The following is the text of a report received from the Bank's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Bank and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

October 31, 2013

The Directors
Huishang Bank Corporation Limited

CITIC Securities Corporate Finance (HK) Limited
UBS Securities Hong Kong Limited
J.P. Morgan Securities (Far East) Limited
Morgan Stanley Asia Limited
BOCI Asia Limited

Dear Sirs,

We report on the financial information of Huishang Bank Corporation Limited (the "Bank") and its subsidiary (together, the "Group"), which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Bank as at December 31, 2010, 2011 and 2012 and June 30, 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2010, 2011, and 2012 and the six months ended June 30, 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the Directors of the Bank and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Bank dated October 31, 2013 (the "Prospectus") in connection with the initial listing of shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited.

The Bank was formerly known as Hefei City United Bank, a regional joint stock commercial bank in Anhui Province which was established on April 4, 1997 with the approval of the People's Bank of China (the "PBOC"), Anhui branch of the PBOC and Anhui Economic Reform Committee and was renamed as Hefei City Commercial Bank Corporation Limited in 1998. The Bank was further renamed as Huishang Bank Corporation Limited in 2005 with the approval of the general office of China Banking Regulatory Commission (the "CBRC") and CBRC Anhui Office.

As at the date of this report, the Bank has direct interests in a subsidiary and associates as set out in Note 23 and Note 24 of Section II below. All of these companies are private companies.

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The Directors of the Bank have prepared the consolidated financial statements of the Group for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 in accordance with Accounting Standards for Business Enterprises of the People's Republic of China (the "CAS") issued by the China Ministry of Finance (the "Consolidated Financial Statements"). The Directors of the Bank are responsible for the preparation of the Consolidated Financial Statements that gives a true and fair view in accordance with CAS. The Consolidated Financial Statements were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance with China Standards on Auditing (the "CSA") issued by Chinese Institute of Certified Public Accountants (the "CICPA") pursuant to separate terms of engagement with the Bank.

The financial information presented below, prepared in accordance with International Financial Reporting Standards (the "IFRS") issued by the International Accounting Standards Board (the "IASB"), has been prepared based on the Consolidated Financial Statements, after making such adjustments as are appropriate.

Directors' Responsibility for the Financial Information

The Directors of the Bank are responsible for the preparation of financial information that gives a true and fair view in accordance with IFRS issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Bank and of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013, and of the Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus, which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2012, and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The Directors of the Bank are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 3 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board. A review of the Stub Period Comparative 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

International 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material aspects, in accordance with the accounting policies set out in Note 3 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by directors of the Bank as at December 31, 2010, 2011, and 2012 and June 30, 2013 and for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 (the "Financial Information"):

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
					(unaudited)	
Interest income	5	8,256,298	11,252,599	15,161,363	6,885,994	9,079,852
Interest expense	5	(2,239,411)	(4,163,893)	(6,592,515)	(2,751,466)	(4,355,746)
Net interest income		6,016,887	7,088,706	8,568,848	4,134,528	4,724,106
Fee and commission income	6	294,024	461,172	451,515	190,649	329,317
Fee and commission expense	6	(42,749)	(48,411)	(55,784)	(17,500)	(36,012)
Net fee and commission income		251,275	412,761	395,731	173,149	293,305
Net trading income	7	(32,061)	51,947	40,494	93,684	28,725
Net gains/(losses) on investment securities		(32,373)	30,350	66,593	51,148	4,150
Dividend income		343	2,249	305	280	—
Other operating income	8	65,986	65,111	162,994	70,926	68,134
Operating income		6,270,057	7,651,124	9,234,965	4,523,715	5,118,420
Operating expenses	9	(2,203,049)	(2,500,374)	(3,132,268)	(1,404,016)	(1,511,386)
Impairment losses on assets	12	(578,375)	(578,853)	(457,715)	(264,598)	(424,316)
Operating profit		3,488,633	4,571,897	5,644,982	2,855,101	3,182,718
Share of profits of associates		13,440	31,750	35,056	12,128	24,024
Profit before income tax		3,502,073	4,603,647	5,680,038	2,867,229	3,206,742
Income tax expense	13	(799,720)	(1,111,037)	(1,373,645)	(713,868)	(754,717)
Profit for the year/period		2,702,353	3,492,610	4,306,393	2,153,361	2,452,025
Other comprehensive income						
Fair value changes on available-for-sale financial assets	42	(445,279)	87,910	(122,018)	230,293	31,479
Amortization of unrealised fair value changes after reclassification to held-to-maturity investments	42	(3,806)	(19,771)	—	—	—
Less: related income tax impact	42	112,271	(17,034)	30,505	(57,573)	(7,870)
Net other comprehensive income		(336,814)	51,105	(91,513)	172,720	23,609
Comprehensive income for the year/period		2,365,539	3,543,715	4,214,880	2,326,081	2,475,634

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2012	Six months ended June 30, 2012 (unaudited)	Six months ended June 30, 2013
Net profit attributable to:						
Shareholders of the Bank		2,702,353	3,492,610	4,306,393	2,153,361	2,452,020
Non-controlling interests		—	—	—	—	5
		2,702,353	3,492,610	4,306,393	2,153,361	2,452,025
Total comprehensive income attributable to:						
Shareholders of the Bank		2,365,539	3,543,715	4,214,880	2,326,081	2,475,629
Non-controlling interests		—	—	—	—	5
		2,365,539	3,543,715	4,214,880	2,326,081	2,475,634
Earnings per share for profit attributable to the shareholders of the Bank (express in RMB per share)						
Basic/Diluted	14	0.33	0.43	0.53	0.26	0.30
Dividends		817,482	817,482	817,482	—	—

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
Assets					
Cash and balances with central banks	15	34,579,526	55,828,644	57,649,283	59,650,268
Due from banks and other financial institutions	16	1,496,352	7,076,208	3,833,665	4,167,340
Placements with and loans to banks and other financial institutions	17	1,237,152	3,581,172	2,813,377	892,597
Financial assets held for trading	18	2,717,898	5,035,807	3,598,834	3,668,418
Derivative financial assets	19	—	—	—	210
Financial assets held under resale agreements	20	10,542,884	5,317,376	38,198,123	92,280,894
Loans and advances to customers	21	114,058,443	133,922,883	159,941,475	178,866,061
Investment securities					
—loans and receivables	22	6,888,458	3,815,116	1,814,189	8,433,399
—available-for-sale	22	20,865,630	18,356,903	25,580,605	31,121,906
—held-to-maturity	22	13,190,678	20,604,548	26,062,726	25,712,109
Investment in associates	24	153,440	185,190	220,246	310,730
Property, plant and equipment	25	1,150,470	1,186,089	1,404,413	1,398,680
Deferred income tax assets	34	681,674	751,470	851,158	860,844
Other assets	26	1,413,543	1,320,150	2,256,263	2,223,641
Total assets		208,976,148	256,981,556	324,224,357	409,587,097
Liabilities					
Deposits from banks and other financial institutions	28	9,822,442	9,323,486	5,965,250	19,700,338
Placements from banks and other financial institutions	29	1,263,140	3,534,522	898,200	902,915
Derivative financial liabilities	19	—	—	—	91
Financial assets sold under repurchase agreements	30	20,797,969	16,184,796	47,883,466	100,670,105
Deposits from customers	31	159,582,006	203,579,704	239,543,123	252,137,307
Taxes payable	32	532,773	404,877	504,455	266,845
Debt securities in issue	35	—	3,991,461	3,991,828	8,985,243
Other liabilities	33	2,620,525	2,879,184	4,957,111	4,737,977
Total liabilities		194,618,855	239,898,030	303,743,433	387,400,821
Equity					
Share capital	36	8,174,819	8,174,819	8,174,819	8,174,819
Capital reserve	36	1,806,700	1,806,700	1,806,700	1,806,700
Surplus reserve	37	688,903	1,308,399	2,088,299	2,518,938
General reserve	37	1,077,380	1,277,380	1,472,380	3,062,782
Reserve for fair value changes of available-for-sale financial assets	37	(85,275)	(34,170)	(125,683)	(102,074)
Retained earnings		2,694,766	4,550,398	7,064,409	6,677,906
Total equity attributable to shareholders of the Bank		14,357,293	17,083,526	20,480,924	22,139,071
Non-controlling interests		—	—	—	47,205
Total equity		14,357,293	17,083,526	20,480,924	22,186,276
Total equity and liabilities		208,976,148	256,981,556	324,224,357	409,587,097

STATEMENTS OF FINANCIAL POSITION OF THE BANK

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at December 31, 2010	2011	2012	As at June 30, 2013
Assets					
Cash and balances with central banks	15	34,579,526	55,828,644	57,649,283	59,648,471
Due from banks and other financial institutions	16	1,496,352	7,076,208	3,833,665	4,167,340
Placements with and loans to banks and other financial institutions	17	1,237,152	3,581,172	2,813,377	892,597
Financial assets held for trading	18	2,717,898	5,035,807	3,598,834	3,668,418
Derivative financial assets	19	—	—	—	210
Financial assets held under resale agreements	20	10,542,884	5,317,376	38,198,123	92,280,894
Loans and advances to customers	21	114,058,443	133,922,883	159,941,475	178,865,861
Investment securities					
—loans and receivables	22	6,888,458	3,815,116	1,814,189	8,433,399
—available-for-sale	22	20,865,630	18,356,903	25,580,605	31,121,906
—held-to-maturity	22	13,190,678	20,604,548	26,062,726	25,712,109
Investment in subsidiaries	23	—	—	—	32,800
Investment in associates	24	153,440	185,190	220,246	310,730
Property, plant and equipment	25	1,150,470	1,186,089	1,404,413	1,398,680
Deferred income tax assets	34	681,674	751,470	851,158	860,844
Other assets	26	1,413,543	1,320,150	2,256,263	2,223,641
Total assets		208,976,148	256,981,556	324,224,357	409,617,900
Liabilities					
Deposits from banks and other financial institutions	28	9,822,442	9,323,486	5,965,250	19,789,440
Placements from banks and other financial institutions	29	1,263,140	3,534,522	898,200	902,915
Derivative financial liabilities	19	—	—	—	91
Financial assets sold under repurchase agreements	30	20,797,969	16,184,796	47,883,466	100,670,105
Deposits from customers	31	159,582,006	203,579,704	239,543,123	252,126,220
Taxes payable	32	532,773	404,877	504,455	266,842
Debt securities in issue	35	—	3,991,461	3,991,828	8,985,243
Other liabilities	33	2,620,525	2,879,184	4,957,111	4,737,976
Total liabilities		194,618,855	239,898,030	303,743,433	387,478,832
Equity					
Share capital	36	8,174,819	8,174,819	8,174,819	8,174,819
Capital reserve	36	1,806,700	1,806,700	1,806,700	1,806,700
Surplus reserve	37	688,903	1,308,399	2,088,299	2,518,938
General reserve	37	1,077,380	1,277,380	1,472,380	3,062,782
Reserve for fair value changes of available-for-sale financial assets	37	(85,275)	(34,170)	(125,683)	(102,074)
Retained earnings		2,694,766	4,550,398	7,064,409	6,677,903
Total equity		14,357,293	17,083,526	20,480,924	22,139,068
Total equity and liabilities		208,976,148	256,981,556	324,224,357	409,617,900

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							
	Share capital Note 36	Capital reserve Note 36	Surplus reserve Note 37	General reserve Note 37	Reserve for fair value changes of available-for-sale financial assets Note 37	Retained earnings	Non-controlling interests	Total equity
As at January 1, 2010	8,174,819	1,806,700	418,668	1,077,380	251,539	1,080,130	—	12,809,236
Profit for the year	—	—	—	—	—	2,702,353	—	2,702,353
Changes in fair value taken to other comprehensive income	—	—	—	—	(336,814)	—	—	(336,814)
Total comprehensive income	—	—	—	—	(336,814)	2,702,353	—	2,365,539
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	270,235	—	—	(270,235)	—	—
As at December 31, 2010	8,174,819	1,806,700	688,903	1,077,380	(85,275)	2,694,766	—	14,357,293
As at January 1, 2011	8,174,819	1,806,700	688,903	1,077,380	(85,275)	2,694,766	—	14,357,293
Profit for the year	—	—	—	—	—	3,492,610	—	3,492,610
Changes in fair value taken to other comprehensive income	—	—	—	—	51,105	—	—	51,105
Total comprehensive income	—	—	—	—	51,105	3,492,610	—	3,543,715
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	619,496	—	—	(619,496)	—	—
Appropriation to general reserve	—	—	—	200,000	—	(200,000)	—	—
As at December 31, 2011	8,174,819	1,806,700	1,308,399	1,277,380	(34,170)	4,550,398	—	17,083,526

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							
	Share capital Note 36	Capital reserve Note 36	Surplus reserve Note 37	General reserve Note 37	Reserve for fair value changes of available-for-sale financial assets Note 37	Retained earnings	Non-controlling interests	Total equity
As at January 1, 2012	8,174,819	1,806,700	1,308,399	1,277,380	(34,170)	4,550,398	—	17,083,526
Profit for the year	—	—	—	—	—	4,306,393	—	4,306,393
Changes in fair value taken to other comprehensive income	—	—	—	—	(91,513)	—	—	(91,513)
Total comprehensive income	—	—	—	—	(91,513)	4,306,393	—	4,214,880
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	779,900	—	—	(779,900)	—	—
Appropriation to general reserve	—	—	—	195,000	—	(195,000)	—	—
As at December 31, 2012	8,174,819	1,806,700	2,088,299	1,472,380	(125,683)	7,064,409	—	20,480,924
As at January 1, 2012	8,174,819	1,806,700	1,308,399	1,277,380	(34,170)	4,550,398	—	17,083,526
Profit for the period	—	—	—	—	—	2,153,361	—	2,153,361
Changes in fair value taken to other comprehensive income	—	—	—	—	172,720	—	—	172,720
Total comprehensive income	—	—	—	—	172,720	2,153,361	—	2,326,081
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	349,261	—	—	(349,261)	—	—
Appropriation to general reserve	—	—	—	195,000	—	(195,000)	—	—
As at June 30, 2012 (Unaudited)	8,174,819	1,806,700	1,657,660	1,472,380	138,550	5,342,016	—	18,592,125

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							
	Share capital Note 36	Capital reserve Note 36	Surplus reserve Note 37	General reserve Note 37	Reserve for fair value changes of available-for-sale financial assets Note 37	Retained earnings	Non-controlling interests	Total equity
As at January 1, 2013	8,174,819	1,806,700	2,088,299	1,472,380	(125,683)	7,064,409	—	20,480,924
Profit for the period	—	—	—	—	—	2,452,020	5	2,452,025
Changes in fair value taken to other comprehensive income	—	—	—	—	23,609	—	—	23,609
Total comprehensive income	—	—	—	—	23,609	2,452,020	5	2,475,634
Capital injection by non-controlling interests in setting up subsidiary	—	—	—	—	—	—	47,200	47,200
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	430,639	—	—	(430,639)	—	—
Appropriation to general reserve	—	—	—	1,590,402	—	(1,590,402)	—	—
As at June 30, 2013	8,174,819	1,806,700	2,518,938	3,062,782	(102,074)	6,677,906	47,205	22,186,276

CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts expressed in thousands of RMB unless otherwise stated)

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Cash flows from operating activities:					
Profit before income tax	3,502,073	4,603,647	5,680,038	2,867,229	3,206,742
Adjustments:					
Depreciation and amortization	165,750	169,853	201,204	93,513	115,643
Loan impairment provision	581,586	598,545	468,517	264,812	425,191
Reversal of impairment of other assets	—	(17,931)	(9,618)	—	—
Net (gains)/losses on disposals of property, plant and equipment	—	(66,383)	(26,143)	(5,502)	(4,826)
Net (gains)/losses on de-recognition of investment securities	32,373	(30,350)	(66,593)	(51,148)	(4,150)
Fair value changes in financial assets held for trading and derivatives	53,524	(34,499)	(18,840)	(84,046)	(17,665)
Dividends received	(343)	(2,249)	(305)	(280)	—
Share of results of associates	(13,440)	(31,750)	(35,056)	(12,128)	(24,024)
Interest income arising from investment securities	(1,432,913)	(1,885,265)	(2,225,375)	(1,078,183)	(1,173,497)
Interest expense arising from debt securities in issue	—	196,940	262,367	130,103	190,631
Net changes in operating assets:					
Net increase in balances with the central banks	(8,222,716)	(10,221,175)	(7,290,562)	(3,238,682)	(3,789,421)
Net decrease/(increase) in due from and placements with and loans to banks and other financial institutions	1,252,480	(2,794,237)	557,401	(1,895,904)	1,358,846
Net decrease/(increase) in financial assets held for trading	54,973	(2,283,410)	1,455,813	170,665	(52,038)
Net (increase)/decrease in financial assets held under resale agreements	(6,728,197)	5,225,508	(32,880,747)	(35,037,862)	(54,082,771)
Net increase in loans and advances to customers	(20,534,833)	(18,760,642)	(26,470,079)	(17,056,152)	(19,331,586)
Net (increase)/decrease in other assets	(474,616)	(1,299,103)	(701,033)	(236,539)	96,853
Net changes in operating liabilities:					
Net increase/(decrease) in deposits and placements from banks and other financial institutions	3,626,868	85,868	(5,994,558)	19,909,908	13,739,803
Net increase/(decrease) in financial assets sold under repurchase agreements	13,759,939	(4,613,173)	31,698,670	27,097,666	52,786,639
Net increase/(decrease) in deposits from customers	27,021,322	43,997,698	35,963,419	8,589,500	12,594,184
Net increase/(decrease) in other liabilities	446,915	1,792,623	2,179,845	648,683	(304,276)
Income taxes paid	(771,529)	(1,374,817)	(1,438,663)	(953,902)	(927,980)
Net cash inflow/(outflow) from operating activities	12,319,216	13,255,698	1,309,702	121,751	4,802,298

