74,294** | 70,487 | **94,179** | 73,870 |
| Subtotal | **1,200,835** | 1,032,210 | **1,228,963** | 1,039,151 |
| Total | **1,200,841** | 1,032,236 | **1,228,969** | 1,039,177 |

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### *(h) Distribution of debt securities investments analysed by rating*

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

*Group*

| | 30 June 2013 | | | | | |
|---|---|---|---|---|---|---|
| | **Unrated** | **AAA** | **AA** | **A** | **Lower than A** | **Total** |
| Individually assessed and impaired gross amount | | | | | | |
| – Banks and non-bank financial institutions | 424 | 9 | 283 | 575 | 5,993 | 7,284 |
| – Other enterprises | 87 | 2,849 | – | – | – | 2,936 |
| | 511 | 2,858 | 283 | 575 | 5,993 | 10,220 |
| Allowances for impairment losses | | | | | | (4,967) |
| Subtotal | | | | | | 5,253 |
| Neither overdue nor impaired | | | | | | |
| – Government | 959,657 | 59 | 7,076 | 245 | – | 967,037 |
| – Central banks | 200,716 | 1,953 | 13,448 | – | 1,032 | 217,149 |
| – Policy banks | 393,108 | – | 249 | 65 | – | 393,422 |
| – Banks and non-bank financial institutions | 763,051 | 56,253 | 11,818 | 9,159 | 6,982 | 847,263 |
| – Cinda | 52,794 | – | – | – | – | 52,794 |
| – Public sector entities | – | – | 81 | 222 | – | 303 |
| – Other enterprises | 56,403 | 337,009 | 14,735 | 1,266 | 976 | 410,389 |
| | 2,425,729 | 395,274 | 47,407 | 10,957 | 8,990 | 2,888,357 |
| Allowances for impairment losses | | | | | | (3,387) |
| Subtotal | | | | | | 2,884,970 |
| Total | | | | | | 2,890,223 |

(Expressed in millions of RMB, unless otherwise stated)

## 59 Risk Management (continued)

### (1) Credit risk (continued)

#### (h) *Distribution of debt securities investments analysed by rating (continued)*

*Group (continued)*

| | 31 December 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Unrated | AAA | AA | A | Lower than A | Total |
| Individually assessed and impaired gross amount | | | | | | |
| – Banks and non-bank financial institutions | 477 | 9 | 201 | 2,623 | 9,243 | 12,553 |
| – Other enterprises | 233 | 2,820 | – | – | – | 3,053 |
| | 710 | 2,829 | 201 | 2,623 | 9,243 | 15,606 |
| Allowances for impairment losses | | | | | | (6,610) |
| Subtotal | | | | | | 8,996 |
| Neither overdue nor impaired | | | | | | |
| – Government | 930,308 | 1,538 | 7,233 | 157 | – | 939,236 |
| – Central banks | 311,712 | 3,549 | 19,246 | – | 1,253 | 335,760 |
| – Policy banks | 350,761 | – | 258 | 67 | – | 351,086 |
| – Banks and non-bank financial institutions | 724,862 | 48,278 | 9,561 | 7,952 | 2,293 | 792,946 |
| – Cinda | 57,622 | – | – | – | – | 57,622 |
| – Public sector entities | – | – | 84 | – | 259 | 343 |
| – Other enterprises | 44,339 | 306,628 | 10,353 | 1,740 | 1,278 | 364,338 |
| | 2,419,604 | 359,993 | 46,735 | 9,916 | 5,083 | 2,841,331 |
| Allowances for impairment losses | | | | | | (2,886) |
| Subtotal | | | | | | 2,838,445 |
| Total | | | | | | 2,847,441 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### *(h) Distribution of debt securities investments analysed by rating (continued)*

*Bank*

| | 30 June 2013 | | | | | |
|---|---|---|---|---|---|---|
| | **Unrated** | **AAA** | **AA** | **A** | **Lower than A** | **Total** |
| Individually assessed and impaired gross amount | | | | | | |
| – Banks and non-bank financial institutions | **424** | **9** | **283** | **575** | **5,993** | **7,284** |
| – Other enterprises | **87** | **2,849** | **–** | **–** | **–** | **2,936** |
| | **511** | **2,858** | **283** | **575** | **5,993** | **10,220** |
| Allowances for impairment losses | | | | | | **(4,967)** |
| Subtotal | | | | | | **5,253** |
| Neither overdue nor impaired | | | | | | |
| – Government | **957,450** | **54** | **318** | **245** | **–** | **958,067** |
| – Central banks | **199,703** | **1,399** | **13,448** | **–** | **1,032** | **215,582** |
| – Policy banks | **393,108** | **–** | **–** | **65** | **–** | **393,173** |
| – Banks and non-bank financial institutions | **764,568** | **52,334** | **8,659** | **5,132** | **6,982** | **837,675** |
| – Cinda | **52,794** | **–** | **–** | **–** | **–** | **52,794** |
| – Public sector entities | **–** | **–** | **81** | **222** | **–** | **303** |
| – Other enterprises | **51,597** | **334,168** | **14,264** | **1,024** | **893** | **401,946** |
| | **2,419,220** | **387,955** | **36,770** | **6,688** | **8,907** | **2,859,540** |
| Allowances for impairment losses | | | | | | **(3,387)** |
| Subtotal | | | | | | **2,856,153** |
| Total | | | | | | **2,861,406** |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### (h) *Distribution of debt securities investments analysed by rating (continued)*

*Bank (continued)*

| | 31 December 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Unrated | AAA | AA | A | Lower than A | Total |
| Individually assessed and impaired gross amount | | | | | | |
| – Banks and non-bank financial institutions | 443 | 9 | 201 | 2,623 | 9,243 | 12,519 |
| – Other enterprises | 76 | 2,820 | – | – | – | 2,896 |
| | 519 | 2,829 | 201 | 2,623 | 9,243 | 15,415 |
| Allowances for impairment losses | | | | | | (6,579) |
| Subtotal | | | | | | 8,836 |
| Neither overdue nor impaired | | | | | | |
| – Government | 930,308 | 59 | 6,917 | 157 | – | 937,441 |
| – Central banks | 310,423 | 3,549 | 15,831 | – | 1,253 | 331,056 |
| – Policy banks | 350,761 | – | – | 67 | – | 350,828 |
| – Banks and non-bank financial institutions | 723,429 | 45,358 | 7,410 | 4,336 | 2,293 | 782,826 |
| – Cinda | 57,622 | – | – | – | – | 57,622 |
| – Public sector entities | – | – | 84 | – | 259 | 343 |
| – Other enterprises | 39,534 | 304,034 | 9,666 | 1,368 | 1,163 | 355,765 |
| | 2,412,077 | 353,000 | 39,908 | 5,928 | 4,968 | 2,815,881 |
| Allowances for impairment losses | | | | | | (2,886) |
| Subtotal | | | | | | 2,812,995 |
| Total | | | | | | 2,821,831 |

# 59 Risk Management (continued)

## (1) Credit risk (continued)

### *(i) Credit risk arising from the Group's derivatives exposures*

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

### *(j) Settlement risk*

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## (2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Risk Management Department is responsible for formulating standardised market risk management policies and rules and supervising the implementation of market risk management policies and rules of the Bank. The Asset and Liability Management Department (the "ALM") and the International Business Department are responsible for managing the size and structure of the assets and liabilities in response to non-trading market risk. The Financial Market Department manages the Head Office's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions on a trade-by-trade basis with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio and available-for-sale debt securities. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

### *(a) VaR analysis*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

(Expressed in millions of RMB, unless otherwise stated)

## 59 Risk Management (continued)

### (2) Market risk (continued)

#### (a) *VaR analysis (continued)*

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

| | Six months ended 30 June 2013 | | | |
|---|---|---|---|---|
| | 30 June | Average | Maximum | Minimum |
| **Risk valuation of trading portfolio** | 75 | 34 | 75 | 14 |
| – Interest rate risk | 86 | 21 | 86 | 6 |
| – Foreign exchange risk[i] | 15 | 26 | 57 | 12 |
| – Commodity risk | 2 | 2 | 18 | – |

| | Six months ended 30 June 2012 | | | |
|---|---|---|---|---|
| | 30 June | Average | Maximum | Minimum |
| **Risk valuation of trading portfolio** | 89 | 57 | 116 | 26 |
| – Interest rate risk | 49 | 30 | 59 | 16 |
| – Foreign exchange risk[i] | 77 | 47 | 96 | 14 |
| – Commodity risk | 4 | 7 | 80 | – |

(i) The reporting of risk in relation to bullion is included in foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs did not add up to the total VaR as there was diversification effect due to correlation amongst the risk factors.