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Cash flows from investing activities:					
Dividends received	343	2,249	305	280	—
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	45,727	104,525	29,178	12,327	9,588
Purchase of property, plant and equipment, intangible assets and other long-term assets	(168,340)	(230,895)	(415,597)	(238,464)	(106,754)
Cash received from investment securities' interest income	1,382,386	1,739,438	1,975,598	989,755	1,098,144
Cash received from investment securities	9,997,802	10,329,787	45,992,682	13,231,268	18,914,004
Purchase of investment securities	(21,194,340)	(12,199,377)	(56,729,060)	(27,922,445)	(30,688,269)
Cash paid in increasing the investment in associates	(40,000)	—	—	—	(66,460)
Net cash outflow from investing activities	(9,976,422)	(254,273)	(9,146,894)	(13,927,279)	(10,839,747)
Cash flows from financing activities:					
Proceeds from issuance of debt securities	—	3,991,200	—	—	4,992,700
Cash received from non-controlling interests in investing in subsidiary	—	—	—	—	47,200
Dividends and interests paid on bonds issued	(926,622)	(812,513)	(1,085,987)	(1,033,140)	(1,000,681)
Net cash (outflow)/inflow from financing activities	(926,622)	3,178,687	(1,085,987)	(1,033,140)	4,039,219
Impact on cash and cash equivalents resulted from foreign exchange rate changes	(8,178)	(22,530)	(9,345)	(12,248)	(18,465)
Net increase/(decrease) in cash and cash equivalents	1,407,994	16,157,582	(8,932,524)	(14,850,916)	(2,016,695)
Cash and cash equivalents at beginning of year	11,268,231	12,676,225	28,833,807	28,833,807	19,901,283
Cash and cash equivalents at end of year (Note 43)	12,676,225	28,833,807	19,901,283	13,982,891	17,884,588

II NOTES TO THE FINANCIAL INFORMATION

(All amounts expressed in thousands of RMB unless otherwise stated)

1 General Information

Huishang Bank Corporation Limited (the "Bank") is a joint stock financial institution registered in Anhui Province, the People's Republic of China (the "PRC"). The Bank was formerly known as Hefei City United Bank, which was established on April 4, 1997 with the approval of the People's Bank of China ("PBOC"), Anhui branch of the PBOC and Anhui Economic Reform Committee and was renamed as Hefei City Commercial Bank Corporation Limited in 1998. With the approval of the general office of China Banking Regulatory Commission ("CBRC") and CBRC Anhui Office, the Bank merged with five city commercial banks of Wuhu, Ma' anshan, Anqing, Huaibei and Bengbu and seven city credit cooperatives of Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in 2005. Following the completion of these mergers, the Bank was renamed as Huishang Bank Corporation Limited. The Bank holds the financial institution license B0162H234010001 from CBRC Anhui Office and the legal entity business license No. 340000000026144 from Anhui Provincial Administration of Industry and Commerce. The registered address of the Bank is Block A, Tianhui Building, No. 79, Anqing Road, Hefei, China. As at June 30, 2013, the registered capital of the Bank is RMB 8.175 billion.

The Bank's principal activities are the acquisition of deposits from the corporate and retail customers and the use of these deposits to fund the loan and investment portfolios, and the treasury operations which mainly encompass money market activities, investment and trading activities and transactions on behalf of customers in the PRC.

2 Basis of preparation

The Financial Information has been prepared in accordance with the International Financial Reporting Standards ('IFRS'), disclosure requirements of the Hong Kong Companies Ordinance and the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited.

The Financial Information have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss (including derivative instruments).

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3.2.

2.1 Transition to IFRS

These are the Group's first Financial Information prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the Financial Information for the years ended December 31, 2010, 2011 and 2012, and the six months ended June 30, 2013, the comparative financial information presented in the Financial Information for the six months ended June 30, 2012 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared with PRC GAAP.

The Group's first-time adoption did not have an impact on equity, earnings and comprehensive income, and the total operating, investing or financing cash flows.

2.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

Standards, amendments and interpretations that have been issued but not effective and have not yet been early adopted by the Group for six months ended June 30, 2013 are as follows:

	Effective from financial years starting on or after
IAS 32 Amendment: Presentation—Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRS 10, 12 and IAS 27 Amendments: Investment Entities	January 1, 2014
IFRS 9, Financial instruments—classification of financial assets and financial liabilities	To be determined

IAS 32 Amendment provides additional application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

IFRS 10, IFRS 12 and IAS 27 Amendments apply to a particular class of business that qualifies as investment entities. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

IFRS 9 and IFRS 9 Amendments replaced those parts of IAS 39 relating to the classification, measurement and de-recognition of financial assets and liabilities with key changes mainly related to the classification and measurement of financial assets and certain types of financial liabilities. Together with the amendments to IFRS 9, IFRS 7—Financial Instruments: Disclosures is also amended to require additional disclosures on transition from IAS 39 to IFRS 9.

The Group is in the process of assessing the impact of these new standards and amendments on the Financial Information. The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods unless otherwise stated.

3 Summary of significant accounting policies and accounting estimates

3.1 Summary of significant accounting policies

3.1.1 Accounting year

The Group's accounting year starts on January 1 and ends on December 31.

3.1.2 Functional and presentation currency

The Group's functional and presentation currency is RMB.

3.1.3 Consolidation

The consolidated financial statements comprise the financial statements of the Bank and all of its subsidiaries.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are de-consolidated from the date that control ceases. The Group has applied IFRS 10 retrospectively in accordance with the transition provisions of IFRS 10.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Group and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group.

Inter-company transactions, balances and unrealized profits on transactions between group companies are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Group are recognized as non-controlling interests and presented separately in the consolidated financial statements within equity and net profits respectively.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The results of subsidiaries are accounted for by the Bank on the basis of dividend received and receivable. The Group assesses at each financial reporting date whether there is objective evidence that investment in subsidiaries is impaired. An impairment loss is recognized for the amount by which the investment in subsidiaries' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment in subsidiaries' fair value less costs to sell and value in use.

(b) Associates

Associates are all entities over which the Group has significant influence, through which the Group are entitled to participate in but have no control or joint control over the decision making of the associates' financial and operation policies.

Investments in associates are accounted for using the equity method of accounting. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially recognized at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in income statement and the cost of investment in associates is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognizes the investment gains or losses according to its share of net profit or loss of the investee. The Group discontinues recognizing its share of net losses of an investee after the carrying amount of the investment in associates together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognizing the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into equity, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee.

The unrealised profits or losses arising from the transactions between the Group and its associates are eliminated in proportion to the Group's equity interest in the associates, and then based on which the investment gains or losses are recognized. Unrealized losses on the intra-bank transactions between the Group and its associates attributable to asset impairment cannot be eliminated.

In the Bank's statement of financial position, the investments in associates are stated at cost less provision for impairment loss. Where the carrying amount of an investment in associates is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.4 Foreign currency translation

Monetary items denominated in foreign currency are translated into RMB with the closing rate as at the reporting date and translation differences are recognized in the income statement. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

3.1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, such as cash, surplus reserve with the central bank, due from or placements with banks and other financial institutions with original tenors less than 3 months.

3.1.6 Financial instruments

Recognition and De-recognition of financial instruments

A financial asset or financial liability is recognized on trade-date, the date when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when one of the following conditions is met: (1) the contractual rights to receive cash flows from the investments have expired; (2) when the Group has transferred substantially all risks and rewards of ownership; (3) when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been directly recognized in equity is recognized in the current profit or loss.

Financial liabilities are de-recognized when they are extinguished—that is, when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in current profit or loss.

Classification and measurement

Financial assets are classified into the following categories at initial recognition:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets;
- held-to-maturity investments.

Financial liabilities are classified into the following categories at initial recognition:

- financial liabilities at fair value through profit and loss;
- other financial liabilities.

The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making. Derivatives are also categorized as held for trading unless they are financial guarantee contracts or designated and effective as hedging instruments.

Financial assets at fair value through profit or loss are initially recognized and subsequently measured at fair value on the balance sheet. The related transaction costs incurred at the time of acquisition are expensed in the income statement. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement through net trading income in the period in which they arise. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognized in the income statement.

There are no financial assets those designated at fair value through profit or loss at inception for the Group.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets will be classified as loans and receivables when the Group provides funds or services directly to customers and does not sell them intentionally. Loans and receivables are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial assets. Loans and receivables are subsequently measured at amortized cost using effective interest method.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus related transaction costs at time of acquisition, and are measured subsequently at amortized cost using the effective interest method.

The Group shall not classify any financial assets as held-to-maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity other than restricted circumstances such as sales or reclassifications due to a significant deterioration in the issuer's creditworthiness or industry's regulatory requirements.

Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories mentioned above. Such financial assets are recognized at fair value plus related transaction costs at time of acquisition, and are subsequently measured at fair value at balance sheet dates. Except for impairment losses and foreign exchange gains or losses arising from foreign currency monetary financial assets, gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognized directly in other comprehensive income, and ultimately in the equity, until the financial assets are de-recognized at which time the cumulative gains or losses previously recognized in equity should be reclassified from equity to the income statement. Interest income of available-for-sale debt instruments calculated using effective interest method and dividend income declared are recognized in the income statement.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss have two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing or redeeming it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making. Financial liabilities at fair value through profit or loss are initially recognized and subsequently measured at fair value on the balance sheet. The related transaction costs incurred at the time of incurrence are expensed in the income statement. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement through net trading income.

Other financial liabilities

Other financial liabilities are initially recognized at fair value less transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Determination of fair value

The fair value is the prices from recent arm's length market transactions between knowledgeable and willing parties. The fair values of quoted financial instruments in active markets are based on current bid prices, as appropriate. Bid prices in active markets are the prices that are readily and regularly available from a stock exchange, dealer, broker, industrial association, or pricing service agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If there is no active market, the Group establishes fair value by using valuation techniques.

Valuation techniques include the use of recent arm's length transactions, fair values of substantially similar financial instruments, discounted cash flow analysis and option pricing models etc. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation technique and tests for validity using prices from any observable current market transactions in the same instruments rather than specific factors related to the Group.

3.1.7 Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.1.8 Resale and repurchase agreements

Assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognized on the statement of financial position at time of acquisition. The corresponding cash paid is recognized on the balance sheet as "financial assets held under resale agreements." Conversely, assets sold under agreements to repurchase at a specified future date with a specific price ("repos") are not derecognized. The corresponding cash received is recognized on the balance sheet as "financial assets sold for repurchase agreements."

The differences between the purchase and resale prices and sale and repurchase prices are recognized as interest income and interest expense respectively and are accrued over the term of the agreement using the effective interest rate method.

3.1.9 Impairment of financial assets

Financial assets carried at amortized cost

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties;

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and then collectively assesses financial assets that are not individually significant. The Group performs a collective assessment for individually assessed financial assets with no objective evidence indicating impairment by including the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account and the amount of loss is recognized in income statement.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for acquiring and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a financial asset is uncollectible, it is written off against the related allowance for impairment after all the necessary procedures have been completed and the amount of loss is determined. Subsequent recoveries of amounts previously written off are recognized in income statement against impairment losses on assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account and recognized in the income statement.

Available-for-sale financial assets

A significant or prolonged decline in the fair value of an equity instrument classified as available-for-sale indicates there is objective evidence that the equity instrument is impaired. The Group assesses the fair value of available-for-sale equity instruments individually at balance sheet date and determines that it is impaired if the fair value of the equity instrument declines to less than 50% (inclusive) or more of its initial cost or the fair value has been lower than its initial cost for more than one year (inclusive). If the fair value of the equity instruments is lower than 80% (inclusive) of the initial cost but higher than 50%, the Group would take into account other factors, such as price fluctuation etc, to determine whether the instrument is impaired. When the available-for-sale financial assets are impaired, the cumulative loss from declines in fair value that had been recognized directly in other comprehensive income are transferred out, and then recognized in the income statement. The amount of the cumulative loss that is transferred out and recognized in the income statement equals to the difference between its initial cost (net of principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in income statement.

If, in a subsequent period, the fair value of an impaired debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement. Impairment losses on equity instruments are not reversed through the income statement; increases in their fair value subsequent to impairment are recognized as other comprehensive income.

3.1.10 Offsetting of financial instruments

Financial assets and financial liabilities are separately presented in the balance sheet without any offsetting, except when:

(i) the Group has a legally enforceable right to offset the recognized amounts; and

(ii) the Group has intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.1.11 Property, plant and equipment

The Group's "property, plant and equipment" are buildings and architectures, electronic and other equipments and motor vehicles that are used for operation purpose and have useful lives of more than one year.

"Property, plant and equipment" shall be recognized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All other subsequent expenditures are recognized in the income statement during the period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. For the assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	20 years	3%	4.85%
Motor vehicles	5 years	3%	19.40%
Electronic and other equipments	5-10 years	3%	9.7%~19.40%

The estimated useful life, the estimated residual value and the depreciation method applied to an asset are reviewed, and adjusted as appropriate by the Group at each year-end.

"Property, plant and equipment" are de-recognized on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of "property, plant and equipment" net of their carrying amounts and related taxes and expenses is recognized in the income statement. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.12 Construction in progress

Construction in progress consists of assets under construction or being installed and is stated at cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalization and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to "property, plant and equipment" when the assets are ready for their intended use, and depreciation begins from the following month. Where the carrying amount of construction in progress is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.13 Land use rights

Land use rights are initially recognized at costs and amortized using the straight-line basis over the legal term of use. If the acquisition costs of the land and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognized as "property, plant and equipment."

Where the carrying amount of land use rights is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.14 Intangible assets

Intangible assets mainly include computer software which are measured at cost. Computer software are amortized on a straight-line basis over their estimated useful lives. For an intangible asset with a definite useful life, review of its useful life and amortization method is performed at each year-end, with adjustment made as appropriate.

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.15 Long-term prepaid expenses

Long-term prepaid expenses include expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected useful economic lives and are presented at actual expenditure net of accumulated amortization.

3.1.16 Foreclosed assets

Foreclosed assets are measured at the fair value on the date of acquisition and are recognized by the lower of the book value and the recoverable amount. The impairment allowance is accrued in accordance with the excess amount of carrying amount over net recoverable amount.

The difference between the amount obtained from the disposal of foreclosed assets (minus any corresponding fees incurred in the disposal process) and the net book value is recorded in other operating income or operating expenses. The impairment allowance is reversed simultaneously.

3.1.17 Impairment of long-term non-financial assets

Fixed assets, construction in progress, land use rights, intangible assets with definite useful lives, and investments in associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an allowance for impairment and an impairment loss are recognized in accordance with the difference. The recoverable amount is the higher of an asset's fair value less costs of disposal and the discounted value of the future cash flows expected to be derived from the asset.

Impairment allowance is calculated and recognized on individual basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined based on that of a group of assets to which the asset belongs. A group of assets is the smallest group of assets that is able to generate separately identifiable cash inflows.

Non financial assets that are suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

3.1.18 Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Salary and welfare are expensed in operating expenses in the accounting period of services rendered.

In accordance with the relevant laws and regulations, domestic employees of the Group participate in various social insurance schemes such as basic pension insurance, medical insurance, housing fund schemes and other social security schemes. In addition, the Group has participated in commercial medical insurance schemes provided by commercial insurance companies since October 2012.

Insurance expenses and pensions are calculated based on certain percentage of gross salary and are paid to the Labor and Social Security Bureau, and insurance companies, etc. The contribution ratios are defined by stipulating regulations or commercial contracts, which should be no higher than statutory upper ceilings. Contributions are recognized in the income statement for the current period.

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date. Under the plan, the participants who voluntarily leave the position before reaching the regulatory retirement age will receive benefit package upon approval from the management of the Group. The Group has recorded a liability for its obligation to employees retired before normal retirement age, which is the present value of the Group's future payment obligation, calculated by discounting the expected cash outflow based on the treasury bond interest rate for the term similar to that of the liability.

3.1.19 Interest income and expense

Interest income and expense for all interest-bearing financial assets and liabilities are recognized using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

3.1.20 Fee and commission income and expense

Fees and commissions are recognized on an accrual basis when the service has been provided.

3.1.21 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. As at the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred income tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred income tax related to fair value re-measurement of available-for-sale financial assets is charged or credited directly to equity and is subsequently transferred to the income statement when the financial assets are de-recognized.

Deferred income tax assets and liabilities are offset when:

(a) the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority;

(b) there is a legally enforceable right to offset current tax assets against current tax liabilities.

3.1.22 Leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. All leases other than finance leases are classified as operating leases.

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are charged as an expense for the current period.

3.1.23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

3.1.24 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition of financial guarantee contracts not designated at fair value through profit or loss at inception, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized, and the best estimate of the amount required to settle any financial obligation arising at the financial reporting date. Any increase in the liability relating to guarantees is taken to the income statement.

3.1.25 Provisions

Provisions for restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are initially recognized using best estimates of expenditures expected to be required to settle the obligation, taking into consideration the risks, uncertainties and time value of money related to contingencies. Where the effect of time value of money is significant, provisions shall be determined by discounting the related future cash flows. The carrying amount of provisions is reviewed, and adjusted if appropriate, to reflect the best estimates at each balance sheet date.

3.1.26 Fiduciary activities

The Group commonly acts as appointees, trustees, agents and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3.1.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group's reporting segments are decided based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to administration of the management. Operating segments meeting the same qualifications are allocated as one reporting segment, providing independent disclosures.

The purpose of segment reporting is to assist the chief operating decision maker in resource allocation and performance assessment of each segment. The same accounting policies as adopted in preparation of the Group's financial statements are used for segment reporting.

3.2 Critical accounting estimates and judgments

The Group continually evaluates the significant accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

3.2.1 Impairment allowances on loans and advances

The Group reviews its loan portfolios to assess impairment on a periodic basis, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change (e.g. the borrower failed to make repayments on time) in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.2.2 Fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques. These techniques include the use of discounted cash flow analysis model etc. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

3.2.3 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investments to maturity. This classification requires significant judgment. If the Group fails to keep these investments to maturity other than for the specific circumstances, it will be required to reclassify the entire class as available-for-sale investments and is prohibited from recognizing this kind of investments as held-to-maturity investment within the following two accounting years.