The above average, maximum and minimum VaR for interest rate risk, foreign exchange risk and diversification of the trading portfolio represent a breakdown of the average, maximum and minimum VaR for the whole portfolio and not the individual average, maximum and minimum VaR for each risk within the portfolio.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

#### (b) *Net interest income sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease planned net interest income for the next twelve months from the end of the reporting period by RMB45,588 million (as at 31 December 2012: RMB36,670 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the planned net interest income for the next twelve months from the end of the reporting period would decrease or increase by RMB21,187 million (as at 31 December 2012: RMB26,887 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and subject to the Bank's current interest rate exposures. However, account has not been taken of the possible risk management measures that can be undertaken by the department who manage the interest related risk or related business departments to mitigate interest rate risk. In practice, the department who manage the interest related risk strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (2) Market risk (continued)

### (c) *Interest rate risk*

Interest rate risk refers to the risk where the market interest rates, tenor and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the effective interest rate ("EIR") for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

*Group*

| | | 30 June 2013 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Effective interest rate (i) | Non-interest bearing | Within three months | Between three months and one year | Between one year and five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | | 1.55% | 120,431 | 2,415,730 | – | – | – | 2,536,161 |
| Deposits and placements with banks and non-bank financial institutions | | 3.59% | – | 639,043 | 216,767 | 9,589 | – | 865,399 |
| Financial assets held under resale agreements | | 4.10% | – | 294,051 | 41,391 | – | – | 335,442 |
| Loans and advances to customers | (ii) | 5.84% | – | 2,223,348 | 5,526,376 | 64,577 | 67,770 | 7,882,071 |
| Investments | (iii) | 3.66% | 21,693 | 473,426 | 425,954 | 938,375 | 1,052,469 | 2,911,917 |
| Other assets | | – | 328,224 | – | – | – | – | 328,224 |
| Total assets | | 4.52% | 470,348 | 6,045,598 | 6,210,488 | 1,012,541 | 1,120,239 | 14,859,214 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | | 3.14% | – | 108,185 | 3,947 | – | – | 112,132 |
| Deposits and placements from banks and non-bank financial institutions | | 2.40% | – | 809,502 | 71,886 | 6,752 | – | 888,140 |
| Financial liabilities at fair value through profit or loss | | 1.29% | 23,978 | 9,495 | 2,123 | – | – | 35,596 |
| Financial assets sold under repurchase agreements | | 3.80% | – | 1,100 | 77 | – | – | 1,177 |
| Deposits from customers | | 1.91% | 70,032 | 8,359,254 | 2,597,958 | 1,110,879 | 11,315 | 12,149,438 |
| Debt securities issued | | 3.53% | – | 74,533 | 90,328 | 13,238 | 137,851 | 315,950 |
| Other liabilities | | – | 356,270 | – | – | – | – | 356,270 |
| Total liabilities | | 1.98% | 450,280 | 9,362,069 | 2,766,319 | 1,130,869 | 149,166 | 13,858,703 |
| Asset-liability gap | | 2.54% | 20,068 | (3,316,471) | 3,444,169 | (118,328) | 971,073 | 1,000,511 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (2) Market risk (continued)

### (c) Interest rate risk (continued)

*Group (continued)*

| | | 31 December 2012 (Restated) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Effective interest rate (i) | Non-interest bearing | Within three months | Between three months and one year | Between one year and five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | | 1.51% | 186,811 | 2,271,258 | – | – | – | 2,458,069 |
| Deposits and placements with banks and non-bank financial institutions | | 3.62% | – | 556,220 | 150,292 | 9,039 | – | 715,551 |
| Financial assets held under resale agreements | | 4.26% | – | 275,316 | 41,369 | – | – | 316,685 |
| Loans and advances to customers | (ii) | 6.29% | – | 3,848,626 | 3,346,574 | 46,068 | 68,611 | 7,309,879 |
| Investments | (iii) | 3.58% | 21,572 | 275,869 | 659,380 | 932,291 | 979,902 | 2,869,014 |
| Other assets | | – | 303,630 | – | – | – | – | 303,630 |
| Total assets | | 4.70% | 512,013 | 7,227,289 | 4,197,615 | 987,398 | 1,048,513 | 13,972,828 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | | 1.22% | – | 4,117 | 2,164 | – | – | 6,281 |
| Deposits and placements from banks and non-bank financial institutions | | 3.13% | – | 1,002,507 | 85,452 | 9,784 | – | 1,097,743 |
| Financial liabilities at fair value through profit or loss | | 1.41% | 20,000 | 15,664 | 1,587 | – | – | 37,251 |
| Financial assets sold under repurchase agreements | | 3.86% | – | 2,189 | 171 | – | – | 2,360 |
| Deposits from customers | | 1.98% | 61,385 | 7,904,321 | 2,328,493 | 1,041,442 | 7,438 | 11,343,079 |
| Debt securities issued | | 3.48% | – | 54,137 | 43,740 | 26,670 | 138,444 | 262,991 |
| Other liabilities | | – | 273,578 | – | – | – | – | 273,578 |
| Total liabilities | | 2.12% | 354,963 | 8,982,935 | 2,461,607 | 1,077,896 | 145,882 | 13,023,283 |
| Asset-liability gap | | 2.58% | 157,050 | (1,755,646) | 1,736,008 | (90,498) | 902,631 | 949,545 |

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB36,823 million as at 30 June 2013 (31 December 2012: RMB32,017 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, debt securities classified as receivables and investments in associates and jointly controlled entities.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (2) Market risk (continued)

### (c) *Interest rate risk (continued)*

*Bank*

| | Note | 30 June 2013 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Effective interest rate (i) | Non-interest bearing | Within three months | Between three months and one year | Between one year and five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | | 1.56% | 115,416 | 2,413,583 | – | – | – | 2,528,999 |
| Deposits and placements with banks and non-bank financial institutions | | 3.35% | – | 655,405 | 232,900 | 5,600 | – | 893,905 |
| Financial assets held under resale agreements | | 4.10% | – | 293,673 | 41,391 | – | – | 335,064 |
| Loans and advances to customers | (ii) | 5.90% | – | 2,126,969 | 5,412,155 | 59,143 | 68,041 | 7,666,308 |
| Investments | (iii) | 3.67% | 25,686 | 467,583 | 414,669 | 933,385 | 1,045,769 | 2,887,092 |
| Other assets | | – | 335,617 | – | – | – | – | 335,617 |
| Total assets | | 4.53% | 476,719 | 5,957,213 | 6,101,115 | 998,128 | 1,113,810 | 14,646,985 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | | 3.15% | – | 107,758 | 3,658 | – | – | 111,416 |
| Deposits and placements from banks and non-bank financial institutions | | 2.31% | – | 793,712 | 49,176 | 6,961 | – | 849,849 |
| Financial liabilities at fair value through profit or loss | | 1.29% | 21,517 | 9,300 | 2,103 | – | – | 32,920 |
| Financial assets sold under repurchase agreements | | 3.87% | – | 524 | 70 | – | – | 594 |
| Deposits from customers | | 1.91% | 50,219 | 8,307,469 | 2,577,378 | 1,101,874 | 10,716 | 12,047,656 |
| Debt securities issued | | 3.62% | – | 66,444 | 69,912 | 12,299 | 137,851 | 286,506 |
| Other liabilities | | – | 332,826 | – | – | – | – | 332,826 |
| Total liabilities | | 1.98% | 404,562 | 9,285,207 | 2,702,297 | 1,121,134 | 148,567 | 13,661,767 |
| Asset-liability gap | | 2.55% | 72,157 | (3,327,994) | 3,398,818 | (123,006) | 965,243 | 985,218 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (2) Market risk (continued)

### (c) *Interest rate risk (continued)*

*Bank (continued)*

| | | 31 December 2012 (Restated) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Effective interest rate (i) | Non-interest bearing | Within three months | Between three months and one year | Between one year and five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | | 1.51% | 174,909 | 2,268,367 | – | – | – | 2,443,276 |
| Deposits and placements with banks and non-bank financial institutions | | 3.61% | – | 562,619 | 154,634 | 5,300 | – | 722,553 |
| Financial assets held under resale agreements | | 4.26% | – | 275,255 | 41,369 | – | – | 316,624 |
| Loans and advances to customers | (ii) | 6.33% | – | 3,722,030 | 3,309,848 | 42,133 | 68,306 | 7,142,317 |
| Investments | (iii) | 3.58% | 26,019 | 263,703 | 655,096 | 928,676 | 974,356 | 2,847,850 |
| Other assets | | – | 314,130 | – | – | – | – | 314,130 |
| Total assets | | 4.70% | 515,058 | 7,091,974 | 4,160,947 | 976,109 | 1,042,662 | 13,786,750 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | | 1.18% | – | 4,107 | 2,062 | – | – | 6,169 |
| Deposits and placements from banks and non-bank financial institutions | | 3.04% | – | 978,894 | 70,012 | 9,231 | – | 1,058,137 |
| Financial liabilities at fair value through profit or loss | | 1.41% | 17,282 | 15,664 | 1,587 | – | – | 34,533 |
| Financial assets sold under repurchase agreements | | 3.84% | – | 720 | 171 | – | – | 891 |
| Deposits from customers | | 1.99% | 39,421 | 7,854,948 | 2,314,521 | 1,034,105 | 7,005 | 11,250,000 |
| Debt securities issued | | 3.56% | – | 48,782 | 33,474 | 24,324 | 138,444 | 245,024 |
| Other liabilities | | – | 256,539 | – | – | – | – | 256,539 |
| Total liabilities | | 2.11% | 313,242 | 8,903,115 | 2,421,827 | 1,067,660 | 145,449 | 12,851,293 |
| Asset-liability gap | | 2.59% | 201,816 | (1,811,141) | 1,739,120 | (91,551) | 897,213 | 935,457 |

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB34,813 million as at 30 June 2013 (31 December 2012: RMB31,466 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables and investments in subsidiaries.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (2) Market risk (continued)

### (d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the Treasury Department's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The currency exposures of the Group's and the Bank's assets and liabilities as at the end of the reporting period are as follows:

*Group*

| | Note | 30 June 2013 | | | |
|---|---|---|---|---|---|
| | | RMB | USD (RMB equivalent) | Others (RMB equivalent) | Total |
| **Assets** | | | | | |
| Cash and deposits with central banks | | 2,473,698 | 35,419 | 27,044 | 2,536,161 |
| Deposits and placements with banks and non-bank financial institutions | (i) | 1,119,077 | 63,990 | 17,774 | 1,200,841 |
| Loans and advances to customers | | 7,248,384 | 504,872 | 128,815 | 7,882,071 |
| Investments | | 2,846,709 | 26,713 | 38,495 | 2,911,917 |
| Other assets | | 309,495 | 11,444 | 7,285 | 328,224 |
| Total assets | | 13,997,363 | 642,438 | 219,413 | 14,859,214 |
| **Liabilities** | | | | | |
| Borrowings from central banks | | 81,651 | 24,797 | 5,684 | 112,132 |
| Deposits and placements from banks and non-bank financial institutions | (ii) | 642,248 | 146,611 | 100,459 | 889,318 |
| Financial liabilities at fair value through profit or loss | | 32,348 | 3,138 | 110 | 35,596 |
| Deposits from customers | | 11,726,034 | 264,305 | 159,099 | 12,149,438 |
| Debt securities issued | | 217,273 | 67,000 | 31,677 | 315,950 |
| Other liabilities | | 322,128 | 20,514 | 13,627 | 356,269 |
| Total liabilities | | 13,021,682 | 526,365 | 310,656 | 13,858,703 |
| **Net position** | | 975,681 | 116,073 | (91,243) | 1,000,511 |
| Net notional amount of derivatives | | (25,023) | (57,991) | 126,529 | 43,515 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (2) Market risk (continued)

### *(d) Currency risk (continued)*

*Group (continued)*

| | Note | As at 31 December 2012 (Restated) RMB | USD (RMB equivalent) | Others (RMB equivalent) | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and deposits with central banks | | 2,367,297 | 71,040 | 19,732 | 2,458,069 |
| Deposits and placements with banks and non-bank financial institutions | (i) | 965,168 | 37,253 | 29,815 | 1,032,236 |
| Loans and advances to customers | | 6,776,966 | 362,894 | 170,019 | 7,309,879 |
| Investments | | 2,791,334 | 26,502 | 51,178 | 2,869,014 |
| Other assets | | 218,268 | 18,729 | 66,633 | 303,630 |
| Total assets | | 13,119,033 | 516,418 | 337,377 | 13,972,828 |
| **Liabilities** | | | | | |
| Borrowings from central banks | | 419 | 5,789 | 73 | 6,281 |
| Deposits and placements from banks and non-bank financial institutions | (ii) | 859,782 | 143,732 | 96,589 | 1,100,103 |
| Financial liabilities at fair value through profit or loss | | 32,214 | 2,077 | 2,960 | 37,251 |
| Deposits from customers | | 10,943,649 | 210,074 | 189,356 | 11,343,079 |
| Debt securities issued | | 200,704 | 41,251 | 21,036 | 262,991 |
| Other liabilities | | 243,504 | 4,881 | 25,193 | 273,578 |
| Total liabilities | | 12,280,272 | 407,804 | 335,207 | 13,023,283 |
| **Net position** | | 838,761 | 108,614 | 2,170 | 949,545 |
| Net notional amount of derivatives | | 25,805 | (81,825) | 56,931 | 911 |

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (2) Market risk (continued)

### (d) Currency risk (continued)

*Bank*

| | Note | As at 30 June 2013 | | | |
|---|---|---|---|---|---|
| | | **RMB** | **USD (RMB equivalent)** | **Others (RMB equivalent)** | **Total** |
| **Assets** | | | | | |
| Cash and deposits with central banks | | **2,471,495** | **35,419** | **22,085** | **2,528,999** |
| Deposits and placements with banks and non-bank financial institutions | (i) | **1,129,901** | **81,966** | **17,102** | **1,228,969** |
| Loans and advances to customers | | **7,147,228** | **444,516** | **74,564** | **7,666,308** |
| Investments | | **2,841,117** | **19,175** | **26,800** | **2,887,092** |
| Other assets | | **303,547** | **26,936** | **5,134** | **335,617** |
| Total assets | | **13,893,288** | **608,012** | **145,685** | **14,646,985** |
| **Liabilities** | | | | | |
| Borrowings from central banks | | **81,331** | **24,797** | **5,288** | **111,416** |
| Deposits and placements from banks and non-bank financial institutions | (ii) | **623,681** | **130,366** | **96,396** | **850,443** |
| Financial liabilities at fair value through profit or loss | | **29,842** | **2,968** | **110** | **32,920** |
| Deposits from customers | | **11,699,449** | **249,754** | **98,453** | **12,047,656** |
| Debt securities issued | | **194,659** | **61,445** | **30,402** | **286,506** |
| Other liabilities | | **303,738** | **17,649** | **11,439** | **332,826** |
| Total liabilities | | **12,932,700** | **486,979** | **242,088** | **13,661,767** |
| **Net position** | | **960,588** | **121,033** | **(96,403)** | **985,218** |
| Net notional amount of derivatives | | **(24,096)** | **(65,728)** | **115,100** | **25,276** |

| | Note | 31 December 2012 (Restated) | | | |
|---|---|---|---|---|---|
| | | RMB | USD (RMB equivalent) | Others (RMB equivalent) | Total |
| **Assets** | | | | | |
| Cash and deposits with central banks | | 2,352,692 | 71,033 | 19,551 | 2,443,276 |
| Deposits and placements with banks and non-bank financial institutions | (i) | 979,815 | 39,930 | 19,432 | 1,039,177 |
| Loans and advances to customers | | 6,689,719 | 335,185 | 117,413 | 7,142,317 |
| Investments | | 2,788,354 | 23,672 | 35,823 | 2,847,849 |
| Other assets | | 237,427 | 17,139 | 59,565 | 314,131 |
| Total assets | | 13,048,007 | 486,959 | 251,784 | 13,786,750 |
| **Liabilities** | | | | | |
| Borrowings from central banks | | 306 | 5,790 | 73 | 6,169 |
| Deposits and placements from banks and non-bank financial institutions | (ii) | 831,012 | 137,212 | 90,804 | 1,059,028 |
| Financial liabilities at fair value through profit or loss | | 32,215 | 2,077 | 241 | 34,533 |
| Deposits from customers | | 10,923,026 | 193,900 | 133,074 | 11,250,000 |
| Debt securities issued | | 185,617 | 39,683 | 19,724 | 245,024 |
| Other liabilities | | 247,726 | 3,527 | 5,286 | 256,539 |
| Total liabilities | | 12,219,902 | 382,189 | 249,202 | 12,851,293 |
| **Net position** | | 828,105 | 104,770 | 2,582 | 935,457 |
| Net notional amount of derivatives | | 28,700 | (82,459) | 54,616 | 857 |

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (3) Liquidity risk

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or obtain sufficient funds at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM Department. The ALM Department is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;
- optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and
- managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