3.2.4 Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as tax deductible due to asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

4 Taxation

The principal taxes to which the Group is subject are listed below:

	Tax basis	Tax rate
Corporate income tax	Taxable profit	25%
Business tax	Taxable operating income	5%
City construction and maintenance tax	Business tax paid	7%
Education surcharges	Business tax paid	3%

5 Net interest income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Interest income					
Balances with central banks	351,212	498,816	646,690	312,637	373,658
Due from and placement with and loans to banks and other financial institutions	411,335	773,567	1,591,502	364,242	1,613,127
Loans and advances to customers	6,060,838	8,094,951	10,697,796	5,130,932	5,919,570
Investment securities and financial assets held for trading	1,432,913	1,885,265	2,225,375	1,078,183	1,173,497
	8,256,298	11,252,599	15,161,363	6,885,994	9,079,852
Including: Interest income accrued on impaired loans to customers	18,375	15,785	15,846	8,111	17,316
Interest expense					
Deposits and placements from banks and other financial institutions	(652,063)	(1,476,238)	(2,269,499)	(767,166)	(1,928,192)
Deposits from customers	(1,587,348)	(2,490,715)	(4,060,649)	(1,854,197)	(2,236,923)
Debt securities in issue	—	(196,940)	(262,367)	(130,103)	(190,631)
	(2,239,411)	(4,163,893)	(6,592,515)	(2,751,466)	(4,355,746)
Net interest income	6,016,887	7,088,706	8,568,848	4,134,528	4,724,106

6 Net fee and commission income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Fee and commission income					
Guarantee and commitment fees	2,806	35,657	42,082	10,536	34,250
Consultancy and advisory fees	113,430	159,056	65,115	30,933	74,974
Bank card fees	27,437	46,311	60,008	24,493	48,219
Settlement and clearing fees	52,626	74,445	75,290	38,148	40,825
Custodian and other fiduciary service fees	10,773	21,180	66,047	27,743	55,359
Syndicated loan fees	1,143	7,560	25,855	12,773	23,694
Agency commissions	59,277	73,182	41,999	19,509	15,230
Arrangement fees for international trade financing	1,130	7,022	12,404	9,315	9,253
Domestic factoring fees	791	2,956	10,658	4,268	11,538
Others	24,611	33,803	52,057	12,931	15,975
	294,024	461,172	451,515	190,649	329,317
Fee and commission expense	(42,749)	(48,411)	(55,784)	(17,500)	(36,012)
Net fee and commission income	251,275	412,761	395,731	173,149	293,305

7 Net trading income

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Net gains from foreign exchange	21,463	17,448	21,654	9,638	11,179
Net gains/(losses) from interest rate instruments	(53,524)	34,499	18,840	84,046	17,546
	(32,061)	51,947	40,494	93,684	28,725

Net gains/(losses) from interest rate instruments include gains or losses arising from fair value changes of financial assets held for trading.

8 Other operating income

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Net gains/(losses) on bills	6,008	(32,228)	99,350	61,256	55,327
Others	59,978	97,339	63,644	9,670	12,807
	65,986	65,111	162,994	70,926	68,134

9 Operating expenses

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Employee benefit expenses (Note 10)	(964,786)	(1,000,151)	(1,325,424)	(603,697)	(636,339)
Administrative expenses	(617,480)	(729,240)	(781,461)	(304,969)	(322,323)
Business tax and surcharges	(389,570)	(506,972)	(684,804)	(345,325)	(370,599)
Depreciation (Note 25)	(132,110)	(126,805)	(139,733)	(65,352)	(77,931)
Amortization expenses for intangible assets (Note 26(e))	(10,773)	(17,036)	(21,794)	(10,611)	(12,320)
Amortization expenses for land use rights (Note 26(d))	(2,064)	(261)	(261)	(131)	(131)
Amortization expenses for long-term prepaid expenses	(20,803)	(25,751)	(39,416)	(17,419)	(25,261)
Operating lease rental expenses	(57,645)	(75,219)	(122,889)	(51,918)	(64,779)
Auditor's remuneration	(1,700)	(4,360)	(2,540)	—	—
Others	(6,118)	(14,579)	(13,946)	(4,594)	(1,703)
	(2,203,049)	(2,500,374)	(3,132,268)	(1,404,016)	(1,511,386)

Auditor's remuneration includes audit service fees for the year ended December 31, 2010, 2011, and 2012 and for the six months ended June 30, 2013, which are respectively RMB 1,600,000, RMB 3,400,000, RMB 2,440,000 and Nil. The rest are for non-audit services.

10 Employee benefit expenses

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Salaries and bonuses	(746,702)	(779,857)	(986,174)	(458,897)	(460,017)
Pension costs	(59,789)	(72,824)	(94,461)	(40,129)	(63,709)
Labor union fee and staff education fee	(22,648)	(23,467)	(39,107)	(10,839)	(11,321)
Other social insurance and welfare costs	(135,647)	(124,003)	(205,682)	(93,832)	(101,292)
	(964,786)	(1,000,151)	(1,325,424)	(603,697)	(636,339)

11 Directors' and Supervisors' emoluments

(a) Details of the Directors' and Supervisors' emoluments are as follows:

	Year ended December 31,				
	2010				
Name	Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors					
Wang Xiaoxin	—	1,295	22	433	1,750
Wu Xuemin (Chief Executive)(1)	—	202	7	97	306
Zhang Renfu	—	978	19	325	1,322
Xu Demei	—	979	19	325	1,323
Zhang Youqi	—	978	18	325	1,321
Non-executive Directors					
Qian Zheng	—	—	—	—	—
Su Min	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Wu Xiaoqiu	80	—	—	—	80
Dai Genyou(2)	45	—	—	—	45
Du Changdi	20	—	—	—	20
Liao Li	—	—	—	—	—
Chen Jiagui(3)	—	—	—	—	—
Huang Dekuan(3)	—	—	—	—	—
Supervisors					
Zhang Zhen	—	979	19	325	1,323
Li Xiaowan	—	791	17	260	1,068
Fan Xiaohui	—	349	12	—	361
Tao Haojie	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Cheng Junpei	72	—	—	—	72
Fan Libo	64	—	—	—	64
Total	281	6,551	133	2,090	9,055

Name	Year ended December 31, 2011 Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors					
Wang Xiaoxin	—	1,267	33	497	1,797
Wu Xuemin (Chief Executive)	—	1,262	31	473	1,766
Zhang Renfu	—	1,254	28	456	1,738
Xu Demei	—	1,255	28	456	1,739
Ci Yaping(4)	—	836	18	304	1,158
Zhang Youqi(5)	—	418	9	152	579
Non-executive Directors					
Qian Zheng	—	—	—	—	—
Bai Taiping(6)	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Su Min(7)	—	—	—	—	—
Wu Xiaoqiu	80	—	—	—	80
Dai Genyou	90	—	—	—	90
Liao Li(8)	—	—	—	—	—
Wang Shihao(9)	10	—	—	—	10
Zhang Shenghuai(9)	10	—	—	—	10
Wen Jinghui(9)	10	—	—	—	10
Du Changdi(10)	20	—	—	—	20
Supervisors					
Zhang Zhen	—	1,255	28	456	1,739
Xu Chongding(11)	—	819	15	—	834
Fan Xiaohui	—	671	19	—	690
Li Xiaowan(12)	—	488	225	122	835
Fang Xiao(13)	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Tao Haojie(14)	—	—	—	—	—
Cheng Junpei	56	—	—	—	56
Fan Libo	64	—	—	—	64
Total	340	9,525	434	2,916	13,215

Name	Year ended December 31, 2012 — Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors					
Wang Xiaoxin	—	1,280	32	497	1,809
Wu Xuemin (Chief Executive)	—	1,272	31	484	1,787
Zhang Renfu	—	1,267	28	456	1,751
Xu Demei	—	1,269	28	456	1,753
Ci Yaping	—	1,273	28	456	1,757
Non-executive Directors					
Zhang Feifei(15)	—	—	—	—	—
Qian Zheng	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Bai Taiping(16)	—	—	—	—	—
Wu Xiaoqiu	70	—	—	—	70
Dai Genyou	80	—	—	—	80
Wang Shihao	20	—	—	—	20
Zhang Shenghuai	80	—	—	—	80
Wen Jinghui	70	—	—	—	70
Supervisors					
Zhang Zhen	—	1,267	28	456	1,751
Xu Chongding	—	1,494	27	—	1,521
Fan Xiaohui	—	874	18	—	892
Fang Xiao	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Cheng Junpei	56	—	—	—	56
Fan Libo	56	—	—	—	56
Total	432	9,996	220	2,805	13,453

	Six months ended June 30,				
	2012 (unaudited)				
Name	Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors					
Wang Xiaoxin	—	641	16	304	961
Wu Xuemin (Chief Executive)	—	579	15	274	868
Zhang Renfu	—	486	14	228	728
Xu Demei	—	486	14	228	728
Ci Yaping	—	486	14	228	728
Non-executive Directors					
Zhang Feifei(15)	—	—	—	—	—
Qian Zheng	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Bai Taiping(16)	—	—	—	—	—
Wu Xiaoqiu	10	—	—	—	10
Dai Genyou	10	—	—	—	10
Wang Shihao	10	—	—	—	10
Zhang Shenghuai	10	—	—	—	10
Wen Jinghui	10	—	—	—	10
Supervisors					
Zhang Zhen	—	486	14	228	728
Xu Chongding	—	618	14	—	632
Fan Xiaohui	—	315	9	—	324
Fang Xiao	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Cheng Junpei	8	—	—	—	8
Fan Libo	—	—	—	—	—
Total	58	4,097	110	1,490	5,755

Name	Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
	Six months ended June 30, 2013				
Executive Directors	—	644	17	304	965
Wang Xiaoxin	—	582	16	274	872
Wu Xuemin (Chief Executive)	—	490	14	228	732
Zhang Renfu	—	491	14	228	733
Xu Demei	—	491	14	228	733
Ci Yaping					—
Non-executive Directors					
Zhang Feifei	—	—	—	—	—
Qian Zheng	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Wu Xiaoqiu	20	—	—	—	20
Dai Genyou	20	—	—	—	20
Wang Shihao	—	—	—	—	—
Zhang Shenghuai	20	—	—	—	20
Wen Jinghui	20	—	—	—	20
Supervisors					
Zhang Zhen	—	489	14	228	731
Xu Chongding	—	624	14	—	638
Fan Xiaohui	—	392	12	—	404
Fang Xiao	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Cheng Junpei	16	—	—	—	16
Fan Libo	16	—	—	—	16
Total	112	4,203	115	1,490	5,920

(1) Wu Xuemin was elected to be executive director effective from October 2010.
(2) Dai Genyou was elected to be independent non-executive director effective from October 2010.
(3) Chen Jiagui and Huang Dekuan ceased to be independent non-executive director effective from October 2010.
(4) Ci Yaping was elected to be executive director effective from May 2011.
(5) Zhang Youqi ceased to be executive director effective from May 2011.
(6) Bai Taiping was elected to be non-executive director effective from May 2011.
(7) Su Min ceased to be non-executive director effective from May 2011.
(8) Liao Li ceased to be independent non-executive director effective from May 2011.
(9) Wang Shihao, Zhang Shenghuai and Wen Jinghui were elected to be independent non-executive director effective from October 2011.
(10) Du Changdi ceased to be independent non-executive director effective from October 2011.
(11) Xu Chongding was elected to be supervisor effective from April 2011.
(12) Li Xiaowan ceased to be supervisor effective from April 2011.
(13) Fang Xiao was elected to be supervisor effective from October 2011.
(14) Tao Haojie ceased to be supervisor effective from October 2011.
(15) Zhang Feifei was elected to be non-executive director effective from April 2012.
(16) Bai Taiping ceased to be non-executive director effective from April 2012.

(b) Five highest paid individuals

For the year ended December 31, 2010, five highest paid individuals include 2 directors and 1 supervisor. For the year ended December 31, 2011, five highest paid individuals include 3 directors and 1 supervisor. For the year ended December 31, 2012, five highest paid individuals include 3 directors. For the period ended June 30, 2012, five highest paid individuals include 4 directors. For the period ended June 30, 2013, five highest paid individuals include 4 directors. Details are listed above.

The emoluments for the rest of the five highest paid individuals for the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Salaries, bonuses and benefits	1,958	1,255	2,541	486	491
Employer's contribution to pension schemes	38	28	56	14	14
Discretionary bonuses	649	456	912	228	228
	2,645	1,739	3,509	728	733

The emoluments fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
RMB500,001-RMB1,000,000	—	—	—	1	1
RMB1,000,001-RMB1,500,000	2	—	—	—	—
RMB1,500,001-RMB2,000,000	—	1	2	—	—
	2	1	2	1	1

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12 Impairment losses on assets

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Loans and advances to customers (Note 21(b))					
—Collectively assessed	(566,394)	(563,125)	(422,494)	(321,354)	(258,156)
—Individually assessed	(15,192)	(35,420)	(46,023)	56,542	(167,035)
—Recovery of written-off loans	3,211	1,761	1,184	214	875
Available-for-sale financial assets	—	—	(276)	—	—
Reversal of provision for placements with and loans to banks and other financial institutions (Note 17)	—	422	9,664	—	—
Reversal of provision for foreclosed assets	—	17,509	230	—	—
	(578,375)	(578,853)	(457,715)	(264,598)	(424,316)

13 Income tax expense

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Current income tax					
—PRC mainland income tax	(957,069)	(1,197,867)	(1,442,828)	(706,053)	(772,273)
Deferred income tax (Note 34)	157,349	86,830	69,183	(7,815)	17,556
	(799,720)	(1,111,037)	(1,373,645)	(713,868)	(754,717)

The provision for China mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Profit before tax	3,502,073	4,603,647	5,680,038	2,867,229	3,206,742
Tax calculated at applicable statutory tax rate of 25%	(875,518)	(1,150,912)	(1,420,010)	(716,807)	(801,686)
Income not subject to tax[(a)]	87,858	102,658	145,135	66,356	76,834
Items not deductible for tax purposes[(b)]	(45,206)	(33,154)	(47,660)	(15,310)	(5,213)
Tax filing differences from previous years	33,146	(29,629)	(51,110)	(48,107)	(24,652)
Income tax expense	(799,720)	(1,111,037)	(1,373,645)	(713,868)	(754,717)

(a) The income not subject to tax mainly represents interest income arising from PRC treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(b) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

14 Earnings per share

(a) Basic earnings per share is calculated by dividing the profit for the year/period attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year/period.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Profit attributable to shareholders of the Bank (in RMB thousands)	2,702,353	3,492,610	4,306,393	2,153,361	2,452,020
Weighted average number of ordinary shares in issue (in thousands)	8,174,819	8,174,819	8,174,819	8,174,819	8,174,819
Basic earnings per share (in RMB Yuan)	0.33	0.43	0.53	0.26	0.30

(b) Diluted earnings per share

For the year ended December 31, 2010, 2011, and 2012 as well as for the six months ended June 30, 2012 and 2013, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

15 Cash and balances with the central bank

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	719,379	856,095	973,723	986,510
Balances with the central bank				
—Surplus reserves	10,460,494	21,351,721	15,764,170	13,962,947
—Statutory reserves	23,399,653	33,620,828	40,911,390	44,700,811
	34,579,526	55,828,644	57,649,283	59,650,268

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	719,379	856,095	973,723	984,713
Balances with central banks				
—Surplus reserves	10,460,494	21,351,721	15,764,170	13,962,947
—Statutory reserves	23,399,653	33,620,828	40,911,390	44,700,811
	34,579,526	55,828,644	57,649,283	59,648,471

The Group is required to place statutory reserve funds with the People's Bank of China (the "PBOC"). The statutory reserve funds are calculated based on the qualified deposits from customers.

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Statutory reserve rate for RMB deposits	16.5%	19.0%	18.0%	18.0%
Statutory reserve rate for foreign currency deposits	5.0%	5.0%	5.0%	5.0%

Statutory reserve funds with PBOC are not available for use by the Group in its day-to-day operations.

16 Due from banks and other financial institutions

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Due from banks in PRC mainland	1,357,706	6,923,202	3,477,736	3,734,040
Due from banks in other countries and regions	144,649	159,009	361,932	439,303
	1,502,355	7,082,211	3,839,668	4,173,343
Less: allowances for impairment loss				
—Individually assessed	(6,003)	(6,003)	(6,003)	(6,003)
	1,496,352	7,076,208	3,833,665	4,167,340

17 Placement with and loans to banks and other financial institutions

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placement with and loans to:				
—Banks in PRC mainland	—	—	—	124,232
—Other financial institutions in PRC mainland	48,081	48,081	38,417	33,681
Re-discounted Bills	1,237,574	3,581,172	2,813,377	768,365
	1,285,655	3,629,253	2,851,794	926,278
Less: impairment allowances				
—Individually assessed	(48,503)	(48,081)	(38,417)	(33,681)
	1,237,152	3,581,172	2,813,377	892,597

Movements of allowances for impairment losses on loans and advances to banks and other financial institutions are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Balance at beginning of the year/(period)	(48,503)	(48,503)	(48,081)	(38,417)
Recoveries	—	422	9,664	—
Write-offs	—	—	—	4,736
Balance at end of the year/(period)	(48,503)	(48,081)	(38,417)	(33,681)

18 Financial assets held for trading

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Government bonds				
—Listed outside Hong Kong	281,693	960,323	662,827	799,847
Other debt securities				
—Listed outside Hong Kong	2,436,205	4,075,484	2,936,007	2,868,571
	2,717,898	5,035,807	3,598,834	3,668,418

As at December 31, 2010, 2011, and 2012 and June 30, 2013, no major restrictions were imposed on the realization of financial assets held for trading of the Group despite the fact that part of these assets were pledged to third parties (Note 40).

Debt securities traded on the China Domestic Interbank Bond Market are included in the category "Listed outside Hong Kong."