### (a) *Maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment as at the end of the reporting period:

*Group*

| | 30 June 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Indefinite | Repayable on demand | Within one month | Between one to three months | Between three months to one year | Between one to five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | 2,294,873 | 241,288 | – | – | – | – | – | 2,536,161 |
| Deposits and placements with banks and non-bank financial institutions | – | 26,015 | 474,382 | 136,481 | 209,757 | 18,463 | 301 | 865,399 |
| Financial assets held under resale agreements | – | – | 277,177 | 16,874 | 41,391 | – | – | 335,442 |
| Loans and advances to customers | 29,760 | 223,846 | 275,134 | 591,770 | 2,122,372 | 1,945,405 | 2,693,784 | 7,882,071 |
| Investments | | | | | | | | |
| – Financial assets at fair value through profit or loss | 6,194 | – | 3,512 | 3,812 | 11,094 | 17,674 | 1,958 | 44,244 |
| – Available-for-sale financial assets | 17,457 | – | 50,883 | 51,915 | 89,456 | 315,076 | 231,531 | 756,318 |
| – Held-to-maturity investments | 828 | – | 75,097 | 114,124 | 152,845 | 794,984 | 753,667 | 1,891,545 |
| – Debt securities classified as receivables | 368 | – | – | – | 8,790 | 70,812 | 137,483 | 217,453 |
| – Investments in associates and jointly controlled entities | 2,357 | – | – | – | – | – | – | 2,357 |
| Other assets | 171,142 | 41,785 | 24,596 | 42,191 | 39,319 | 7,601 | 1,590 | 328,224 |
| Total assets | 2,522,979 | 532,934 | 1,180,781 | 957,167 | 2,675,024 | 3,170,015 | 3,820,314 | 14,859,214 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | – | – | 88,055 | 20,130 | 3,947 | – | – | 112,132 |
| Deposits and placements from banks and non-bank financial institutions | – | 438,129 | 264,179 | 106,551 | 65,779 | 13,502 | – | 888,140 |
| Financial liabilities at fair value through profit or loss | – | 23,978 | 6,030 | 3,465 | 2,123 | – | – | 35,596 |
| Financial assets sold under repurchase agreements | – | – | 809 | 291 | 77 | – | – | 1,177 |
| Deposits from customers | – | 6,175,833 | 1,213,741 | 1,039,671 | 2,597,997 | 1,110,883 | 11,313 | 12,149,438 |
| Debt securities issued | | | | | | | | |
| – Certificates of deposit issued | – | – | 25,553 | 35,637 | 77,309 | 15,080 | 590 | 154,169 |
| – Bonds issued | – | – | – | – | 498 | 1,437 | – | 1,935 |
| – Subordinated bonds issued | – | – | – | – | 11,998 | 9,997 | 137,851 | 159,846 |
| Other liabilities | 660 | 160,581 | 84,425 | 21,091 | 68,437 | 19,758 | 1,318 | 356,270 |
| Total liabilities | 660 | 6,798,521 | 1,682,792 | 1,226,836 | 2,828,165 | 1,170,657 | 151,072 | 13,858,703 |
| Long/(short) position | 2,522,319 | (6,265,587) | (502,011) | (269,669) | (153,141) | 1,999,358 | 3,669,242 | 1,000,511 |
| Notional amount of derivatives | | | | | | | | |
| – Interest rate contracts | – | – | 25,716 | 78,388 | 165,856 | 45,502 | 6,375 | 321,837 |
| – Exchange rate contracts | – | – | 315,046 | 196,559 | 721,255 | 43,977 | 7,044 | 1,283,881 |
| – Other contracts | – | – | 3,036 | 1,214 | 5,558 | 1,014 | – | 10,822 |
| Total | – | – | 343,798 | 276,161 | 892,669 | 90,493 | 13,419 | 1,616,540 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (3) Liquidity risk (continued)

### (a) *Maturity analysis (continued)*

*Group (continued)*

| | 31 December 2012 (Restated) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Indefinite | Repayable on demand | Within one month | Between one to three months | Between three months to one year | Between one to five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | 2,154,098 | 303,971 | – | – | – | – | – | 2,458,069 |
| Deposits and placements with banks and non-bank financial institutions | – | 35,116 | 313,407 | 206,031 | 144,297 | 16,352 | 348 | 715,551 |
| Financial assets held under resale agreements | – | – | 218,245 | 57,071 | 41,369 | – | – | 316,685 |
| Loans and advances to customers | 30,078 | 196,222 | 247,909 | 533,660 | 2,007,674 | 1,806,324 | 2,488,012 | 7,309,879 |
| Investments | | | | | | | | |
| – Financial assets at fair value through profit or loss | 6,980 | – | 141 | 881 | 9,630 | 8,549 | 1,391 | 27,572 |
| – Available-for-sale financial assets | 19,226 | – | 12,390 | 31,634 | 134,744 | 309,731 | 193,316 | 701,041 |
| – Held-to-maturity investments | 1,628 | – | 13,201 | 31,989 | 381,915 | 779,035 | 710,554 | 1,918,322 |
| – Debt securities classified as receivables | 368 | – | – | 894 | – | 69,669 | 148,782 | 219,713 |
| – Investments in associates and jointly controlled entities | 2,366 | – | – | – | – | – | – | 2,366 |
| Other assets | 164,230 | 36,316 | 16,689 | 33,883 | 43,337 | 6,538 | 2,637 | 303,630 |
| Total assets | 2,378,974 | 571,625 | 821,982 | 896,043 | 2,762,966 | 2,996,198 | 3,545,040 | 13,972,828 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | – | – | 1,689 | 2,428 | 2,164 | – | – | 6,281 |
| Deposits and placements from banks and non-bank financial institutions | – | 431,321 | 482,961 | 60,519 | 113,158 | 9,784 | – | 1,097,743 |
| Financial liabilities at fair value through profit or loss | – | 20,000 | 9,401 | 6,263 | 1,587 | – | – | 37,251 |
| Financial assets sold under repurchase agreements | – | – | 1,779 | 410 | 171 | – | – | 2,360 |
| Deposits from customers | – | 5,891,342 | 1,036,919 | 1,035,687 | 2,326,505 | 1,041,891 | 10,735 | 11,343,079 |
| Debt securities issued | | | | | | | | |
| – Certificates of deposit issued | – | – | 12,098 | 30,170 | 52,082 | 6,271 | 602 | 101,223 |
| – Bonds issued | – | – | – | – | – | 1,934 | – | 1,934 |
| – Subordinated bonds issued | – | – | – | – | – | 21,992 | 137,842 | 159,834 |
| Other liabilities | 332 | 158,752 | 16,071 | 19,884 | 57,711 | 18,549 | 2,279 | 273,578 |
| Total liabilities | 332 | 6,501,415 | 1,560,918 | 1,155,361 | 2,553,378 | 1,100,421 | 151,458 | 13,023,283 |
| Long/(short) position | 2,378,642 | (5,929,790) | (738,936) | (259,318) | 209,588 | 1,895,777 | 3,393,582 | 949,545 |
| Notional amount of derivatives | | | | | | | | |
| – Interest rate contracts | – | – | 6,728 | 57,024 | 249,443 | 40,951 | 14,061 | 368,207 |
| – Exchange rate contracts | – | – | 227,623 | 223,317 | 513,178 | 45,284 | 7,901 | 1,017,303 |
| – Other contracts | – | – | 6,296 | 1,625 | 3,331 | 901 | – | 12,153 |
| Total | – | – | 240,647 | 281,966 | 765,952 | 87,136 | 21,962 | 1,397,663 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (3) Liquidity risk (continued)

### (a) *Maturity analysis (continued)*

*Bank*

| | 30 June 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Indefinite | Repayable on demand | Within one month | Between one to three months | Between three months to one year | Between one to five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | 2,292,942 | 236,057 | – | – | – | – | – | 2,528,999 |
| Deposits and placements with banks and non-bank financial institutions | – | 34,307 | 475,465 | 141,268 | 228,090 | 14,474 | 301 | 893,905 |
| Financial assets held under resale agreements | – | – | 276,799 | 16,874 | 41,391 | – | – | 335,064 |
| Loans and advances to customers | 27,951 | 223,615 | 261,255 | 568,159 | 2,043,334 | 1,891,789 | 2,650,205 | 7,666,308 |
| Investments | | | | | | | | |
| – Financial assets at fair value through profit or loss | – | – | 3,423 | 3,520 | 9,677 | 15,725 | 1,750 | 34,095 |
| – Available-for-sale financial assets | 11,126 | – | 51,089 | 50,945 | 76,438 | 312,497 | 229,371 | 731,466 |
| – Held-to-maturity investments | 828 | – | 74,974 | 114,124 | 152,845 | 794,127 | 751,583 | 1,888,481 |
| – Debt securities classified as receivables | 368 | – | – | – | 8,790 | 69,990 | 135,027 | 214,175 |
| – Investments in subsidiaries | 18,875 | – | – | – | – | – | – | 18,875 |
| Other assets | 183,335 | 41,020 | 24,164 | 41,541 | 38,147 | 5,820 | 1,590 | 335,617 |
| Total assets | 2,535,425 | 534,999 | 1,167,169 | 936,431 | 2,598,712 | 3,104,422 | 3,769,827 | 14,646,985 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | – | – | 87,638 | 20,120 | 3,658 | – | – | 111,416 |
| Deposits and placements from banks and non-bank financial institutions | – | 442,091 | 256,587 | 96,620 | 40,840 | 13,711 | – | 849,849 |
| Financial liabilities at fair value through profit or loss | – | 21,517 | 5,988 | 3,312 | 2,103 | – | – | 32,920 |
| Financial assets sold under repurchase agreements | – | – | 235 | 289 | 70 | – | – | 594 |
| Deposits from customers | – | 6,157,292 | 1,187,505 | 1,010,337 | 2,579,930 | 1,101,876 | 10,716 | 12,047,656 |
| Debt securities issued | | | | | | | | |
| – Certificates of deposit issued | – | – | 23,724 | 30,773 | 57,437 | 13,140 | 590 | 125,664 |
| – Bonds issued | – | – | – | – | 498 | 498 | – | 996 |
| – Subordinated bonds issued | – | – | – | – | 11,998 | 9,997 | 137,851 | 159,846 |
| Other liabilities | 333 | 156,571 | 82,630 | 17,986 | 55,093 | 18,897 | 1,316 | 332,826 |
| Total liabilities | 333 | 6,777,471 | 1,644,307 | 1,179,437 | 2,751,627 | 1,158,119 | 150,473 | 13,661,767 |
| **Long/(short) position** | 2,535,092 | (6,242,472) | (477,138) | (243,006) | (152,915) | 1,946,303 | 3,619,354 | 985,218 |
| Notional amount of derivatives | | | | | | | | |
| – Interest rate contracts | – | – | 25,685 | 77,395 | 157,184 | 44,150 | 6,375 | 310,789 |
| – Exchange rate contracts | – | – | 281,711 | 177,555 | 626,953 | 43,698 | 7,044 | 1,136,961 |
| – Other contracts | – | – | 3,024 | 1,206 | 5,052 | – | – | 9,282 |
| Total | – | – | 310,420 | 256,156 | 789,189 | 87,848 | 13,419 | 1,457,032 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (3) Liquidity risk (continued)

### *(a) Maturity analysis (continued)*

*Bank (continued)*

| | 31 December 2012 (Restated) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Indefinite | Repayable on demand | Within one month | Between one to three months | Between three months to one year | Between one to five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | 2,152,409 | 290,867 | – | – | – | – | – | 2,443,276 |
| Deposits and placements with banks and non-bank financial institutions | – | 33,752 | 314,081 | 209,233 | 152,526 | 12,613 | 348 | 722,553 |
| Financial assets held under resale agreements | – | – | 218,184 | 57,071 | 41,369 | – | – | 316,624 |
| Loans and advances to customers | 29,880 | 194,200 | 236,804 | 515,289 | 1,958,134 | 1,754,212 | 2,453,798 | 7,142,317 |
| Investments | | | | | | | | |
| – Financial assets at fair value through profit or loss | – | – | 141 | 519 | 7,788 | 6,381 | 1,377 | 16,206 |
| – Available-for-sale financial assets | 16,184 | – | 10,455 | 26,855 | 130,369 | 306,414 | 191,139 | 681,416 |
| – Held-to-maturity investments | 1,628 | – | 13,201 | 31,989 | 381,728 | 778,544 | 708,721 | 1,915,811 |
| – Debt securities classified as receivables | 368 | – | – | 894 | – | 69,214 | 147,265 | 217,741 |
| – Investments in subsidiaries | 16,676 | – | – | – | – | – | – | 16,676 |
| Other assets | 179,489 | 35,642 | 16,356 | 33,454 | 42,389 | 4,219 | 2,581 | 314,130 |
| Total assets | 2,396,634 | 554,461 | 809,222 | 875,304 | 2,714,303 | 2,931,597 | 3,505,229 | 13,786,750 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | – | – | 1,689 | 2,418 | 2,062 | – | – | 6,169 |
| Deposits and placements from banks and non-bank financial institutions | – | 433,634 | 472,789 | 44,628 | 97,855 | 9,231 | – | 1,058,137 |
| Financial liabilities at fair value through profit or loss | – | 17,282 | 9,401 | 6,263 | 1,587 | – | – | 34,533 |
| Financial assets sold under repurchase agreements | – | – | 338 | 382 | 171 | – | – | 891 |
| Deposits from customers | – | 5,866,430 | 1,013,451 | 1,009,759 | 2,315,504 | 1,034,554 | 10,302 | 11,250,000 |
| Debt securities issued | | | | | | | | |
| – Certificates of deposit issued | – | – | 10,342 | 27,619 | 41,387 | 4,245 | 602 | 84,195 |
| – Bonds issued | – | – | – | – | – | 995 | – | 995 |
| – Subordinated bonds issued | – | – | – | – | – | 21,992 | 137,842 | 159,834 |
| Other liabilities | – | 157,183 | 14,483 | 17,423 | 47,257 | 17,915 | 2,278 | 256,539 |
| Total liabilities | – | 6,474,529 | 1,522,493 | 1,108,492 | 2,505,823 | 1,088,932 | 151,024 | 12,851,293 |
| **Long/(short) position** | 2,396,634 | (5,920,068) | (713,271) | (233,188) | 208,480 | 1,842,665 | 3,354,205 | 935,457 |
| Notional amount of derivatives | | | | | | | | |
| – Interest rate contracts | – | – | 6,224 | 55,988 | 245,228 | 38,664 | 14,061 | 360,165 |
| – Exchange rate contracts | – | – | 192,202 | 193,244 | 466,497 | 45,222 | 7,901 | 905,066 |
| – Other contracts | – | – | 6,080 | 1,507 | 3,080 | – | – | 10,667 |
| Total | – | – | 204,506 | 250,739 | 714,805 | 83,886 | 21,962 | 1,275,898 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (3) Liquidity risk (continued)

### (b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group and the Bank as at the end of the reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

*Group*

| | 30 June 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **Gross cash outflow** | **Repayable on demand** | **Within one month** | **Between one to three months** | **Between three months to one year** | **Between one to five years** | **More than five years** |
| **Non-derivative financial liabilities** | | | | | | | | |
| Borrowings from central banks | **112,132** | **112,631** | **–** | **88,464** | **20,199** | **3,968** | **–** | **–** |
| Deposits and placements from banks and non-bank financial institutions | **888,140** | **893,811** | **438,248** | **265,359** | **107,562** | **68,711** | **13,931** | **–** |
| Financial liabilities at fair value through profit or loss | **35,596** | **35,682** | **23,978** | **6,054** | **3,478** | **2,172** | **–** | **–** |
| Financial assets sold under repurchase agreements | **1,177** | **1,181** | **–** | **810** | **293** | **78** | **–** | **–** |
| Deposits from customers | **12,149,438** | **12,467,900** | **6,177,123** | **1,227,484** | **1,068,209** | **2,698,470** | **1,282,694** | **13,920** |
| Debt securities issued | | | | | | | | |
| – Certificates of deposit issued | **154,169** | **155,988** | **–** | **25,639** | **35,770** | **78,457** | **15,505** | **617** |
| – Bonds issued | **1,935** | **2,062** | **–** | **–** | **–** | **31** | **2,031** | **–** |
| – Subordinated bonds issued | **159,846** | **217,796** | **–** | **–** | **736** | **18,740** | **37,372** | **160,948** |
| Other financial liabilities | **127,933** | **127,933** | **59,077** | **67,272** | **217** | **863** | **–** | **504** |
| Total | **13,630,366** | **14,014,983** | **6,698,426** | **1,681,082** | **1,236,464** | **2,871,490** | **1,351,533** | **175,988** |
| Off-balance sheet loan commitments and credit card commitments (Note) | | **825,310** | **646,451** | **52,133** | **21,902** | **71,205** | **31,149** | **2,470** |
| Guarantees, acceptances and other credit commitments (Note) | | **1,382,741** | **–** | **336,132** | **240,659** | **505,987** | **251,872** | **48,091** |