Financial assets held for trading analyzed by categories of issuer are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Debt securities				
Issuers in PRC mainland				
—Governments	281,693	960,323	662,827	799,847
—Public sector and quasi-governments	132,952	138,655	59,972	109,288
—Other financial institutions	360,840	1,470,065	945,751	1,092,786
—Corporate	1,942,413	2,466,764	1,930,284	1,666,497
	2,717,898	5,035,807	3,598,834	3,668,418

19 Derivative financial instruments

The Group and Bank

	As at June 30, 2013		
		Fair value	
	Notional Amount	Assets	Liabilities
Derivative financial instruments held for trading			
—Foreign exchange forwards	320,823	210	(91)

20 Financial assets held under resale agreements

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Securities held under resale	2,314,164	5,317,376	—	—
Bills held under resale	8,228,720	—	38,198,123	92,280,894
	10,542,884	5,317,376	38,198,123	92,280,894

21 Loans and advances to customers

(a) Analysis of loans and advances to customers:

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate loans and advances				
—Corporate loans	87,550,463	100,336,691	116,807,646	131,181,299
—Discounted Bills	4,554,797	6,460,288	11,907,252	10,030,847
Subtotal	92,105,260	106,796,979	128,714,898	141,212,146
Retail loans				
—Mortgage loans	17,783,001	22,836,915	25,201,772	30,101,183
—Revolving loans for individual business	3,657,308	4,560,461	6,423,598	7,825,633
—Others	3,488,449	3,218,654	3,454,498	3,918,469
Subtotal	24,928,758	30,616,030	35,079,868	41,845,285
Total	117,034,018	137,413,009	163,794,766	183,057,431
Less: Allowance for impairment losses				
—Collectively assessed	(2,721,086)	(3,242,207)	(3,598,626)	(3,783,185)
—Individually assessed	(254,489)	(247,919)	(254,665)	(408,185)
Total allowance for impairment losses	(2,975,575)	(3,490,126)	(3,853,291)	(4,191,370)
Loans and advances to customers, net	114,058,443	133,922,883	159,941,475	178,866,061

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate loans and advances				
—Corporate loans	87,550,463	100,336,691	116,807,646	131,181,299
—Discounted Bills	4,554,797	6,460,288	11,907,252	10,030,847
Subtotal	92,105,260	106,796,979	128,714,898	141,212,146
Retail loans				
—Mortgage loans	17,783,001	22,836,915	25,201,772	30,101,183
—Revolving loans for individual business	3,657,308	4,560,461	6,423,598	7,825,633
—Others	3,488,449	3,218,654	3,454,498	3,918,269
Subtotal	24,928,758	30,616,030	35,079,868	41,845,085
Total	117,034,018	137,413,009	163,794,766	183,057,231
Less: Allowance for impairment losses				
—Collectively assessed	(2,721,086)	(3,242,207)	(3,598,626)	(3,783,185)
—Individually assessed	(254,489)	(247,919)	(254,665)	(408,185)
Total allowance for impairment losses	(2,975,575)	(3,490,126)	(3,853,291)	(4,191,370)
Loans and advances to customers, net	114,058,443	133,922,883	159,941,475	178,865,861

(b) Reconciliation of allowance for impairment losses on loans and advances to customers by collective and individual assessments:

The Group and Bank

	Year ended December 31,						Six months ended June 30,	
	2010		2011		2012		2013	
	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance
Balance at beginning of the year/(period)	2,165,385	268,339	2,721,086	254,489	3,242,207	247,919	3,598,626	254,665
Impairment losses for the year/(period) (Note 12)	566,394	15,192	563,125	35,420	422,494	46,023	258,156	167,035
Unwind of discount on allowance	(2,203)	(16,172)	(4,514)	(11,271)	(7,265)	(8,581)	(3,801)	(13,515)
Loans written-off	(8,490)	(12,870)	(37,490)	(30,719)	(58,810)	(30,696)	(69,796)	—
Balance at end of the year/(period)	2,721,086	254,489	3,242,207	247,919	3,598,626	254,665	3,783,185	408,185

(c) Reconciliation of allowance for impairment losses on loans and advances to customers by customer type:

The Group and Bank

	Year ended December 31,						Six months ended June 30,	
	2010		2011		2012		2013	
	Corporate	Retail	Corporate	Retail	Corporate	Retail	Corporate	Retail
Balance at beginning of the year/(period)	2,216,211	217,513	2,659,562	316,013	3,047,495	442,631	3,363,107	490,184
Impairment losses for the year/(period) (Note 12)	467,210	114,376	463,947	134,598	411,696	56,821	343,826	81,365
Unwind of discount on allowance	(11,037)	(7,338)	(13,754)	(2,031)	(15,219)	(627)	(16,244)	(1,072)
Loans written-off	(12,822)	(8,538)	(62,260)	(5,949)	(80,865)	(8,641)	(63,629)	(6,167)
Balance at end of the year/(period)	2,659,562	316,013	3,047,495	442,631	3,363,107	490,184	3,627,060	564,310

(d) Analysis of loans and advances to customers by collective and individual allowance assessments:

The Group and Bank

As at December 31, 2010	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances			Total
		for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal	
Total loans and advances					
—Corporate loans	91,513,089	164,612	427,559	592,171	92,105,260
—Retail loans	24,823,752	105,006	—	105,006	24,928,758
Allowance for impairment losses	(2,517,896)	(203,190)	(254,489)	(457,679)	(2,975,575)
Loans and advances to customers, net	113,818,945	66,428	173,070	239,498	114,058,443

The Group and Bank

As at December 31, 2011	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances			Total
		for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal	
Total loans and advances					
—Corporate loans	106,226,316	128,103	442,560	570,663	106,796,979
—Retail loans	30,532,295	83,735	—	83,735	30,616,030
Allowance for impairment losses	(3,073,341)	(168,866)	(247,919)	(416,785)	(3,490,126)
Loans and advances to customers, net	133,685,270	42,972	194,641	237,613	133,922,883

The Group and Bank

As at December 31, 2012	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances			Total
		for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal	
Total loans and advances					
—Corporate loans	127,877,046	161,504	676,348	837,852	128,714,898
—Retail loan	34,968,625	111,243	—	111,243	35,079,868
Allowance for impairment losses	(3,431,938)	(166,688)	(254,665)	(421,353)	(3,853,291)
Loans and advances to customers, net	159,413,733	106,059	421,683	527,742	159,941,475

The Group

As at June 30, 2013	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is individually assessed	Identified impaired loans and advances: Subtotal	Total
Total loans and advances					
—Corporate loans	140,171,660	63,140	977,346	1,040,486	141,212,146
—Retail loans	41,720,906	124,379	—	124,379	41,845,285
Allowance for impairment losses	(3,666,093)	(117,092)	(408,185)	(525,277)	(4,191,370)
Loans and advances to customers, net	178,226,473	70,427	569,161	639,588	178,866,061

The Bank

As at June 30, 2013	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is individually assessed	Identified impaired loans and advances: Subtotal	Total
Total loans and advances					
—Corporate loans	140,171,660	63,140	977,346	1,040,486	141,212,146
—Retail loans	41,720,706	124,379	—	124,379	41,845,085
Allowance for impairment losses	(3,666,093)	(117,092)	(408,185)	(525,277)	(4,191,370)
Loans and advances to customers, net	178,226,273	70,427	569,161	639,588	178,865,861

22 Investment securities

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Loans and receivables				
Debt securities				
—Unlisted	433,546	301,886	218,496	180,749
Wealth management products issued by other financial institutions				
—Unlisted	6,454,912	3,513,230	1,595,693	8,252,650
Subtotal	6,888,458	3,815,116	1,814,189	8,433,399
Available-for-sale financial assets				
Debt securities				
—Listed outside Hong Kong	20,725,156	16,056,010	20,475,612	25,990,403
Asset management schemes by securities firms or trust companies				
—Unlisted	125,930	2,281,910	5,088,610	5,115,120
Equity securities				
—Unlisted	14,544	18,983	16,383	16,383
Subtotal	20,865,630	18,356,903	25,580,605	31,121,906
Held-to-maturity investments				
Debt securities				
—Listed outside Hong Kong	12,919,456	20,344,495	26,020,303	25,669,340
—Unlisted	271,222	260,053	42,423	42,769
Subtotal	13,190,678	20,604,548	26,062,726	25,712,109
Total	40,944,766	42,776,567	53,457,520	65,267,414
Including: fair value of listed held-to-maturity securities	12,754,887	20,355,797	25,971,015	25,620,573

Debt securities traded on the China Domestic Interbank Bond Market are included in the category "Listed outside Hong Kong."

Investment securities analyzed by issuer as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Loans and receivables				
Issuers in PRC mainland				
—Governments	433,546	301,886	218,496	180,749
—Wealth management products issued by other financial institutions	6,454,912	3,513,230	1,595,693	8,252,650
	6,888,458	3,815,116	1,814,189	8,433,399
Available-for-sale financial assets				
Issuers in PRC mainland				
—Governments	4,461,792	4,010,859	5,529,672	7,541,638
—Public sector and quasi-governments	3,606,432	1,662,501	40,565	—
—Financial institutions	9,393,694	6,091,088	9,578,778	13,034,110
—Corporate	3,263,238	4,291,562	5,326,597	5,414,655
—Asset management schemes by securities firms or trust company(1)	125,930	2,281,910	5,088,610	5,115,120
—Equity securities	14,544	18,983	16,383	16,383
	20,865,630	18,356,903	25,580,605	31,121,906
Held-to-maturity investments				
Issuers in PRC mainland				
—Governments	5,839,272	8,803,967	9,854,663	10,296,104
—Public sector and quasi-governments	397,317	4,487,531	4,495,682	1,839,551
—Other financial institutions	6,663,698	6,651,329	9,044,210	10,627,070
—Corporate	290,391	661,721	2,668,171	2,949,384
	13,190,678	20,604,548	26,062,726	25,712,109

(1) The Group entrust the funds from issuing the principal-protected wealth management products to security firms and trust companies to invest in bonds issued by governments, financial institutions and corporates, and other fixed-income financial instruments.

23 Investment in subsidiaries

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Investment cost	—	—	—	32,800

As at June 30, 2013, background of the subsidiary is as follows:

Corporate Name	Incorporated Date	Place of incorporation	Registered capital	Proportion of ownership	Proportion of voting power	Business sector
Jinzhai Huiyin Rural Bank Co., Ltd	25/06/2013	PRC	80,000	41%	41%	Banking

The Bank signed contracts with 3 shareholders who hold in total 29% of ownership and voting power of this company. These 3 shareholders will vote consistently with the Bank in deciding the financial and operating policies. Hence, the Bank has control of this company, and this company is in scope of consolidation.

24 Investment in associates

The Group and Bank

	Year ended December 31,			Period ended June 30,
	2010	2011	2012	2013
Balance at beginning of the year/(period)	100,000	153,440	185,190	220,246
Additions	40,000	—	—	66,460
Share of results, net of tax	13,440	31,750	35,056	24,024
Balance at end of the year/(period)	153,440	185,190	220,246	310,730

Chery Motor Finance Service Co., Ltd was established in 2009, with registered capital of RMB500 million, among which the Group accounted for RMB100 million or 20%. With the approval of CBRC Anhui Bureau on December 24, 2012, the registered capital of Chery Motor Finance Service Co., Ltd was authorized to increase to RMB1 billion. As of June 30, 2013, the Group's contribution to the associate has been increased to RMB200 million or 20% with an additional investment of RMB66.46 million.

Wuwei Huiyin Rural Bank Co., Ltd was established in 2010, with registered capital of RMB100 million, among which the Group accounted for RMB40 million or 40%. Wuwei Huiyin Rural Bank Co., Ltd officially opened with the approval of CBRC on July 9, 2010.

Investments in associates of the Group comprise of ordinary shares of unlisted companies as follows:

Associates	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Percentage of share
As at June 30, 2013						
Chery Motor Finance Service Co., Ltd	PRC	6,533,761	5,310,531	212,948	97,995	20%
Wuwei Huiyin Rural Bank Co., Ltd	PRC	1,683,999	1,518,791	56,358	19,583	40%
As at December 31, 2012						
Chery Motor Finance Service Co., Ltd	PRC	5,087,228	4,294,293	303,283	106,571	20%
Wuwei Huiyin Rural Bank Co., Ltd	PRC	1,790,334	1,644,709	74,352	30,804	40%
As at December 31, 2011						
Chery Motor Finance Service Co., Ltd	PRC	3,894,468	3,208,104	250,580	120,236	20%
Wuwei Huiyin Rural Bank Co., Ltd	PRC	979,664	864,843	42,495	14,285	40%
As at December 31, 2010						
Chery Motor Finance Service Co., Ltd	PRC	2,350,088	1,783,960	125,772	57,816	20%
Wuwei Huiyin Rural Bank Co., Ltd	PRC	403,864	303,328	15,971	536	40%

25 Property, plant and equipment

The Group and Bank

	Buildings	Motor vehicles	Electronic and other equipments	Construction in progress	Total
Cost					
As at January 1, 2010	1,060,574	57,374	412,321	141,532	1,671,801
Additions	27,031	23,705	41,703	56,503	148,942
Transfer in/(out)	63,980	—	474	(64,454)	—
Disposals	(32,544)	(5,306)	(17,807)	—	(55,657)
Other transfer out	—	—	—	(43,346)	(43,346)
As at December 31, 2010	1,119,041	75,773	436,691	90,235	1,721,740
Accumulated depreciation					
As at January 1, 2010	(239,817)	(38,985)	(186,622)	—	(465,424)
Depreciation charge	(62,614)	(28,894)	(40,602)	—	(132,110)
Disposals	13,391	4,005	8,868	—	26,264
As at December 31, 2010	(289,040)	(63,874)	(218,356)	—	(571,270)
Net book value					
As at December 31, 2010	830,001	11,899	218,335	90,235	1,150,470
Cost					
As at January 1, 2011	1,119,041	75,773	436,691	90,235	1,721,740
Additions	3,174	12,610	132,317	73,725	221,826
Transfer in/(out)	81,430	—	7,869	(89,299)	—
Disposals	(44,766)	(36,522)	(1,477)	—	(82,765)
Other transfers out	—	—	—	(21,260)	(21,260)
As at December 31, 2011	1,158,879	51,861	575,400	53,401	1,839,541
Accumulated depreciation					
As at January 1, 2011	(289,040)	(63,874)	(218,356)	—	(571,270)
Depreciation charge	(46,719)	(4,018)	(76,068)	—	(126,805)
Disposals	7,303	36,352	968	—	44,623
As at December 31, 2011	(328,456)	(31,540)	(293,456)	—	(653,452)
Net book value					
As at December 31, 2011	830,423	20,321	281,944	53,401	1,186,089

The Group and Bank

	Buildings	Motor vehicles	Electronic and other equipments	Construction in progress	Total
Cost					
As at January 1, 2012	1,158,879	51,861	575,400	53,401	1,839,541
Additions	17,569	8,136	144,861	209,185	379,751
Transfers in/(out)	16,582	—	1,729	(18,311)	—
Disposals	(3,055)	(2,034)	(17,297)	—	(22,386)
Other transfers out	—	—	—	(18,659)	(18,659)
As at December 31, 2012	1,189,975	57,963	704,693	225,616	2,178,247
Accumulated depreciation					
As at January 1, 2012	(328,456)	(31,540)	(293,456)	—	(653,452)
Depreciation charge	(49,208)	(6,476)	(84,049)	—	(139,733)
Disposals	782	1,960	16,609	—	19,351
As at December 31, 2012	(376,882)	(36,056)	(360,896)	—	(773,834)
Net book value					
As at December 31, 2012	813,093	21,907	343,797	225,616	1,404,413
Cost					
As at January 1, 2013	1,189,975	57,963	704,693	225,616	2,178,247
Additions	9,250	6,010	29,783	36,439	81,482
Transfers in/(out)	474	—	845	(1,319)	—
Disposals	(11,940)	(541)	(5,243)	—	(17,724)
Other transfers out	—	—	—	(4,522)	(4,522)
As at June 30, 2013	1,187,759	63,432	730,078	256,214	2,237,483
Accumulated depreciation					
As at January 1, 2013	(376,882)	(36,056)	(360,896)	—	(773,834)
Depreciation charge	(24,645)	(4,868)	(48,418)	—	(77,931)
Disposals	8,252	524	4,186	—	12,962
As at June 30, 2013	(393,275)	(40,400)	(405,128)	—	(838,803)
Net book value					
As at June 30, 2013	794,484	23,032	324,950	256,214	1,398,680

As of June 30, 2013, net gains from disposals of property and equipment of the Group were RMB4,826,000 (gains for the year ended December 31, 2010, 2011, and 2012 were RMB7,514,000, RMB66,383,000, and RMB26,143,000, respectively).

As at June 30, 2013, buildings with net book value of RMB3,482,000 (cost: RMB7,437,000) were still pending for property ownership certificates and land certificates while buildings with a carrying value of RMB31,998,000 (cost: RMB76,802,000) were granted property ownership certificates but still pending for land certificates. The Group is still in the progress of application for the outstanding certificates for the above properties. Nevertheless, this will neither affect the Group's routine operation in relation with the buildings mentioned above, nor incur any material adverse impact on the Group's financial position.

All lands and buildings of the Group are located outside Hong Kong.