| | 31 December 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Gross cash outflow | Repayable on demand | Within one month | Between one to three months | Between three months to one year | Between one to five years | More than five years |
| **Non-derivative financial liabilities** | | | | | | | | |
| Borrowings from central banks | 6,281 | 6,300 | – | 1,691 | 2,433 | 2,176 | – | – |
| Deposits and placements from banks and non-bank financial institutions | 1,097,743 | 1,109,936 | 431,462 | 484,962 | 63,808 | 118,462 | 11,242 | – |
| Financial liabilities at fair value through profit or loss | 37,251 | 37,346 | 20,000 | 9,424 | 6,300 | 1,622 | – | – |
| Financial assets sold under repurchase agreements | 2,360 | 2,368 | – | 1,783 | 413 | 172 | – | – |
| Deposits from customers | 11,343,079 | 11,642,843 | 5,892,287 | 1,048,580 | 1,061,124 | 2,422,581 | 1,204,970 | 13,301 |
| Debt securities issued | | | | | | | | |
| – Certificates of deposit issued | 101,223 | 102,272 | – | 12,126 | 30,300 | 52,706 | 6,490 | 650 |
| – Bonds issued | 1,934 | 2,093 | – | – | – | 62 | 2,031 | – |
| – Subordinated bonds issued | 159,834 | 219,300 | – | – | 1,504 | 5,972 | 49,756 | 162,068 |
| Other financial liabilities | 64,411 | 64,411 | 63,006 | 185 | 147 | 567 | – | 506 |
| Total | 12,814,116 | 13,186,869 | 6,406,755 | 1,558,751 | 1,166,029 | 2,604,320 | 1,274,489 | 176,525 |
| Off-balance sheet loan commitments and credit card commitments (Note) | | 784,964 | 595,291 | 64,216 | 24,747 | 66,119 | 30,846 | 3,745 |
| Guarantees, acceptances and other credit commitments (Note) | | 1,231,335 | – | 272,506 | 238,663 | 422,979 | 234,378 | 62,809 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (3) Liquidity risk (continued)

### *(b) Contractual undiscounted cash flow (continued)*

*Bank*

| | 30 June 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **Gross cash outflow** | **Repayable on demand** | **Within one month** | **Between one to three months** | **Between three months to one year** | **Between one to five years** | **More than five years** |
| **Non-derivative financial liabilities** | | | | | | | | |
| Borrowings from central banks | **111,416** | **111,905** | **–** | **88,045** | **20,171** | **3,689** | **–** | **–** |
| Deposits and placements from banks and non-bank financial institutions | **849,849** | **854,550** | **442,211** | **257,593** | **97,544** | **43,016** | **14,186** | **–** |
| Financial liabilities at fair value through profit or loss | **32,920** | **33,003** | **21,517** | **6,012** | **3,323** | **2,151** | **–** | **–** |
| Financial assets sold under repurchase agreements | **594** | **598** | **–** | **236** | **291** | **71** | **–** | **–** |
| Deposits from customers | **12,047,656** | **12,365,638** | **6,158,575** | **1,201,225** | **1,038,761** | **2,680,131** | **1,273,624** | **13,322** |
| Debt securities issued | | | | | | | | |
| – Certificates of deposit issued | **125,664** | **127,047** | **–** | **23,810** | **30,882** | **58,193** | **13,545** | **617** |
| – Bonds issued | **996** | **1,048** | **–** | **–** | **–** | **16** | **1,032** | **–** |
| – Subordinated bonds issued | **159,846** | **217,796** | **–** | **–** | **736** | **18,740** | **37,372** | **160,948** |
| Other financial liabilities | **110,733** | **110,733** | **41,961** | **67,255** | **189** | **824** | **–** | **504** |
| Total | **13,439,674** | **13,822,318** | **6,664,264** | **1,644,176** | **1,191,897** | **2,806,831** | **1,339,759** | **175,391** |
| Off-balance sheet loan commitments and credit card commitments (Note) | | **794,382** | **646,451** | **22,455** | **21,670** | **70,554** | **30,782** | **2,470** |
| Guarantees, acceptances and other credit commitments (Note) | | **1,404,752** | **–** | **337,507** | **247,948** | **519,513** | **251,695** | **48,089** |

| | 31 December 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Gross cash outflow | Repayable on demand | Within one month | Between one to three months | Between three months to one year | Between one to five years | More than five years |
| **Non-derivative financial liabilities** | | | | | | | | |
| Borrowings from central banks | 6,169 | 6,186 | – | 1,691 | 2,422 | 2,073 | – | – |
| Deposits and placements from banks and non-bank financial institutions | 1,058,137 | 1,069,171 | 433,775 | 474,597 | 47,609 | 102,666 | 10,524 | – |
| Financial liabilities at fair value through profit or loss | 34,533 | 34,628 | 17,282 | 9,424 | 6,300 | 1,622 | – | – |
| Financial assets sold under repurchase agreements | 891 | 896 | – | 339 | 385 | 172 | – | – |
| Deposits from customers | 11,250,000 | 11,549,328 | 5,867,374 | 1,025,093 | 1,035,105 | 2,411,301 | 1,197,587 | 12,868 |
| Debt securities issued | | | | | | | | |
| – Certificates of deposit issued | 84,195 | 84,948 | – | 10,365 | 27,724 | 41,800 | 4,409 | 650 |
| – Bonds issued | 995 | 1,064 | – | – | – | 32 | 1,032 | – |
| – Subordinated bonds issued | 159,834 | 219,300 | – | – | 1,504 | 5,972 | 49,756 | 162,068 |
| Other financial liabilities | 50,167 | 50,167 | 48,836 | 164 | 126 | 535 | – | 506 |
| Total | 12,644,921 | 13,015,688 | 6,367,267 | 1,521,673 | 1,121,175 | 2,566,173 | 1,263,308 | 176,092 |
| Off-balance sheet loan commitments and credit card commitments (Note) | | 755,435 | 595,291 | 35,593 | 24,544 | 65,473 | 30,789 | 3,745 |
| Guarantees, acceptances and other credit commitments (Note) | | 1,233,273 | – | 272,557 | 239,686 | 424,312 | 233,911 | 62,807 |

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amount to be paid.

# 59 Risk Management (continued)

## (4) Operational risk

Operational risk represents the risk of loss due to deficient and flawed internal processes, personnel and information system, or other external events.

The Group has continued to further strengthen the operational risk management processes to ensure operational stability and business as usual, by enhancing the self-assessment of operational risk, establishing key risk controls and examination, utilising operational risk tools and systems, streamlining the Group's banking systems parameters, performing emergency drills to ensure continuous business operations in adverse scenarios and promoting business continuity management:

– continuous self-assessment of operational risk – The Group continuously improves and expands the scope of self-assessment, placing particular focus on off-balance sheet related items to enhance respective regulations, processes and services;

– establishment of examination of key risk controls – The Group carries out examination over key risk controls, and continues to refine, expand and re-examine the scope and contents of the monitoring checks, placing particular focus on key business areas and preventive checks on major operational risk areas;

– strengthening the centralised operational risk management evaluation system – The Group refines the operational risk indicators with respect to corporate and personal credit businesses, which assists and drives branches' evaluation of the operational risks;

– improvement in segregation of duties – The Group continues to improve and review the roles and responsibilities of its key staff positions to ensure adequate segregation of duties (responsibilities), further strengthening the system of checks and balances;

– steady progress in business continuity management – The Group conducts emergency operational drills in pilot branches, which improves the strategies and mechanisms of the Tier 2 institutions and networks in response to natural disasters;

– strengthening major risks and unforeseen events reporting process – The Group formalises the supervision and monitoring over major risks and unforeseen events by prescribing the information recording and reporting processes. Clear information channels have also been established to increase the ability of the Group to address these risks and events;

– streamline and review of important system parameters – The Group continues to evaluate management system parameters and timely remediates deficiency to ensure secured and smooth system operations; and

– the Group has implemented laws, rules and regulations concerning anti-money laundering (AML). The Group continued to improve its internal control system relating to AML. The Group follows "know-your-customer" principle in identifying and recording customers' identities and transactions diligently, and proactively identifies and reports significant, suspicious and suspected terrorist-related transactions. Training and publicity for AML has also been enhanced. All these measures are put in place to effectively fulfill the statutory AML obligations.

## (5) Fair value

### (a) *Financial assets*

The Group's financial assets mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets at fair value through profit or loss, financial assets held under resale agreements, loans and advances to customers, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

*Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements*

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

*Loans and advances to customers*

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

*Investments*

Available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value in the financial statements. The following table shows the carrying values and the fair values of the debt securities classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (5) Fair value (continued)

### (a) *Financial assets (continued)*

*Group*

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Debt securities classified as receivables | **217,453** | 219,713 | **208,130** | 209,123 |
| Held-to-maturity investments | **1,891,545** | 1,918,322 | **1,891,515** | 1,915,573 |
| Total | **2,108,998** | 2,138,035 | **2,099,645** | 2,124,696 |

*Bank*

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| Debt securities classified as receivables | **214,175** | 217,741 | **204,873** | 207,166 |
| Held-to-maturity investments | **1,888,481** | 1,915,811 | **1,888,452** | 1,913,050 |
| Total | **2,102,656** | 2,133,552 | **2,093,325** | 2,120,216 |

### (b) *Financial liabilities*

The Group's financial liabilities mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values as at the end of the reporting period, except that the fair value of subordinated bonds issued as at 30 June 2013 was RMB157,874 million (31 December 2012: RMB156,262 million), which was lower than their carrying value of RMB159,846 million (31 December 2012: RMB159,834 million).