The net book value of lands and buildings is analyzed based on the remaining lease terms as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Held in PRC mainland				
on long-term lease (over 50 years)	31,475	29,850	30,570	30,838
on medium-term lease (10-50 years)	798,526	800,573	782,523	763,646
	830,001	830,423	813,093	794,484

26 Other assets

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Interest receivable (a)	796,087	1,043,979	1,357,804	1,483,531
Funds to be settled	945	496	608,103	350,150
Other receivables (b)	145,632	134,822	127,442	233,890
Less: impairment allowance	(131,511)	(81,568)	(76,039)	(76,039)
Land use rights (c, d)	35,837	9,195	8,933	8,802
Long-term prepaid expenses	92,453	119,165	153,463	148,067
Intangible assets (e)	65,826	79,749	73,045	67,176
Foreclosed assets	5,192	1,007	985	1,081
Trade finance settlement receivables, net	401,502	—	—	—
Others	1,580	13,305	2,527	6,983
	1,413,543	1,320,150	2,256,263	2,223,641

(a) Interest receivable

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements with and loans and advances to banks, other financial institutions, and the central bank	13,853	31,478	27,570	38,858
Investment securities	570,345	716,172	965,949	1,041,302
Loans and advances to customers	211,889	296,329	364,285	403,371
	796,087	1,043,979	1,357,804	1,483,531

(b) Other receivable

The Group and Bank's other receivable is analyzed by age as follows:

	Within 1 year	1-3 years	Over 3 years	Total
As at December 31, 2010				
Other receivable	22,070	2,213	121,349	145,632
Bad debt allowance	(8,432)	(1,730)	(121,349)	(131,511)
Net	13,638	483	—	14,121

	Within 1 year	1-3 years	Over 3 years	Total
As at December 31, 2011				
Other receivable	61,772	6,810	66,240	134,822
Bad debt allowance	(11,324)	(4,004)	(66,240)	(81,568)
Net	50,448	2,806	—	53,254

	Within 1 year	1-3 years	Over 3 years	Total
As at December 31, 2012				
Other receivable	62,177	18,388	46,877	127,442
Bad debt allowance	(16,791)	(12,371)	(46,877)	(76,039)
Net	45,386	6,017	—	51,403

	Within 1 year	1-3 years	Over 3 years	Total
As at June 30, 2013				
Other receivable	157,220	40,169	36,501	233,890
Bad debt allowance	(16,344)	(23,194)	(36,501)	(76,039)
Net	140,876	16,975	—	157,851

(c) The net book value of land use rights is analyzed based on the remaining terms of the leases as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Held outside Hong Kong on medium-term lease (10-50 years)	35,837	9,195	8,933	8,802
	35,837	9,195	8,933	8,802

(d) Land use rights

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Cost				
Balance at beginning of the year/(period)	53,371	37,602	10,429	10,429
Additions	231	—	—	—
Disposals	(16,000)	(27,173)	—	—
Balance at end of the year/(period)	37,602	10,429	10,429	10,429
Accumulated amortization				
Balance at beginning of the year/(period)	(1,115)	(1,765)	(1,234)	(1,496)
Additions	(2,064)	(1,061)	(262)	(131)
Disposals	1,414	1,592	—	—
Balance at end of the year/(period)	(1,765)	(1,234)	(1,496)	(1,627)
Net book value				
At end of the year/(period)	35,837	9,195	8,933	8,802

(e) Intangible assets

Intangible assets of the Group mainly refer to computer software.

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Cost				
Balance at beginning of the year/(period)	45,592	80,015	110,093	125,183
Additions	34,423	30,358	15,090	6,451
Disposals	—	(280)	—	—
Balance at end of the year/(period)	80,015	110,093	125,183	131,634
Accumulated amortization				
Balance at beginning of the year/(period)	(3,416)	(14,189)	(30,344)	(52,138)
Additions	(10,773)	(16,236)	(21,794)	(12,320)
Disposals	—	81	—	—
Balance at end of the year/(period)	(14,189)	(30,344)	(52,138)	(64,458)
Net book value				
At end of the year/(period)	65,826	79,749	73,045	67,176

27 Impairment allowance

The Group and Bank

	As at January 1, 2010	Additions	Deductions Reversal	Deductions Write-off	As at December 31, 2010
Loans and advances	(2,433,724)	(581,586)	18,375	21,360	(2,975,575)
Due from banks and other financial institutions	(6,003)	—	—	—	(6,003)
Placement with and loan to banks and other financial institutions	(48,503)	—	—	—	(48,503)
Foreclosed assets	(38,641)	—	—	1,632	(37,009)
Financial assets available-for-sale	(6,563)	—	—	—	(6,563)
Other receivables	(166,989)	—	—	35,478	(131,511)
	(2,700,423)	(581,586)	18,375	58,470	(3,205,164)

The Group and Bank

	As at January 1, 2011	Additions	Deductions Reversal	Deductions Write-off	As at December 31, 2011
Loans and advances	(2,975,575)	(598,545)	15,785	68,209	(3,490,126)
Due from banks and other financial institutions	(6,003)	—	—	—	(6,003)
Placement with and loan to banks and other financial institutions	(48,503)	—	422	—	(48,081)
Foreclosed assets	(37,009)	—	17,509	17,213	(2,287)
Financial assets available-for-sale	(6,563)	—	—	1,624	(4,939)
Other receivables	(131,511)	—	—	49,943	(81,568)
	(3,205,164)	(598,545)	33,716	136,989	(3,633,004)

The Group and Bank

	As at January 1, 2012	Additions	Deductions Reversal	Deductions Write-off	As at December 31, 2012
Loans and advances	(3,490,126)	(468,517)	15,846	89,506	(3,853,291)
Due from banks and other financial institutions	(6,003)	—	—	—	(6,003)
Placement with and loan to banks and other financial institutions	(48,081)	—	9,664	—	(38,417)
Foreclosed assets	(2,287)	—	230	515	(1,542)
Financial assets available-for-sale	(4,939)	(276)	—	3,138	(2,077)
Other receivables	(81,568)	—	—	5,529	(76,039)
	(3,633,004)	(468,793)	25,740	98,688	(3,977,369)

The Group and Bank

	As at January 1, 2013	Additions	Deductions		As at June 30, 2013
			Reversal	Write-off	
Loans and advances	(3,853,291)	(425,191)	17,316	69,796	(4,191,370)
Due from banks and other financial institutions	(6,003)	—	—	—	(6,003)
Placement with and loan to banks and other financial institutions	(38,417)	—	—	4,736	(33,681)
Foreclosed assets	(1,542)	—	—	—	(1,542)
Financial assets available-for-sale	(2,077)	—	—	1,000	(1,077)
Other receivables	(76,039)	—	—	—	(76,039)
	(3,977,369)	(425,191)	17,316	75,532	(4,309,712)

28 Deposits from banks and other financial institutions

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Banks in PRC mainland	9,375,238	8,482,066	5,135,887	18,409,799
Other financial institutions in PRC mainland	447,204	771,788	666,017	1,138,702
Banks outside PRC mainland	—	69,632	163,346	151,837
	9,822,442	9,323,486	5,965,250	19,700,338

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Banks in PRC mainland	9,375,238	8,482,066	5,135,887	18,498,901
Other financial institutions in PRC mainland	447,204	771,788	666,017	1,138,702
Banks outside PRC mainland	—	69,632	163,346	151,837
	9,822,442	9,323,486	5,965,250	19,789,440

29 Placements from banks and other financial institutions

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Banks in PRC mainland	1,263,140	3,534,522	898,200	902,915

30 Financial assets sold under repurchase agreements

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Securities sold under repurchase agreements . . .	14,429,700	15,877,000	15,525,200	20,159,314
Bills sold under repurchase agreements	6,368,269	307,796	32,358,266	80,510,791
	20,797,969	16,184,796	47,883,466	100,670,105

31 Deposits from customers

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate demand deposits	83,747,305	97,479,656	107,041,690	101,649,160
Corporate time deposits	27,134,372	38,982,776	52,942,799	60,662,491
Retail demand deposits	15,998,930	19,077,590	21,959,702	24,600,734
Retail time deposits	16,700,148	22,815,234	30,758,789	35,205,340
Other deposits	16,001,251	25,224,448	26,840,143	30,019,582
	159,582,006	203,579,704	239,543,123	252,137,307
Including:				
Pledged deposits held as collateral	15,714,121	24,851,681	26,578,984	29,312,893

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate demand deposits	83,747,305	97,479,656	107,041,690	101,649,160
Corporate time deposits	27,134,372	38,982,776	52,942,799	60,662,491
Retail demand deposits	15,998,930	19,077,590	21,959,702	24,593,100
Retail time deposits	16,700,148	22,815,234	30,758,789	35,201,887
Other deposits	16,001,251	25,224,448	26,840,143	30,019,582
	159,582,006	203,579,704	239,543,123	252,126,220
Including:				
Pledged deposits held as collateral	15,714,121	24,851,681	26,578,984	29,312,893

32 Tax payable

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate income tax	364,600	187,650	191,815	36,108
Business tax and surcharges	147,332	201,399	277,911	203,454
Others	20,841	15,828	34,729	27,283
	532,773	404,877	504,455	266,845

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate income tax	364,600	187,650	191,815	36,105
Business tax and surcharges	147,332	201,399	277,911	203,454
Others	20,841	15,828	34,729	27,283
	532,773	404,877	504,455	266,842

33 Other liabilities

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Interest payable (a)	632,650	1,277,746	1,937,535	2,255,207
Salary and welfare payable (b)	1,076,156	1,177,612	1,155,569	1,054,581
Funds to be settled	654,204	205,420	1,643,459	1,118,687
Dividends payable	67,157	72,126	65,621	144,422
Suspense accounts	33,966	31,813	32,095	33,354
Project funds payable	26,008	19,096	24,233	20,755
Others	130,384	95,371	98,599	110,971
	2,620,525	2,879,184	4,957,111	4,737,977

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Interest payable (a)	632,650	1,277,746	1,937,535	2,255,206
Salary and welfare payable (b)	1,076,156	1,177,612	1,155,569	1,054,581
Funds to be settled	654,204	205,420	1,643,459	1,118,687
Dividends payable	67,157	72,126	65,621	144,422
Suspense accounts	33,966	31,813	32,095	33,354
Project funds payable	26,008	19,096	24,233	20,755
Others	130,384	95,371	98,599	110,971
	2,620,525	2,879,184	4,957,111	4,737,976

(a) Interest payable

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Deposits and placement from banks and other financial institutions	38,654	66,222	32,047	52,666
Deposits from customers	593,996	1,014,845	1,708,809	2,077,946
Debt securities in issue	—	196,679	196,679	124,595
	632,650	1,277,746	1,937,535	2,255,207

The Bank

	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
Deposits and placement from banks and other financial institutions	38,654	66,222	32,047	52,666
Deposits from customers	593,996	1,014,845	1,708,809	2,077,945
Debt securities in issue	—	196,679	196,679	124,595
	632,650	1,277,746	1,937,535	2,255,206

(b) Salary and welfare payable

The Group and Bank

	As at January 1, 2010	Accrual	Payment	As at December 31, 2010
Salary, bonus, subsidy and allowances	684,378	746,702	(471,322)	959,758
Welfare	24,332	77,949	(84,293)	17,988
Social insurance	86,686	98,963	(103,857)	81,792
Labor union fee and staff education fee	19,844	22,648	(25,874)	16,618
	815,240	946,262	(685,346)	1,076,156

The Group and Bank

	As at January 1, 2011	Accrual	Payment	As at December 31, 2011
Salary, bonus, subsidy and allowances	959,758	836,209	(637,999)	1,157,968
Welfare	17,988	—	(17,988)	—
Social insurance	81,792	135,458	(205,222)	12,028
Labor union fee and staff education fee	16,618	12,197	(21,199)	7,616
	1,076,156	983,864	(882,408)	1,177,612

The Group and Bank

	As at January 1, 2012	Accrual	Payment	As at December 31, 2012
Salary, bonus, subsidy and allowances	1,157,968	1,031,793	(1,054,536)	1,135,225
Social insurance	12,028	162,720	(162,028)	12,720
Labor union fee and staff education fee	7,616	17,749	(17,741)	7,624
	1,177,612	1,212,262	(1,234,305)	1,155,569

The Group and Bank

	As at January 1, 2013	Accrual	Payment	As at June 30, 2013
Salary, bonus, subsidy and allowances	1,135,225	482,606	(582,695)	1,035,136
Social insurance	12,720	103,023	(105,514)	10,229
Labor union fee and staff education fee	7,624	7,675	(6,083)	9,216
	1,155,569	593,304	(694,292)	1,054,581

34 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority. The movement in the deferred income tax account is as follows:

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Balance at beginning of the year/(period)	412,054	681,674	751,470	851,158
Charged to income statement	157,349	86,830	69,183	17,556
Credited/(charged) to shareholders' equity	112,271	(17,034)	30,505	(7,870)
Balance at end of the year/(period)	681,674	751,470	851,158	860,844

Items included in deferred income tax assets and liabilities are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Deferred income tax assets				
Impairment allowance for assets	457,983	518,747	587,206	632,740
Salary and welfare payable	176,364	211,235	218,342	191,368
Fair value changes of available-for-sale financial assets	33,367	11,390	41,895	34,025
Fair value changes of financial assets held for trading	11,799	3,174	—	—
Others	10,464	6,924	5,251	8,663
	689,977	751,470	852,694	866,796
Deferred income tax liabilities				
Fair value changes of financial assets held-for-trading	—	—	(1,536)	(5,922)
Fair value changes of derivative financial instruments	—	—	—	(30)
Revaluation of available-for-sale financial assets reclassified as held-to-maturity investment	(4,943)	—	—	—
Others	(3,360)	—	—	—
	(8,303)	—	(1,536)	(5,952)
Deferred income tax assets, net	681,674	751,470	851,158	860,844

Deferred taxes taken to the statement of comprehensive income comprise the following temporary differences:

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Impairment allowance for assets	100,339	60,764	68,459	45,534
Salary and welfare payable	46,631	34,871	7,107	(26,974)
Fair value changes of financial assets held for trading	11,799	(8,625)	(4,710)	(4,386)
Fair value changes of derivative financial instruments	—	—	—	(30)
Others	(1,420)	(180)	(1,673)	3,412
	157,349	86,830	69,183	17,556

35 Debt securities in issue

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Subordinated debts				
Subordinated debts with fixed rate-2026[a]	—	3,991,461	3,991,828	3,992,018
Financial bonds				
Financial bonds for SMEs-2016[b]	—	—	—	2,796,274
Financial bonds for SMEs-2018[c]	—	—	—	2,196,951
	—	3,991,461	3,991,828	8,985,243

(a) The Group issued RMB 4 billion of subordinated debts on April 2, 2011 in China's inter-bank bond market, with a maturity of 15 years and a fixed coupon rate of 6.55%, paid annually. The Group has an option to redeem these debts at face value on April 2, 2021.

Claims on subordinated debts are posterior to other liabilities but prior to the Group's share capital. According to CBRC's requirement, these bonds are qualified for inclusion as supplementary capital in the calculation of capital adequacy ratio in 2010, 2011 and 2012. From January 1, 2013, they are qualified for inclusion as Tier 2 capital in the calculation of capital adequacy ratio in accordance with "The Trial Measures for Capital Management of Commercial Banks" Promulgated by the CBRC.

(b) The Group issued RMB 2.8 billion of financial bonds for SMEs on March 19, 2013 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.30%, paid annually.

(c) The Group issued RMB 2.2 billion of financial bonds for SMEs on March 19, 2013 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.50%, paid annually.

As of June 30, 2013, there are no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

36 Share capital and capital reserve

The Group's share capital is comprised of fully paid common shares in issue, with par value of RMB1 per share. The number of shares is as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Number of authorized shares fully paid in issue (in thousands)	8,174,819	8,174,819	8,174,819	8,174,819

Generally speaking, transactions of the following natures are recorded in the capital reserve:

(I) share premium arising from the issuance of shares at prices in excess of their par value;

(II) donations received from shareholders; and

(III) any other items required by the PRC regulations.

Capital surplus can be utilized for the issuance of stock dividend or for increasing paid-up capital as approved by the shareholders.

As at December 31, 2010, 2011, and 2012 as well as at June 30, 2013, the Group's capital surplus is listed as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Share premium	1,806,700	1,806,700	1,806,700	1,806,700

37 Other reserves

The Group and Bank

	Surplus reserve(a)	General reserve(b)	Reserve for fair value changes of available-for-sale financial assets	Total
As at January 1, 2010	418,668	1,077,380	251,539	1,747,587
Changes in fair value taken to other comprehensive income	—	—	(336,814)	(336,814)
Appropriation to surplus reserve	270,235	—	—	270,235
As at December 31, 2010	688,903	1,077,380	(85,275)	1,681,008
Changes in fair value taken to other comprehensive income	—	—	51,105	51,105
Appropriation to surplus reserve	619,496	—	—	619,496
Appropriation to general reserve	—	200,000	—	200,000
As at December 31, 2011	1,308,399	1,277,380	(34,170)	2,551,609
Changes in fair value taken to other comprehensive income	—	—	(91,513)	(91,513)
Appropriation to surplus reserve	779,900	—	—	779,900
Appropriation to general reserve	—	195,000	—	195,000
As at December 31, 2012	2,088,299	1,472,380	(125,683)	3,434,996
Changes in fair value taken to other comprehensive income	—	—	23,609	23,609
Appropriation to surplus reserve	430,639	—	—	430,639
Appropriation to general reserve	—	1,590,402	—	1,590,402
As at June 30, 2013	2,518,938	3,062,782	(102,074)	5,479,646

(a) Surplus reserve

Pursuant to the "Company Law of the PRC" and the Group's Articles of Association, the Group is required to appropriate 10% of its net profit in statutory financial statements to a non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. The Group appropriates for the discretionary surplus reserve after statutory surplus has been made.

As at December 31, 2010, 2011, and 2012 as well as at June 30, 2013, the Group's statutory surplus reserve balances were RMB688,903,000, RMB1,038,164,000, RMB1,468,803,000 and RMB1,468,803,000 respectively. The others were discretionary surplus reserve.

(b) General reserve

In accordance with Cai Jin [2005] No.49 "Administrative Procedures on Provision for Non-performing Debts of Financial Enterprises"(the "Procedures") and "Notice on the Relevant Issues Concerning the Provision for Non-performing Debts"(Cai Jin [2005] No. 90) issued by Ministry of Finance on May 17 and September 5, 2005 respectively, financial enterprises are required to transfer a certain amount of its net income to the statutory general reserve, which is considered as part of shareholders' equity, through its profit appropriation to prepare for potential operation risks and to strengthen its capacity to withstand risks. The portion of general reserve is determined based on the degree of overall unidentified loss exposure, normally no lower than 1% of the ending balance of risk assets.

Pursuant to Cai Jin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions"(the "Requirements") issued by Ministry of Finance on March 20, 2012, the general reserve should not be less than 1.5% of the aggregate amount of risk assets, and the minimum threshold can be accumulated over a period of no more than five years. As the Requirements were brought into force from July 1, 2012, the Procedures were annulled.

38 Dividends

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Dividends declared for the year/(period)	817,482	817,482	817,482	—
Dividends per ordinary share (in RMB Yuan)	0.10	0.10	0.10	—
Dividends paid during the year/(period)	926,622	812,513	823,987	738,681

Under the "Company Law of the PRC" and the Group's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(i) Making up cumulative losses from prior years, if any;

(ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank;

(iii) Allocations to the discretionary reserve with approval from the General Meetings of Shareholders. These funds form part of the shareholders' equity.