## (6) Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (6) Valuation of financial instruments (continued)

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

*Group*

| | 30 June 2013 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Financial assets held for trading purpose | | | | |
| – Debt securities | **739** | **34,095** | **–** | **34,834** |
| – Equity instruments and funds | **256** | **–** | **–** | **256** |
| Financial assets designated as at fair value through profit or loss | | | | |
| – Debt securities | **862** | **–** | **2,353** | **3,215** |
| – Equity instruments | **1,608** | **–** | **4,331** | **5,939** |
| Positive fair value of derivatives | **–** | **11,134** | **1,381** | **12,515** |
| Available-for-sale financial assets | | | | |
| – Debt securities | **15,502** | **724,933** | **2,741** | **743,176** |
| – Equity instruments and funds | **7,195** | **1,442** | **3,029** | **11,666** |
| Total | **26,162** | **771,604** | **13,835** | **811,601** |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Financial liabilities designated as at fair value through profit or loss | **–** | **33,135** | **2,461** | **35,596** |
| Negative fair value of derivatives | **–** | **12,586** | **1,381** | **13,967** |
| Total | **–** | **45,721** | **3,842** | **49,563** |

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Financial assets held for trading purpose | | | | |
| – Debt securities | 195 | 16,209 | – | 16,404 |
| – Equity instruments and funds | 821 | – | – | 821 |
| Financial assets designated as at fair value through profit or loss | | | | |
| – Debt securities | 996 | 51 | 3,141 | 4,188 |
| – Equity instruments | 885 | 514 | 4,760 | 6,159 |
| Positive fair value of derivatives | – | 10,840 | 1,831 | 12,671 |
| Available-for-sale financial assets | | | | |
| – Debt securities | 6,378 | 678,103 | 4,333 | 688,814 |
| – Equity instruments and funds | 8,657 | 1,587 | 472 | 10,716 |
| Total | 17,932 | 707,304 | 14,537 | 739,773 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Financial liabilities designated as at fair value through profit or loss | – | 34,533 | 2,718 | 37,251 |
| Negative fair value of derivatives | – | 9,710 | 1,831 | 11,541 |
| Total | – | 44,243 | 4,549 | 48,792 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (6) Valuation of financial instruments (continued)

*Bank*

| | 30 June 2013 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Financial assets held for trading purpose | | | | |
| – Debt securities | **–** | **34,095** | **–** | **34,095** |
| Positive fair value of derivatives | **–** | **9,996** | **1,381** | **11,377** |
| Available-for-sale financial assets | | | | |
| – Debt securities | **5,114** | **717,805** | **1,736** | **724,655** |
| – Equity instruments and funds | **5,293** | **–** | **56** | **5,349** |
| Total | **10,407** | **761,896** | **3,173** | **775,476** |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Financial liabilities designated as at fair value through profit or loss | **–** | **32,920** | **–** | **32,920** |
| Negative fair value of derivatives | **–** | **10,454** | **1,381** | **11,835** |
| Total | **–** | **43,374** | **1,381** | **44,755** |

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Financial assets held for trading purpose | | | | |
| – Debt securities | – | 16,206 | – | 16,206 |
| Positive fair value of derivatives | – | 9,836 | 1,831 | 11,667 |
| Available-for-sale financial assets | | | | |
| – Debt securities | 5,743 | 664,722 | 1,608 | 672,073 |
| – Equity instruments and funds | 7,780 | – | 67 | 7,847 |
| Total | 13,523 | 690,764 | 3,506 | 707,793 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Financial liabilities designated as at fair value through profit or loss | – | 34,533 | – | 34,533 |
| Negative fair value of derivatives | – | 8,214 | 1,831 | 10,045 |
| Total | – | 42,747 | 1,831 | 44,578 |

For the six months ended 30 June 2013 and for the year ended 31 December 2012, there were no significant transfers between level 1 and level 2 of the fair value hierarchy.

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (6) Valuation of financial instruments (continued)

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

*Group*

| | Six months ended 30 June 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial assets designated as at fair value through profit or loss | | | Available-for-sale financial assets | | | | | |
| | Debt securities | Equity instruments and funds | Positive fair value of derivatives | Debt securities | Equity instruments and funds | Total assets | Financial liabilities designated as at fair value through profit or loss | Negative fair value of derivatives | Total liabilities |
| As at 1 January 2013 | 3,141 | 4,760 | 1,831 | 4,333 | 472 | 14,537 | (2,718) | (1,831) | (4,549) |
| Total gains or losses: | | | | | | | | | |
| In profit or loss | 27 | 22 | (374) | 118 | (13) | (220) | 257 | 374 | 631 |
| In other comprehensive income | – | – | – | 268 | 26 | 294 | – | – | – |
| Purchases | 639 | 1,135 | – | 522 | 3,568 | 5,864 | – | – | – |
| Sales and settlements | (1,454) | (1,586) | (76) | (2,500) | (1,024) | (6,640) | – | 76 | 76 |
| As at 30 June 2013 | 2,353 | 4,331 | 1,381 | 2,741 | 3,029 | 13,835 | (2,461) | (1,381) | (3,842) |
| Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period | 83 | (26) | (231) | 118 | – | (56) | 257 | (2,989) | (2,732) |

| | 2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial assets designated as at fair value through profit or loss | | | Available-for-sale financial assets | | | | | |
| | Debt securities | Equity instruments and funds | Positive fair value of derivatives | Debt securities | Equity instruments and funds | Total assets | Financial liabilities designated as at fair value through profit or loss | Negative fair value of derivatives | Total liabilities |
| As at 1 January 2012 | 4,483 | 6,319 | 2,418 | 4,565 | 552 | 18,337 | (2,719) | (2,450) | (5,169) |
| Total gains or losses: | | | | | | | | | |
| In profit or loss | 120 | (714) | (423) | (24) | – | (1,041) | (28) | 371 | 343 |
| In other comprehensive income | – | – | – | 194 | 20 | 214 | – | – | – |
| Purchases | 485 | 581 | – | 2,545 | 721 | 4,332 | – | – | – |
| Sales and settlements | (1,947) | (1,171) | (164) | (2,947) | (810) | (7,039) | 29 | 248 | 277 |
| Transfer in/out | – | (255) | – | – | (11) | (266) | – | – | – |
| As at 31 December 2012 | 3,141 | 4,760 | 1,831 | 4,333 | 472 | 14,537 | (2,718) | (1,831) | (4,549) |
| Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period | 75 | (227) | (214) | (24) | – | (390) | (28) | 161 | 133 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk Management (continued)

## (6) Valuation of financial instruments (continued)

*Bank*

| | Six months ended 30 June 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | Available-for-sale financial assets | | | | |
| | Positive fair value of derivatives | Debt securities | Equity instruments and funds | Total assets | Negative fair value of derivatives | Total liabilities |
| As at 1 January 2013 | 1,831 | 1,608 | 67 | 3,506 | (1,831) | (1,831) |
| Total gains or losses: | | | | | | |
| In profit or loss | (374) | 92 | (11) | (293) | 374 | 374 |
| In other comprehensive income | – | 282 | – | 282 | – | – |
| Sales and settlements | (76) | (246) | – | (322) | 76 | 76 |
| As at 30 June 2013 | 1,381 | 1,736 | 56 | 3,173 | (1,381) | (1,381) |
| Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period | (231) | 92 | – | (139) | (2,989) | (2,989) |

| | 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Available-for-sale financial assets | | | | | |
| | Positive fair value of derivatives | Debt securities | Equity instruments and funds | Total assets | Financial liabilities designated as at fair value through profit or loss | Negative fair value of derivatives | Total liabilities |
| As at 1 January 2012 | 2,366 | 1,705 | 62 | 4,133 | (29) | (2,362) | (2,391) |
| Total gains or losses: | | | | | | | |
| In profit or loss | (371) | 7 | – | (364) | – | 371 | 371 |
| In other comprehensive income | – | 202 | 1 | 203 | – | – | – |
| Purchases | – | – | 4 | 4 | – | – | – |
| Sales and settlements | (164) | (306) | – | (470) | 29 | 160 | 189 |
| As at 31 December 2012 | 1,831 | 1,608 | 67 | 3,506 | – | (1,831) | (1,831) |
| Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period | (182) | 7 | – | (175) | – | 182 | 182 |

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period/year in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses of the statement of comprehensive income.