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with PRC Generally Accepted Accounting Principles and (ii) the retained profit determined in accordance with IFRS.

39 Financial guarantees and credit commitments, other commitments and contingent liabilities

Financial guarantees and credit commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit commitments that the Group has committed to extend to its customers:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Bank bill acceptance	27,467,421	38,087,308	46,602,041	50,744,290
Letter of credit issued	1,682,903	3,053,143	2,023,348	3,335,708
Letter of guarantee issued	1,656,332	1,752,715	1,674,944	1,774,252
Loan commitment	52,000	298,000	466,540	405,400
Unused credit card lines	515,590	543,609	1,708,977	2,278,188
	31,374,246	43,734,775	52,475,850	58,537,838

Capital commitments

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Contracted but not provided for	18,313	11,674	54,024	28,196
Authorized but not contracted for	7,695	2,737	32,068	3,537
	26,008	14,411	86,092	31,733

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments on buildings under non-cancellable operating leases are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Within 1 year	34,534	67,833	109,798	115,901
Between 1 year to 5 years	91,298	187,133	320,753	374,325
Later than 5 years	47,776	33,157	65,737	240,308
	173,608	288,123	496,288	730,534

Treasury bond redemption commitments

The Group is entrusted by the MOF to underwrite certain Treasury bonds. The investors of these Treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at December 31, 2010, 2011, and 2012 as well as at June 30, 2013, the outstanding principal value of the treasury bonds sold by the Group were RMB1.986 billion, RMB1.622 billion, RMB1.226 billion and RMB 1.4 billion.

Legal proceedings

As at December 31, 2010, 2011 and 2012, as well as at June 30, 2013, there were no significant legal proceedings outstanding against the Group.

40 Pledged assets

Assets are pledged as collateral under repurchase agreements and for treasury deposits with other banks and Ministry of Finance.

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Financial assets held for trading	129,918	668,947	410,633	210,252
Available-for-sale financial assets	10,888,191	7,578,239	4,511,808	8,184,041
Held-to-maturity investments	5,902,436	14,278,498	15,154,733	11,857,488
Securities held under resale agreements	—	1,004,344	—	—
Bills held under resale agreements	6,287,399	—	31,182,881	78,604,103
Discounted bills	—	—	1,141,551	1,882,812
Total	23,207,944	23,530,028	52,401,606	100,738,696

41 Credit risk weighted amount of financial guarantees and credit commitments

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Financial guarantees and credit commitments	11,131,362	17,830,571	22,413,330	23,657,051

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit related commitments.

42 Other comprehensive income

The Group and Bank

	Year ended December 31, 2010		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	(445,279)	111,320	(333,959)
Amortization of revaluation of investments reclassified as held-to-maturity	(3,806)	951	(2,855)
Other comprehensive income for the year	(449,085)	112,271	(336,814)

The Group and Bank

	Year ended December 31, 2011		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	87,910	(21,977)	65,933
Amortization of revaluation of investments reclassified as held-to-maturity	(19,771)	4,943	(14,828)
Other comprehensive income for the year	68,139	(17,034)	51,105

The Group and Bank

	Year ended December 31, 2012		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	(122,018)	30,505	(91,513)
Other comprehensive income for the year	(122,018)	30,505	(91,513)

The Group and Bank

	Six months ended June 30, 2012 (unaudited)		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	230,293	(57,573)	172,720
Other comprehensive income for the period	230,293	(57,573)	172,720

The Group and Bank

	Six months ended June 30, 2013		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	31,479	(7,870)	23,609
Other comprehensive income for the period	31,479	(7,870)	23,609

43 Notes to the statement of cash flows

For the purpose of the statement of cash flow, cash and cash equivalents comprises the following balances with an original maturity of less than three months and are used for the purpose of meeting short-term cash commitments:

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	719,379	856,095	973,723	986,510
Surplus reserve with central bank	10,460,494	21,351,721	15,764,170	13,962,947
Due from banks and other financial institutions	1,496,352	6,625,991	3,163,390	2,935,131
	12,676,225	28,833,807	19,901,283	17,884,588

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	719,379	856,095	973,723	984,713
Surplus reserve with central bank	10,460,494	21,351,721	15,764,170	13,962,947
Due from banks and other financial institutions	1,496,352	6,625,991	3,163,390	2,935,131
	12,676,225	28,833,807	19,901,283	17,882,791

44 Related party transactions

(1) Related parties

The table below listed major related legal entities of the Group:

Major related legal entities with the Group		Share percentage
Anhui Province Energy Group Co.	Major shareholders	9.99%
Anhui Credit Guaranty Group Co.	Major shareholders	9.81%
Anhui Guoyuan Holding (Group) Co.	Major shareholders	8.42%
Anhui Expressway Holding Group Co.	Major shareholders	6.12%
Zhongjing Sihai Industrial Co.	Major shareholders	5.44%
Chery Motor Finance Service Co., Ltd	Associates	
Wuwei Huiyin Rural Bank Co., Ltd	Associates	

(2) Related party transactions and balances

Related-party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

a) Transactions with major shareholders

As at balance sheet dates stated above, the balances and interest rate ranges of transactions with major shareholders of the Group are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Loans and advances to customers	1,194,000	714,143	700,600	185,000
Investment securities	—	48,977	249,829	349,800
Placements from banks and other financial institutions	374,475	693,105	573,475	510,388
Deposits from customers	342,493	840,011	434,305	483,379
Bank acceptances	—	230	—	30,000
Letter of guarantee	—	—	1,367	1,023

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Loans and advances to customers	4.78%-6.11%	5.23%-8.65%	5.76%-8.83%	5.90%-8.40%
Investment securities	—	4.22%-5.38%	4.22%-5.75%	4.72%-7.80%
Placements from banks and other financial institutions	0.72%-2.50%	0.50%-5.91%	0.39%-4.57%	0.72%-8.50%
Deposits from customers	0.36%-3.50%	0.50%-3.50%	0.39%-4.75%	0.39%-5.13%

As for the periods stated above, the interest income and expense of loans and deposits with respect to major shareholders are as follows:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Interest income	65,803	45,633	55,700	10,094
Interest expense	2,861	8,620	6,000	6,095

b) Transactions with other related parties

As at balance sheet dates stated above, the balances and interest rate ranges of transactions with other related parties of the Group are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements with and loans to banks and other financial institutions	518,091	1,344,648	57,436	75,674
Loans and advances to customers	—	205	1,343	1,241
Placements from banks and other financial institutions	244,427	210,303	111,404	61,156
Deposits from customers	8,844	5,221	3,211	5,592

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements with and loans to banks and other financial institutions	3.90%-5.10%	7.80%-10.80%	4.56%-7.20%	4.08%-4.50%
Loans and advances to customers	—	4.48%	4.50%-6.45%	3.75%-5.99%
Placements from banks and other financial institutions	0.72%-1.17%	0.72%	0.39%-0.72%	0.39%-0.72%
Deposits from customers	0.36%-5.00%	0.50%-5.00%	0.39%-4.75%	0.39%-4.75%

As for the periods stated above, the interest income and expense of loans and deposits with respect to other related parties are as follows:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Interest income	—	13	53	31
Interest expense	84	78	13	23

c) Emoluments for directors, supervisors and senior management

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Emoluments for directors, supervisors and senior management	13,019	26,025	27,061	11,297

d) Transactions with subsidiaries

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements from banks and other financial institutions	—	—	—	89,102

45 Segment Analysis

The Group manages the business from both a business and geographic perspective. From the business perspective, the Group provides services through four main business segments listed below:

Corporate banking

—Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products.

Retail banking

—Services to retail customers including savings deposits, retail loans, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury

Treasury segment conducts security investment, money market and repurchase transactions. The results of this segment include the intersegment funding income and expenses, resulting from interest bearing assets and liabilities and foreign currency translation gains and losses.

Others

Other operations of the Group comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

Geographically, the Group mainly performs its business in Anhui Province and the Yangtze River Delta area of PRC. All information disclosed is based on the locations of bank branches.

	Year ended December 31, 2010				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	4,956,587	1,151,248	2,148,463	—	8,256,298
Net interest expense to external customers	(1,187,357)	(399,991)	(652,063)	—	(2,239,411)
Intersegment net interest income/(expense)	143,586	596,876	(740,462)	—	—
Net interest income	3,912,816	1,348,133	755,938	—	6,016,887
Net fee and commission income	166,791	47,364	37,120	—	251,275
Net trading income	—	—	(32,061)	—	(32,061)
Net gains/losses from investment securities	—	—	(32,373)	—	(32,373)
Dividends income	—	—	343	—	343
Other operating income	—	—	—	65,986	65,986
Operating expenses	(1,499,199)	(620,832)	(71,711)	(11,307)	(2,203,049)
—Depreciation and amortization	(91,299)	(74,058)	(393)	—	(165,750)
Impairment losses on assets	(464,417)	(113,958)	—	—	(578,375)
Share of profits of associates	—	—	—	13,440	13,440
Profit before income tax	2,115,991	660,707	657,256	68,119	3,502,073

	As at December 31, 2010				
Capital expenditure	101,128	82,032	436	—	183,596
Segment assets	91,523,429	25,953,017	90,148,795	669,233	208,294,474
Including: investment in associates	—	—	—	153,440	153,440
Deferred income tax assets					681,674
Total assets					208,976,148
Segment liabilities	(127,771,685)	(33,477,918)	(31,924,760)	(1,444,492)	(194,618,855)
Off-balance sheet credit commitments	30,858,656	515,590	—	—	31,374,246

	Year ended December 31, 2011				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	6,559,579	1,637,281	3,055,739	—	11,252,599
Net interest expense to external customers	(1,893,825)	(596,890)	(1,673,178)	—	(4,163,893)
Intersegment net interest income/(expense)	(100,734)	756,425	(655,691)	—	—
Net interest income	4,565,020	1,796,816	726,870	—	7,088,706
Net fee and commission income	257,966	95,206	59,589	—	412,761
Net trading income	—	—	51,947	—	51,947
Net gains/losses from investment securities	—	—	30,350	—	30,350
Dividends income	—	—	2,249	—	2,249
Other operating income	—	—	—	65,111	65,111
Operating expenses	(1,688,494)	(698,100)	(91,828)	(21,952)	(2,500,374)
—*Depreciation and amortization*	(92,642)	(76,765)	(446)	—	(169,853)
Impairment losses on assets	(445,610)	(133,665)	422	—	(578,853)
Share of profits of associates	—	—	—	31,750	31,750
Profit before income tax	2,688,882	1,060,257	779,599	74,909	4,603,647
	As at December 31, 2011				
Capital expenditure	137,548	113,975	661	—	252,184
Segment assets	108,233,374	31,694,799	115,929,496	372,417	256,230,086
Including: investment in associates	—	—	—	185,190	185,190
Deferred income tax assets					751,470
Total assets					256,981,556
Segment liabilities	(162,898,825)	(42,816,562)	(33,353,940)	(828,703)	(239,898,030)
Off-balance sheet credit commitments	43,191,166	543,609	—	—	43,734,775

	Year ended December 31, 2012				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	8,735,834	2,107,319	4,318,210	—	15,161,363
Net interest expense to external customers	(3,244,768)	(815,881)	(2,531,866)	—	(6,592,515)
Intersegment net interest income/(expense)	(399,506)	1,001,889	(602,383)	—	—
Net interest income	5,091,560	2,293,327	1,183,961	—	8,568,848
Net fee and commission income	241,658	100,867	53,206	—	395,731
Net trading income	—	—	40,494	—	40,494
Net gains/losses from investment securities	—	—	66,593	—	66,593
Dividends income	—	—	305	—	305
Other operating income	—	—	—	162,994	162,994
Operating expenses	(2,134,129)	(869,434)	(106,014)	(22,691)	(3,132,268)
—Depreciation and amortization	(109,649)	(91,015)	(540)	—	(201,204)
Impairment losses on assets	(410,526)	(56,577)	9,388	—	(457,715)
Share of profits of associates	—	—	—	35,056	35,056
Profit before income tax	2,788,563	1,468,183	1,247,933	175,359	5,680,038

	As at December 31, 2012				
Capital expenditure	215,176	178,607	1,058	—	394,841
Segment assets	129,228,042	36,347,223	156,761,207	1,036,727	323,373,199
Including: investment in associates	—	—	—	220,246	220,246
Deferred income tax assets					851,158
Total assets					324,224,357
Segment liabilities	(188,536,633)	(53,867,769)	(58,970,569)	(2,368,462)	(303,743,433)
Off-balance sheet credit commitments	50,766,873	1,708,977	—	—	52,475,850

	Six months ended June 30, 2012 (unaudited)				
	Corporate banking	**Retail banking**	**Treasury**	**Others**	**Total**
Net interest income from external customers	4,155,399	1,019,909	1,710,686	—	6,885,994
Net interest expense to external customers	(1,468,934)	(385,263)	(897,269)	—	(2,751,466)
Intersegment net interest income/ (expense)	(118,677)	469,700	(351,023)	—	—
Net interest income	2,567,788	1,104,346	462,394	—	4,134,528
Net fee and commission income	107,876	43,859	21,414	—	173,149
Net trading income	—	—	93,684	—	93,684
Net gains/losses from investment securities	—	—	51,148	—	51,148
Dividends income	—	—	280	—	280
Other operating income	—	—	—	70,926	70,926
Operating expenses	(950,914)	(383,589)	(60,616)	(8,897)	(1,404,016)
—Depreciation and amortization	(51,073)	(42,164)	(276)	—	(93,513)
Impairment losses on assets	(275,650)	11,052	—	—	(264,598)
Share of profits of associates	—	—	—	12,128	12,128
Profit before income tax	1,449,100	775,668	568,304	74,157	2,867,229

	Six months ended June 30, 2013				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	4,779,766	1,184,972	3,115,114	—	9,079,852
Net interest expense to external customers	(1,740,421)	(496,502)	(2,118,823)	—	(4,355,746)
Intersegment net interest income/(expense)	(230,282)	632,024	(401,742)	—	—
Net interest income	2,809,063	1,320,494	594,549	—	4,724,106
Net fee and commission income	194,426	81,385	17,494	—	293,305
Net trading income	—	—	28,725	—	28,725
Net gains/losses from investment securities	—	—	4,150	—	4,150
Other operating income	—	—	—	68,134	68,134
Operating expenses	(1,041,694)	(414,329)	(50,107)	(5,256)	(1,511,386)
—Depreciation and amortization	(62,815)	(52,520)	(308)	—	(115,643)
Impairment losses on assets	(343,271)	(81,045)	—	—	(424,316)
Share of profits of associates	—	—	—	24,024	24,024
Profit before income tax	1,618,524	906,505	594,811	86,902	3,206,742

	As at June 30, 2013				
Capital expenditure	47,763	39,936	234	—	87,933
Segment assets	139,465,615	43,029,420	225,256,356	974,862	408,726,253
Including: investment in associates				310,730	310,730
Deferred income tax assets					860,844
Total assets					409,587,097
Segment liabilities	(194,478,966)	(61,036,967)	(130,543,244)	(1,341,644)	(387,400,821)
Off-balance sheet credit commitments	56,259,650	2,278,188	—	—	58,537,838

	Year ended December 31, 2010				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	5,427,706	391,512	2,437,080	—	8,256,298
Net interest expense to external customers	(1,677,798)	(128,074)	(433,539)	—	(2,239,411)
Intersegment net interest income/(expense)	1,002,686	(21,453)	(981,233)	—	—
Net interest income	4,752,594	241,985	1,022,308	—	6,016,887
Net fee and commission income	197,986	6,020	47,269	—	251,275
Net trading income	20,689	405	(53,155)	—	(32,061)
Net gains/losses from investment securities	—	—	(32,373)	—	(32,373)
Dividends income	—	—	343	—	343
Other operating income	43,706	19	22,261	—	65,986
Operating expenses	(1,446,350)	(90,710)	(665,989)	—	(2,203,049)
—Depreciation and amortization	(99,638)	(9,558)	(56,554)	—	(165,750)
Impairment losses on assets	(497,941)	(80,434)	—	—	(578,375)
Share of profits of associates	—	—	13,440	—	13,440
Profit before income tax	3,070,684	77,285	354,104	—	3,502,073

	As at December 31, 2010				
Capital expenditure	105,676	15,647	62,273	—	183,596
Segment assets	191,187,232	8,320,745	68,732,803	(59,946,306)	208,294,474
Including: investment in associates	—	—	153,440	—	153,440
Deferred income tax assets					681,674
Total assets					208,976,148
Segment liabilities	(128,590,147)	(8,441,816)	(117,533,198)	59,946,306	(194,618,855)
Off-balance sheet credit commitments	23,698,226	5,412,083	2,263,937	—	31,374,246

	Year ended December 31, 2011				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	7,248,384	528,765	3,475,450	—	11,252,599
Net interest expense to external customers	(2,674,053)	(287,334)	(1,202,506)	—	(4,163,893)
Intersegment net interest income/(expense)	1,101,280	(11,527)	(1,089,753)	—	—
Net interest income	5,675,611	229,904	1,183,191	—	7,088,706
Net fee and commission income	321,395	17,454	73,912	—	412,761
Net trading income	16,651	688	34,608	—	51,947
Net gains/losses from investment securities	—	—	30,350	—	30,350
Dividends income	—	—	2,249	—	2,249
Other operating income	90,767	(1,443)	(24,213)	—	65,111
Operating expenses	(1,801,887)	(130,776)	(567,711)	—	(2,500,374)
—Depreciation and amortization	(99,485)	(11,814)	(58,554)	—	(169,853)
Impairment losses on assets	(547,073)	(32,202)	422	—	(578,853)
Share of profits of associates	—	—	31,750	—	31,750
Profit before income tax	3,755,464	83,625	764,558	—	4,603,647

	As at December 31, 2011				
Capital expenditure	97,853	590	153,741	—	252,184
Segment assets	214,429,770	12,048,706	99,992,425	(70,240,815)	256,230,086
Including: investment in associates	—	—	185,190	—	185,190
Deferred income tax assets					751,470
Total assets					256,981,556
Segment liabilities	(146,008,687)	(10,236,736)	(153,893,422)	70,240,815	(239,898,030)
Off-balance sheet credit commitments	29,730,999	10,262,220	3,741,556	—	43,734,775

	Year ended December 31, 2012				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	9,412,865	597,622	5,150,876	—	15,161,363
Net interest expense to external customers	(3,950,022)	(486,118)	(2,156,375)	—	(6,592,515)
Intersegment net interest income/ (expense)	1,450,999	136,130	(1,587,129)	—	—
Net interest income	6,913,842	247,634	1,407,372	—	8,568,848
Net fee and commission income	243,571	23,522	128,638	—	395,731
Net trading income	20,654	815	19,025	—	40,494
Net gains/losses from investment securities	—	—	66,593	—	66,593
Dividends income	—	—	305	—	305
Other operating income	60,928	—	102,066	—	162,994
Operating expenses	(2,162,772)	(169,395)	(800,101)	—	(3,132,268)
—*Depreciation and amortization*	(123,803)	(14,057)	(63,344)	—	(201,204)
Impairment losses on assets	(451,398)	(15,705)	9,388	—	(457,715)
Share of profits of associates	—	—	35,056	—	35,056
Profit before income tax	4,624,825	86,871	968,342	—	5,680,038

	As at December 31, 2012				
Capital expenditure	185,592	3,873	205,376	—	394,841
Segment assets	235,569,202	21,046,886	141,158,867	(74,401,756)	323,373,199
Including: investment in associates	—	—	220,246	—	220,246
Deferred income tax assets					851,158
Total assets					324,224,357
Segment liabilities	(171,472,840)	(13,605,798)	(193,066,551)	74,401,756	(303,743,433)
Off-balance sheet credit commitments	35,803,295	12,799,875	3,872,680	—	52,475,850

	Six months ended June 30, 2012 (unaudited)				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	4,534,901	296,709	2,054,384	—	6,885,994
Net interest expense to external customers	(1,747,255)	(175,407)	(828,804)	—	(2,751,466)
Intersegment net interest income/ (expense)	658,317	29,817	(688,134)	—	—
Net interest income	3,445,963	151,119	537,446	—	4,134,528
Net fee and commission income	96,474	10,023	66,652	—	173,149
Net trading income	9,194	243	84,247	—	93,684
Net gains/losses from investment securities	—	—	51,148	—	51,148
Dividends income	—	—	280	—	280
Other operating income	9,350	—	61,576	—	70,926
Operating expenses	(952,130)	(67,751)	(384,135)	—	(1,404,016)
—*Depreciation and amortization*	(58,037)	(6,881)	(28,595)	—	(93,513)
Impairment losses on assets	(255,721)	(8,877)	—	—	(264,598)
Share of profits of associates	—	—	12,128	—	12,128
Profit before income tax	2,353,130	84,757	429,342	—	2,867,229

	Six months ended June 30, 2013				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	5,276,654	370,131	3,433,067	—	9,079,852
Net interest expense to external customers	(2,264,425)	(237,937)	(1,853,384)	—	(4,355,746)
Intersegment net interest income/(expense)	752,347	52,609	(804,956)	—	—
Net interest income	3,764,576	184,803	774,727	—	4,724,106
Net fee and commission income	196,113	18,996	78,196	—	293,305
Net trading income	10,408	564	17,753	—	28,725
Net gains/losses from investment securities	—	—	4,150	—	4,150
Other operating income	12,507	—	55,627	—	68,134
Operating expenses	(1,011,394)	(90,857)	(409,135)	—	(1,511,386)
—Depreciation and amortization	(71,618)	(7,748)	(36,277)	—	(115,643)
Impairment losses on assets	(391,216)	(33,100)	—	—	(424,316)
Share of profits of associates	—	—	24,024	—	24,024
Profit before income tax	2,580,994	80,406	545,342	—	3,206,742
	As at June 30, 2013				
Capital expenditure	46,554	3,697	37,682	—	87,933
Segment assets	259,744,314	19,106,385	214,367,942	(84,492,388)	408,726,253
Including: investment in associates	—	—	310,730	—	310,730
Deferred income tax assets					860,844
Total assets					409,587,097
Segment liabilities	(181,550,722)	(14,885,763)	(275,456,724)	84,492,388	(387,400,821)
Off-balance sheet credit commitments	38,551,471	14,249,409	5,736,958	—	58,537,838

There were no material transactions with a single external customer that the Group mainly relies on.

46 Financial risk management

Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The most important types of risks are credit risk, liquidity risk and market risk which also include currency risk and interest rate risk.

The Board of Directors is responsible for establishing the overall risk appetite of the Group. The Senior Management establishes corresponding risk management policies and procedures covering areas of credit risk, market risk and liquidity risk under the risk appetite approved by the Board of Directors.

46.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally in loans and advances to banks, customers and securities. There is also credit risk in off-balance sheet financial arrangements: such as loan commitments. The Group mainly conducts its business in Anhui Province of PRC, indicating a concentration risk in the Group's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore carefully manages its exposure to credit risks. The credit risk management and control are centralized in the Risk Management Department of Head Office and reported to Senior Management regularly.

46.1.1 Credit risk measurement

(i) Loans and advances and off-balance sheet commitments

The Group measures and manages the credit quality of its credit assets through five-category system based on the "Guideline for loan Credit Risk Classification" (the "guideline") issued by the CBRC. The Guideline of Risk Classification of Loans requires commercial banks to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss categories, among which loan classified in sub-standard, doubtful and loss categories are regarded as non-performing loans.

The five categories are defined by the Guideline as follows:

Pass:	loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.
Special-mention:	loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.
Sub-standard:	loans for which borrowers' ability to service loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.
Doubtful:	loans for which borrowers cannot pay back principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.
Loss:	principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

(ii) Debt securities and other bills

The Group manages the credit risk through restriction on the types of and management of issuers of debt securities and other bills invested. It is prohibited to purchase RMB bonds issued by companies not from SOE background. So far, the Group holds no foreign currency bonds.

(iii) Placements with and loans to banks and other financial institutions

The Group's Head Office executes regular review and management of credit risk related to individual financial institutions, and sets credit lines for individual banks and other financial institutions that it conducts business with.

46.1.2 Risk limit control and mitigation policies

The Group manages, controls concentrations of credit risk wherever they are identified—in particular, to individual counterparties and groups, and to industries and regions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The Group adopts branches and business departments obtain operation authority from Head Office. Based on the status of geographical economy, management level of branches, types of credit products, types of credit rating, collateral type, and scale of customers, Head Office gives dynamic authority to its branches with respect to credit business. Such authorities are monitored on a revolving basis and subject to a regular review to make sure operations of the branches are within limits of authority granted.

(i) Credit risk mitigation policies

The Group employs a range of policies and practices to mitigate credit risk. The most prevalent of these is taken by the Group include the taking of physical or cash collaterals, cash deposit and corporate or individual guarantees.

The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types are:

- Property and land use rights
- General movable assets
- Time deposit receipts, debt securities and commodity warehouse receipts etc

The fair value of collaterals should be assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collaterals. The principal collateral types and maximum loan-to-value ratio for corporate and retail loans are as follows:

Collateral	Maximum loan-to-value ratio
Residential property, commercial property, construction land use rights	70%
Office buildings	60%
General movable assets	50%
RMB deposit receipts, bank notes, government bonds	90%
Debt securities issued by financial institutions	80%
Commodity warehouse receipt	60%

For loans guaranteed by a third-party guarantor, the Group will assess guarantor's financial condition, credit history and ability to meet obligations.

(ii) Credit-related off-balance sheet commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees are irrevocable commitments made by the Group for which the Group must make payments to the third party when its customers fail to satisfy this obligation. Hence, they carry the same credit risks as loans. The Group usually takes cash collateral to mitigate such credit risk. The Group's maximum exposure to credit risk equals the total amount of credit-related off-balance sheet commitments.

46.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Credit risk exposures relating to on-balance sheet financial assets are as follows:				
Balances with the central banks	33,860,147	54,972,549	56,675,560	58,663,758
Due from banks and other financial institutions	1,496,352	7,076,208	3,833,665	4,167,340
Placement with and loans to banks and other financial institutions	1,237,152	3,581,172	2,813,377	892,597
Financial assets held for trading	2,717,898	5,035,807	3,598,834	3,668,418
Derivative financial assets	—	—	—	210
Financial assets held under resale agreements	10,542,884	5,317,376	38,198,123	92,280,894
Loans and advances to customers	114,058,443	133,922,883	159,941,475	178,866,061
investment securities—loans and receivables	6,888,458	3,815,116	1,814,189	8,433,399
investment securities—available-for-sale	20,851,086	18,337,920	25,564,222	31,105,523
investment securities—held-to-maturity	13,190,678	20,604,548	26,062,726	25,712,109
Other financial assets	1,211,710	1,097,233	2,017,310	1,991,532
	206,054,808	253,760,812	320,519,481	405,781,841
Credit risk exposures relation to off-balance sheet items are as follows:				
Bank acceptance	27,467,421	38,087,308	46,602,041	50,744,290
Letter of credit	1,682,903	3,053,143	2,023,348	3,335,708
Letter of guarantee	1,656,332	1,752,715	1,674,944	1,774,252
Loan commitments	52,000	298,000	466,540	405,400
Unused credit card lines	515,590	543,609	1,708,977	2,278,188
	31,374,246	43,734,775	52,475,850	58,537,838

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Credit risk exposures relating to on-balance sheet financial assets are as follows:				
Balances with the central banks	33,860,147	54,972,549	56,675,560	58,663,758
Due from banks and other financial institutions	1,496,352	7,076,208	3,833,665	4,167,340
Placement with and loans to banks and other financial institutions	1,237,152	3,581,172	2,813,377	892,597
Financial assets held for trading	2,717,898	5,035,807	3,598,834	3,668,418
Derivative financial assets	—	—	—	210
Financial assets held under resale agreements	10,542,884	5,317,376	38,198,123	92,280,894
Loans and advances to customers	114,058,443	133,922,883	159,941,475	178,865,861
investment securities—loans and receivables	6,888,458	3,815,116	1,814,189	8,433,399
investment securities—available-for-sale	20,851,086	18,337,920	25,564,222	31,105,523
investment securities—held-to-maturity	13,190,678	20,604,548	26,062,726	25,712,109
Other financial assets	1,211,710	1,097,233	2,017,310	1,991,532
	206,054,808	253,760,812	320,519,481	405,781,641
Credit risk exposures relation to off-balance sheet items are as follows:				
Bank acceptance	27,467,421	38,087,308	46,602,041	50,744,290
Letter of credit	1,682,903	3,053,143	2,023,348	3,335,708
Letter of guarantee	1,656,332	1,752,715	1,674,944	1,774,252
Loan commitments	52,000	298,000	466,540	405,400
Unused credit card lines	515,590	543,609	1,708,977	2,278,188
	31,374,246	43,734,775	52,475,850	58,537,838

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at December 31, 2010, 2011 and 2012, and June 30, 2013, without taking into account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As mentioned above, 44.08% of on-balance-sheet exposure is attributable to loans and advances to customers (2012: 49.90%, 2011: 52.78%, 2010: 55.35%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loans and advances portfolio based on the following:

- 97.32% of the loans and advances portfolio is categorized as Pass of the five-category system (2012: 97.08%, 2011: 95.82%, 2010: 94.19%);
- Collateralized loans and mortgage loans, which represents the biggest group in the corporate and retail portfolio respectively, are backed by collateral;
- 99.06% of the loans and advances portfolio are considered to be neither past due nor impaired (2012: 99.22%, 2011: 99.36%, 2010: 99.32%);

46.1.4 Placement with and loans to banks and other financial institutions and financial assets held under resale agreements

The Group and Bank

	Year ended December 31,			Period ended June 30,
	2010	2011	2012	2013
Neither past due nor impaired[(i)]	11,780,458	8,898,548	41,011,500	93,173,491
Impaired[(ii)]	48,081	48,081	38,417	33,681
	11,828,539	8,946,629	41,049,917	93,207,172
Less: impairment allowance	(48,503)	(48,081)	(38,417)	(33,681)
Net	11,780,036	8,898,548	41,011,500	93,173,491

(i) Neither past due nor impaired

The Group and Bank

	Year ended December 31,			Period ended June 30,
	2010	2011	2012	2013
Commercial banks in PRC mainland	4,464,816	6,861,070	39,463,865	85,934,894
Other financial institutions in PRC mainland	7,315,642	2,037,478	1,547,635	7,238,597
	11,780,458	8,898,548	41,011,500	93,173,491

(ii) Impaired

As at December 31, 2010, 2011 and 2012, and June 30, 2013, the Group has provided 100% impairment allowance for impaired placement with and loans to banks and other financial institutions and financial assets held under resale agreements.

46.1.5 Loans and advances to customers

(a) Analysis of loans and advances to customers by industry

The Group

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Corporate loans								
Manufacturing	23,725,970	20	31,512,125	22	36,212,063	22	39,570,612	22
Commerce and Service	17,440,211	15	23,455,046	17	33,594,295	20	40,052,138	22
Public utility	23,879,820	22	19,253,367	14	12,506,560	8	13,556,892	7
Construction	5,038,631	4	7,588,935	6	9,933,991	6	11,604,488	6
Real estate	6,028,255	5	6,187,552	5	9,344,416	6	11,627,569	6
Energy and chemistry	3,880,258	3	4,741,864	3	4,825,041	3	4,374,363	2
Transportation	3,533,670	3	3,283,519	2	4,486,120	3	3,892,254	2
Education and media	1,621,430	1	1,479,091	1	1,656,666	1	2,363,635	1
Catering and travelling	1,154,559	1	1,335,544	1	1,548,834	1	1,508,480	1
Financial services	746,400	1	802,700	1	1,575,350	1	979,715	1
Others	501,259	—	696,948	1	1,124,310	1	1,651,153	1
Discounted bills	4,554,797	4	6,460,288	5	11,907,252	7	10,030,847	6
Subtotal	92,105,260	79	106,796,979	78	128,714,898	79	141,212,146	77
Retail loans								
Mortgages	17,783,001	15	22,836,915	17	25,201,772	15	30,101,183	17
Revolving loans for private business	3,657,308	3	4,560,461	3	6,423,598	4	7,825,633	4
Others	3,488,449	3	3,218,654	2	3,454,498	2	3,918,469	2
Subtotal	24,928,758	21	30,616,030	22	35,079,868	21	41,845,285	23
Total loans and advances to customers, before impairment allowance	117,034,018	100	137,413,009	100	163,794,766	100	183,057,431	100

The Bank

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Corporate loans								
Manufacturing	23,725,970	20	31,512,125	22	36,212,063	22	39,570,612	22
Commerce and Service	17,440,211	15	23,455,046	17	33,594,295	20	40,052,138	22
Public utility	23,879,820	22	19,253,367	14	12,506,560	8	13,556,892	7
Construction	5,038,631	4	7,588,935	6	9,933,991	6	11,604,488	6
Real estate	6,028,255	5	6,187,552	5	9,344,416	6	11,627,569	6
Energy and chemistry	3,880,258	3	4,741,864	3	4,825,041	3	4,374,363	2
Transportation	3,533,670	3	3,283,519	2	4,486,120	3	3,892,254	2
Education and media	1,621,430	1	1,479,091	1	1,656,666	1	2,363,635	1
Catering and travelling	1,154,559	1	1,335,544	1	1,548,834	1	1,508,480	1
Financial services	746,400	1	802,700	1	1,575,350	1	979,715	1
Others	501,259	—	696,948	1	1,124,310	1	1,651,153	1
Discounted bills	4,554,797	4	6,460,288	5	11,907,252	7	10,030,847	6
Subtotal	92,105,260	79	106,796,979	78	128,714,898	79	141,212,146	77
Retail loans								
Mortgages	17,783,001	15	22,836,915	17	25,201,772	15	30,101,183	17
Revolving loans for private business	3,657,308	3	4,560,461	3	6,423,598	4	7,825,633	4
Others	3,488,449	3	3,218,654	2	3,454,498	2	3,918,269	2
Subtotal	24,928,758	21	30,616,030	22	35,079,868	21	41,845,085	23
Total loans and advances to customers, before impairment allowance	117,034,018	100	137,413,009	100	163,794,766	100	183,057,231	100

Analysis of loans and advances to customers by industry is conducted based on the industries of the borrowers.