(Expressed in millions of RMB, unless otherwise stated)

## 59 Risk management (continued)

### (7) Capital management

The Group has implemented a comprehensive capital management policy, covering the management of regulatory capital, economic capital and accounting capital, including but not limited to management of capital adequacy ratio, capital planning, capital funding and economic capital.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with CBRC's "Measures for Capital Management of Commercial Banks (trial)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%. Systemically important domestic banks should also meet the 1% additional capital requirement, with their Common Equity Tier 1 capital. Meanwhile, in accordance with CBRC's "Notice of relevant transitional arrangement for implementation of Measures for Capital Management of Commercial Banks (trial)", a capital conservation buffer will be introduced progressively during the transitional period, which will be raised through Common Equity Tier 1 capital. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, accumulating internal capital and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group and the Bank are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration. Based on those factors the Group projects the capital supply and usage. The Group regularly compares its position with its capital adequacy ratio target to ensure sufficient capital or otherwise plan for supplementation of capital.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking in account the capital planning and operating environment. This helps to optimise the Group's total capital structure, as well as improve the competitiveness of the Group's cost of capital.

The Group's consolidated regulatory capital positions calculated in accordance with the "Measures for Capital Management of Commercial Banks (trial)" issued by the CBRC as at the end of the reporting period are as follows:

| | Note | 30 June 2013 |
|---|---|---|
| Common Equity Tier 1 ratio | (a) (b) | 10.66% |
| Tier 1 ratio | (a) (b) | 10.66% |
| Total capital ratio | (a) (b) | 13.34% |
| Common Equity Tier 1 capital | | |
| – Qualifying common share capital | | 250,011 |
| – Capital reserve and investment revaluation reserve | | 137,077 |
| – Surplus reserve | | 86,718 |
| – General reserve | | 152,333 |
| – Retained earnings | | 371,657 |
| – Minority interest given recognition in Common Equity Tier 1 capital | | 3,491 |
| – Foreign exchange reserve | | (5,222) |
| Deductions for Common Equity Tier 1 capital | | |
| – Goodwill | (c) | 1,434 |
| – Other intangible assets (excluding land use right) | (c) | 1,480 |
| – Cash-flow hedge reserve | | 193 |
| – Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation | | 3,902 |
| Additional Tier 1 capital | | |
| – Minority interest given recognition in Additional Tier 1 capital | | 14 |
| Tier 2 capital | | |
| – Directly issued qualifying Tier 2 instruments including related stock surplus | | 144,000 |
| – Provisions in Tier 2 | | 105,242 |
| – Minority interest given recognition in Tier 2 capital | | 93 |
| Common Equity Tier 1 capital after deduction | (d) | 989,056 |
| Tier 1 capital after deduction | (d) | 989,070 |
| Total capital after deduction | (d) | 1,238,405 |
| Risk-weighted assets | (e) | 9,282,020 |

(Expressed in millions of RMB, unless otherwise stated)

# 59 Risk management (continued)

## (7) Capital management (continued)

Notes:

(a) The Common Equity Tier 1 Capital adequacy ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 Capital adequacy ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Capital adequacy ratio is calculated by dividing the Total capital after deduction by risk-weighted assets.

(b) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).

(c) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(d) Common Equity Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deduction is calculated by netting off the corresponding deduction items from the total capital.

(e) Risk-weighted assets include credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets.

# 60 Events after the reporting period

There are no significant events after the reporting period.

# 61 Ultimate parent

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

# 62 Comparative figures

Due to a change in accounting policy (Note 2(4)), certain comparative figures have been adjusted to conform with changes in disclosures in the current period.

# 63 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2013 and which have not been adopted in the financial statements.

| Standards | Effective for annual period beginning on or after |
|---|---|
| Amendments to IFRS 10, 12 and IAS 27 – "Investment entities" | 1 January 2014 |
| Amendments to IFRS 7 and 9, "Mandatory effective date and transition disclosures" | 1 January 2015 |
| Amendments to IFRS 12, "Transition guidance" | 1 January 2013 |
| Amendments to IAS 32, "Financial instruments: Presentation" on asset and liability offsetting | 1 January 2014 |
| Amendments to IAS 36, "Impairment of assets" | 1 January 2014 |
| IFRS 9, "Financial instruments" | 1 January 2015 |

The Group is in the process of making an assessment on the impact of these new and revised IFRSs upon initial application.

# Unaudited Supplementary Financial Information

(Expressed in millions of RMB unless otherwise stated)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

## 1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the six months ended 30 June 2013 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the six months ended 30 June 2013 or total equity as at 30 June 2013 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations respectively.

## 2 Liquidity ratios

| | **As at 30 June 2013** | **Average for the six months ended 30 June 2013** | As at 31 December 2012 | Average for the year ended 31 December 2012 |
|---|---|---|---|---|
| RMB current assets to RMB current liabilities | **51.94%** | **54.33%** | 56.73% | 56.65% |
| Foreign currency current assets to foreign currency current liabilities | **43.12%** | **50.97%** | 58.81% | 58.53% |

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which is the arithmetic mean of each calendar month's liquidity ratio. The Group prepared the liquidity ratios on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

## 3 Currency concentrations

| | **30 June 2013** | | | |
|---|---|---|---|---|
| | **USD (RMB equivalent)** | **HKD (RMB equivalent)** | **Others (RMB equivalent)** | **Total** |
| Spot assets | **630,777** | **167,739** | **68,484** | **867,000** |
| Spot liabilities | **(516,811)** | **(194,077)** | **(144,368)** | **(855,256)** |
| Forward purchases | **602,364** | **49,348** | **137,604** | **789,316** |
| Forward sales | **(717,235)** | **(5,789)** | **(54,631)** | **(777,655)** |
| Net options position | **188** | **–** | **–** | **188** |
| Net (short)/long position | **(717)** | **17,221** | **7,089** | **23,593** |
| Net structural position | **965** | **4,085** | **(871)** | **4,179** |

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
| Spot assets | 524,730 | 153,916 | 125,957 | 804,603 |
| Spot liabilities | (432,029) | (161,150) | (178,574) | (771,753) |
| Forward purchases | 409,707 | 9,581 | 232,258 | 651,546 |
| Forward sales | (499,732) | (5,363) | (179,561) | (684,656) |
| Net options position | 28 | – | (1) | 27 |
| Net long/(short) position | 2,704 | (3,016) | 79 | (233) |
| Net structural position | 12 | 4,520 | 7 | 4,539 |

(Expressed in millions of RMB unless otherwise stated)

## 3 Currency concentrations (continued)

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

## 4 Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if claims are guaranteed by a party in a country which is different from that of the counterparty or if claims are on an overseas branch of a bank whose head office is located in another country.

| | **30 June 2013** | | | |
|---|---|---|---|---|
| | **Banks and non-bank financial institutions** | **Public sector entities** | **Others** | **Total** |
| Asia Pacific excluding Mainland China | **12,321** | **1,754** | **218,009** | **232,084** |
| – of which attributed to Hong Kong | **5,122** | **163** | **195,377** | **200,662** |
| Europe | **4,579** | **83** | **10,777** | **15,439** |
| North and South America | **18,855** | **81** | **41,519** | **60,455** |
| Total | **35,755** | **1,918** | **270,305** | **307,978** |

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Banks and non-bank financial institutions | Public sector entities | Others | Total |
| Asia Pacific excluding Mainland China | 24,628 | 1,832 | 190,776 | 217,236 |
| – of which attributed to Hong Kong | 16,581 | – | 161,805 | 178,386 |
| Europe | 1,762 | 94 | 18,593 | 20,449 |
| North and South America | 25,504 | 83 | 80,309 | 105,896 |
| Total | 51,894 | 2,009 | 289,678 | 343,581 |

The above cross-border claims are disclosed in accordance with the requirements of the Rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

(Expressed in millions of RMB unless otherwise stated)

## 5 Overdue loans and advances to customers by geographical sector

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Yangtze River Delta | **31,172** | 24,635 |
| Pearl River Delta | **7,844** | 5,115 |
| Central | **7,198** | 6,433 |
| Bohai Rim | **5,435** | 5,677 |
| Western | **5,104** | 4,569 |
| Northeastern | **4,464** | 3,663 |
| Head office | **2,147** | 1,964 |
| Overseas | **174** | 305 |
| Total | **63,538** | 52,361 |

The above analysis represents the gross amount of loans and advances overdue for more than 90 days as required by the rules.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

## 6 Non-bank Mainland China exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 30 June 2013, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. We use words such as "will", "may", "expect", "try", "strive", and similar expressions to identify forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements. These factors include, among others: changes in general economic conditions in the markets in which the Group operates, changes in the government's adjustments and control policies and in laws and regulations, and factors specific to the Group. Furthermore, readers are specially cautioned on all kinds of risks disclosed in this half-year report, including but not limited to the risks set out in the "Risk Management" of the report.