(b) Analysis of loans and advances to customers by collateral type

The contractual amounts of loans and advances to customers are analyzed by contractual maturity and security type:

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Unsecured	13,725,365	16,248,166	13,535,831	13,481,197
Guaranteed	41,992,044	48,251,102	54,000,075	58,953,009
Collateralized	54,556,336	61,193,961	75,939,391	90,853,728
Pledged	6,760,273	11,719,780	20,319,469	19,769,497
Total loans and advances to customers	117,034,018	137,413,009	163,794,766	183,057,431

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Unsecured	13,725,365	16,248,166	13,535,831	13,480,997
Guaranteed	41,992,044	48,251,102	54,000,075	58,953,009
Collateralized	54,556,336	61,193,961	75,939,391	90,853,728
Pledged	6,760,273	11,719,780	20,319,469	19,769,497
Total loans and advances to customers	117,034,018	137,413,009	163,794,766	183,057,231

(c) Analysis of loans and advances to customers by geographical area

The Group

	As at December 31,									As at June 30,		
	2010			2011			2012			2013		
	Total	%	NPL ratio	Total	%	NPL ratio	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	109,072,779	93.20%	0.64%	128,197,303	93.29%	0.51%	153,197,324	93.53%	0.62%	169,854,147	92.79%	0.66%
Jiangsu Province	7,961,239	6.80%	—	9,215,706	6.71%	—	10,597,442	6.47%	—	13,203,284	7.21%	0.36%
Total loans and advances to customers	117,034,018	100.00%	0.60%	137,413,009	100.00%	0.48%	163,794,766	100.00%	0.58%	183,057,431	100.00%	0.64%

The Bank

	As at December 31,									As at June 30,		
	2010			2011			2012			2013		
	Total	%	NPL ratio	Total	%	NPL ratio	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	109,072,779	93.20%	0.64%	128,197,303	93.29%	0.51%	153,197,324	93.53%	0.62%	169,853,947	92.79%	0.66%
Jiangsu Province	7,961,239	6.80%	—	9,215,706	6.71%	—	10,597,442	6.47%	—	13,203,284	7.21%	0.36%
Total loans and advances to customers	117,034,018	100.00%	0.60%	137,413,009	100.00%	0.48%	163,794,766	100.00%	0.58%	183,057,231	100.00%	0.64%

(d) Analysis of loans and advances to customers by overdue and impaired status

The Group

	Year ended December 31,						Period ended June 30,	
	2010		2011		2012		2013	
	Corporate loans	Retail loans	Corporate loans	Retail loans	Corporate loans	Retail loans	Corporate loans	Retail loans
Neither past due nor impaired (e)	91,493,226	24,747,015	106,218,118	30,314,437	127,857,120	34,663,296	139,947,329	41,389,594
Past due but not impaired (f)	19,863	76,737	8,198	217,858	19,926	305,329	224,331	331,313
Impaired (g)	592,171	105,006	570,663	83,735	837,852	111,243	1,040,486	124,378
Total	92,105,260	24,928,758	106,796,979	30,616,030	128,714,898	35,079,868	141,212,146	41,845,285
Less: collectively assessed impairment allowance	(2,405,073)	(316,013)	(2,799,576)	(442,631)	(3,108,442)	(490,184)	(3,218,875)	(564,310)
Indivudially assessed impairment allowance	(254,489)	—	(247,919)	—	(254,665)	—	(408,185)	—
Total impairment allowance	(2,659,562)	(316,013)	(3,047,495)	(442,631)	(3,363,107)	(490,184)	(3,627,060)	(564,310)
Net	89,445,698	24,612,745	103,749,484	30,173,399	125,351,791	34,589,684	137,585,086	41,280,975

The Bank

	Year ended December 31,						Period ended June 30,	
	2010		2011		2012		2013	
	Corporate loans	Retail loans	Corporate loans	Retail loans	Corporate loans	Retail loans	Corporate loans	Retail loans
Neither past due nor impaired (e)	91,493,226	24,747,015	106,218,118	30,314,437	127,857,120	34,663,296	139,947,329	41,389,394
Past due but not impaired (f)	19,863	76,737	8,198	217,858	19,926	305,329	224,331	331,313
Impaired (g)	592,171	105,006	570,663	83,735	837,852	111,243	1,040,486	124,378
Total	92,105,260	24,928,758	106,796,979	30,616,030	128,714,898	35,079,868	141,212,146	41,845,085
Less: collectively assessed impairment allowance	(2,405,073)	(316,013)	(2,799,576)	(442,631)	(3,108,442)	(490,184)	(3,218,875)	(564,310)
Indivudially assessed impairment allowance	(254,489)	—	(247,919)	—	(254,665)	—	(408,185)	—
Total impairment allowance	(2,659,562)	(316,013)	(3,047,495)	(442,631)	(3,363,107)	(490,184)	(3,627,060)	(564,310)
Net	89,445,698	24,612,745	103,749,484	30,173,399	125,351,791	34,589,684	137,585,086	41,280,775

(e) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired of single corporate customer can be assessed by reference to the five-category system adopted by the Group.

The Group and Bank

	Five-category classification		
	Pass	Special-Mention	Total
As at December 31, 2010			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	82,799,459	4,138,970	86,938,429
—Discounted bills	3,905,289	649,508	4,554,797
Subtotal	86,704,748	4,788,478	91,493,226
Retail loans	24,745,736	1,279	24,747,015
Total	111,450,484	4,789,757	116,240,241

The Group and Bank

	Five-category classification		
	Pass	Special-Mention	Total
As at December 31, 2011			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	97,869,997	1,887,832	99,757,829
—Discounted bills	5,751,567	708,722	6,460,289
Subtotal	103,621,564	2,596,554	106,218,118
Retail loans	30,313,320	1,117	30,314,437
Total	133,934,884	2,597,671	136,532,555

The Group and Bank

	Five-category classification		
	Pass	Special-Mention	Total
As at December 31, 2012			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	112,578,554	3,371,314	115,949,868
—Discounted bills	11,633,073	274,179	11,907,252
Subtotal	124,211,627	3,645,493	127,857,120
Retail loans	34,658,597	4,699	34,663,296
Total	158,870,224	3,650,192	162,520,416

The Group

	Five-category classification		
	Pass	Special-Mention	Total
As at June 30, 2013			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	126,961,880	2,954,602	129,916,482
—Discounted bills	9,541,113	489,734	10,030,847
Subtotal	136,502,993	3,444,336	139,947,329
Retail loans	41,372,874	16,720	41,389,594
Total	177,875,867	3,461,056	181,336,923

The Bank

	Five-category classification		
	Pass	Special-Mention	Total
As at June 30, 2013			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	126,961,880	2,954,602	129,916,482
—Discounted bills	9,541,113	489,734	10,030,847
Subtotal	136,502,993	3,444,336	139,947,329
Retail loans	41,372,674	16,720	41,389,394
Total	177,875,667	3,461,056	181,336,723

(f) Loans and advances past due but not impaired

Analysis of assets overdue but not impaired by overdue days:

The Group and Bank

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
As at December 31, 2010					
Corporate loans	15,783	4,000	—	80	19,863
Retail loans	5,054	29,898	20,042	21,743	76,737
Total	20,837	33,898	20,042	21,823	96,600

The Group and Bank

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
As at December 31, 2011					
Corporate loans	3,293	4,905	—	—	8,198
Retail loans	133,764	38,929	18,420	26,745	217,858
Total	137,057	43,834	18,420	26,745	226,056

The Group and Bank

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
As at December 31, 2012					
Corporate loans	13,242	1,984	2,100	2,600	19,926
Retail loans	157,600	59,692	29,420	58,617	305,329
Total	170,842	61,676	31,520	61,217	325,255

The Group and Bank

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
As at June 30, 2013					
Corporate loans	151,457	28,324	18,465	26,085	224,331
Retail loans	184,422	59,705	28,640	58,546	331,313
Total	335,879	88,029	47,105	84,631	555,644

(g) Impaired loans and advances

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate loans	592,171	570,663	837,852	1,040,486
Retail loans	105,006	83,735	111,243	124,378
Total	697,177	654,398	949,095	1,164,864
Fair value of collateral				
Corporate loans	394,079	411,438	289,770	845,458
Retail loans	85,088	70,116	74,034	84,046
Total	479,167	481,554	363,804	929,504

The fair value of collateral is estimated based on the latest external valuations available, the realization experience of the current collateral and the market conditions.

(h) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. As of June 30, 2013, there were no renegotiated loans that would otherwise be past due or impaired for the Group and the Bank (2012: Nil, 2011: Nil, 2010: RMB770,000).

(i) Overdue Loans and advances by overdue and collateral type[a]

The Group and Bank

	As at December 31, 2010				
	Past due 1 to 90 days (inclusive)	Past due 90 days to 1 year (inclusive)	Past due 1 year to 3 years (inclusive)	Past due over 3 years	Total
Unsecured	1,546	834	3,550	54,241	60,171
Guaranteed	23,918	28,155	12,466	73,248	137,787
Collateralized	76,541	68,910	48,619	66,628	260,698
Pledged	1,182	25,102	9,238	17,713	53,235
	103,187	123,001	73,873	211,830	511,891

The Group and Bank

	As at December 31, 2011				
	Past due 1 to 90 days (inclusive)	Past due 90 days to 1 year (inclusive)	Past due 1 year to 3 years (inclusive)	Past due over 3 years	Total
Unsecured	1,917	253	447	30,886	33,503
Guaranteed	6,020	8,675	27,605	38,888	81,188
Collateralized	241,822	44,832	64,215	68,065	418,934
Pledged	—	—	—	18,966	18,966
	249,759	53,760	92,267	156,805	552,591

The Group and Bank

	As at December 31, 2012				
	Past due 1 to 90 days (inclusive)	Past due 90 days to 1 year (inclusive)	Past due 1 year to 3 years (inclusive)	Past due over 3 years	Total
Unsecured	147	12,318	1,591	13,882	27,938
Guaranteed	104,592	11,264	4,486	27,239	147,581
Collateralized	293,016	139,609	97,236	39,294	569,155
Pledged	71,723	94,844	—	8,873	175,440
	469,478	258,035	103,313	89,288	920,114

The Group and Bank

	As at June 30, 2013				
	Past due 1 to 90 days (inclusive)	Past due 90 days to 1 year (inclusive)	Past due 1 year to 3 years (inclusive)	Past due over 3 years	Total
Unsecured	200	—	292	3,725	4,217
Guaranteed	159,204	156,862	1,978	6,637	324,681
Collateralized	496,822	258,222	113,551	26,375	894,970
Pledged	7,000	210,875	—	1,731	219,606
	663,226	625,959	115,821	38,468	1,443,474

[a] The loan as a whole will be classified as past due if the principal scheduled to repay during a certain term past due for 1 day.

46.1.6 Debt securities

The table below presents an analysis of debt securities by external credit rating companies:

The Group and Bank

	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Total
As at December 31, 2010					
RMB securities					
AAA	99,063	1,433,889	1,414,675	—	2,947,627
AA- to AA+	1,630,386	2,353,602	869,946	—	4,853,934
A- to A+	212,964	91,623	20,085	—	324,672
Unrated[(a)]	775,485	16,971,972	10,885,972	6,888,458	35,521,887
Total	2,717,898	20,851,086	13,190,678	6,888,458	43,648,120

The Group and Bank

	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Total
As at December 31, 2011					
RMB securities					
AAA	199,641	1,711,098	1,265,550	—	3,176,289
AA- to AA+	1,381,232	4,906,271	1,211,471	—	7,498,974
A- to A+	885,891	441,372	—	—	1,327,263
Unrated[(a)]	2,569,043	11,279,179	18,127,527	3,815,116	35,790,865
Total	5,035,807	18,337,920	20,604,548	3,815,116	47,793,391

The Group and Bank

	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Total
As at December 31, 2012					
RMB securities					
AAA	250,927	1,803,261	1,067,322	—	3,121,510
AA- to AA+	1,534,934	7,208,576	1,899,350	—	10,642,860
A- to A+	144,423	354,319	—	—	498,742
Unrated[(a)]	1,668,550	16,198,066	23,096,054	1,814,189	42,776,859
Total	3,598,834	25,564,222	26,062,726	1,814,189	57,039,971

The Group and Bank

	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Total
As at June 30, 2013					
RMB securities					
AAA	262,495	1,784,083	2,212,778	—	4,259,356
AA- to AA+	1,362,664	7,985,750	2,811,377	—	12,159,791
A- to A+	41,338	253,660	—	—	294,998
Unrated[(a)]	2,001,921	21,082,030	20,687,954	8,433,399	52,205,304
Total	3,668,418	31,105,523	25,712,109	8,433,399	68,919,449

(a) Debt securities (held-for-trading, available-for-sale and held-to-maturity) held by the Group mainly represent investments and trading securities issued by Ministry of Finance of the PRC ("MOF"), the PBOC and policy banks which are creditworthy issuers in the market, but are not rated by independent rating agencies as well as trust schemes and targeted asset management schemes of brokers. Loans and receivables mainly include the principal-guaranteed wealth management products issued by other banks.

There are no overdue or impaired debt securities as of the reporting periods stated above. No collateral is held by the Group, and no impairment provision has been provided against the gross amount.

46.1.7 Foreclosed collateral

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Property and land use rights	5,059	1,007	985	985
Others	133	—	—	96
Total	5,192	1,007	985	1,081

Foreclosed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Foreclosed property cannot be used for operating activities. Foreclosed property is classified in the balance sheet within other assets.

46.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The Group and Bank

	PRC mainland	Hong Kong	Others	Total
As at December 31, 2010				
Financial assets				
Balances with the central bank	33,860,147	—	—	33,860,147
Due from banks and other financial institutions	1,351,703	3,532	141,117	1,496,352
Placements with and loans to banks and other financial institutions	1,237,152	—	—	1,237,152
Financial assets held for trading	2,717,898	—	—	2,717,898
Financial assets held under resale agreements	10,542,884	—	—	10,542,884
Loans and advances to customers	114,058,443	—	—	114,058,443
Investment securities—loans and receivables	6,888,458	—	—	6,888,458
Investment securities—available-for-sale	20,851,086	—	—	20,851,086
Investment securities—held-to-maturity	13,190,678	—	—	13,190,678
Other financial assets	1,211,710	—	—	1,211,710
	205,910,159	3,532	141,117	206,054,808
Off-balance sheet assets				
Bank acceptance	27,467,421	—	—	27,467,421
Letter of credit	1,682,903	—	—	1,682,903
Letter of guarantee	1,656,332	—	—	1,656,332
Loan commitments	52,000	—	—	52,000
Unused credit card lines	515,590	—	—	515,590
	31,374,246	—	—	31,374,246

The Group and Bank

	PRC mainland	Hong Kong	Others	Total
As at December 31, 2011				
Financial assets				
Balances with the central bank	54,972,549	—	—	54,972,549
Due from banks and other financial institutions	6,917,199	6,712	152,297	7,076,208
Placements with and loans to banks and other financial institutions	3,581,172	—	—	3,581,172
Financial assets held for trading	5,035,807	—	—	5,035,807
Financial assets held under resale agreements	5,317,376	—	—	5,317,376
Loans and advances to customers	133,922,883	—	—	133,922,883
Investment securities—loans and receivables	3,815,116	—	—	3,815,116
Investment securities—available-for-sale	18,337,920	—	—	18,337,920
Investment securities—held-to-maturity	20,604,548	—	—	20,604,548
Other financial assets	1,097,233	—	—	1,097,233
	253,601,803	6,712	152,297	253,760,812
Off-balance sheet assets				
Bank acceptance	38,087,308	—	—	38,087,308
Letter of credit	3,053,143	—	—	3,053,143
Letter of guarantee	1,752,715	—	—	1,752,715
Loan commitments	298,000	—	—	298,000
Unused credit card lines	543,609	—	—	543,609
	43,734,775	—	—	43,734,775

The Group and Bank

	PRC mainland	Hong Kong	Others	Total
As at December 31, 2012				
Financial assets				
Balances with the central bank	56,675,560	—	—	56,675,560
Due from banks and other financial institutions	3,471,733	5,745	356,187	3,833,665
Placements with and loans to banks and other financial institutions	2,813,377	—	—	2,813,377
Financial assets held for trading	3,598,834	—	—	3,598,834
Financial assets held under resale agreements	38,198,123	—	—	38,198,123
Loans and advances to customers	159,941,475	—	—	159,941,475
Investment securities—loans and receivables	1,814,189	—	—	1,814,189
Investment securities—available-for-sale	25,564,222	—	—	25,564,222
Investment securities—held-to-maturity	26,062,726	—	—	26,062,726
Other financial assets	2,017,310	—	—	2,017,310
	320,157,549	5,745	356,187	320,519,481
Off-balance sheet assets				
Bank acceptance	46,602,041	—	—	46,602,041
Letter of credit	2,023,348	—	—	2,023,348
Letter of guarantee	1,674,944	—	—	1,674,944
Loan commitments	466,540	—	—	466,540
Unused credit card lines	1,708,977	—	—	1,708,977
	52,475,850	—	—	52,475,850

The Group

	PRC mainland	Hong Kong	Others	Total
As at June 30, 2013				
Financial assets				
Balances with the central bank	58,663,758	—	—	58,663,758
Due from banks and other financial institutions	3,728,037	67,095	372,208	4,167,340
Placements with and loans to banks and other financial institutions	892,597	—	—	892,597
Financial assets held for trading	3,668,418	—	—	3,668,418
Positive fair value of derivatives	210	—	—	210
Financial assets held under resale agreements	92,280,894	—	—	92,280,894
Loans and advances to customers	178,866,061	—	—	178,866,061
Investment securities—loans and receivables	8,433,399	—	—	8,433,399
Investment securities—available-for-sale	31,105,523	—	—	31,105,523
Investment securities—held-to-maturity	25,712,109	—	—	25,712,109
Other financial assets	1,991,532			1,991,532
	405,342,538	67,095	372,208	405,781,841
Off-balance sheet assets				
Bank acceptance	50,744,290	—	—	50,744,290
Letter of credit	3,335,708	—	—	3,335,708
Letter of guarantee	1,774,252	—	—	1,774,252
Loan commitments	405,400	—	—	405,400
Unused credit card lines	2,278,188	—	—	2,278,188
	58,537,838	—	—	58,537,838

The Bank

	PRC mainland	Hong Kong	Others	Total
As at June 30, 2013				
Financial assets				
Balances with the central bank	58,663,758	—	—	58,663,758
Due from banks and other financial institutions	3,728,037	67,095	372,208	4,167,340
Placements with and loans to banks and other financial institutions	892,597	—	—	892,597
Financial assets held for trading	3,668,418	—	—	3,668,418
Positive fair value of derivatives	210	—	—	210
Financial assets held under resale agreements	92,280,894	—	—	92,280,894
Loans and advances to customers	178,865,861	—	—	178,865,861
Investment securities—loans and receivables	8,433,399	—	—	8,433,399
Investment securities—available-for-sale	31,105,523	—	—	31,105,523
Investment securities—held-to-maturity	25,712,109	—	—	25,712,109
Other financial assets	1,991,532			1,991,532
	405,342,338	67,095	372,208	405,781,641
Off-balance sheet assets				
Bank acceptance	50,744,290	—	—	50,744,290
Letter of credit	3,335,708	—	—	3,335,708
Letter of guarantee	1,774,252	—	—	1,774,252
Loan commitments	405,400	—	—	405,400
Unused credit card lines	2,278,188	—	—	2,278,188
	58,537,838	—	—	58,537,838

The Group's and the Bank's counterparties are mainly located in PRC mainland.

46.2 Market risk

46.2.1 Overview

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

The Groups' market risk mainly includes trading risks arising from trading portfolio and interest rate and foreign exchange rate risks for non-trading portfolio resulted from changes in interest rates, foreign exchange rates and term structures.

The market risks arising from trading and non-trading activities are concentrated in the Group's Risk Management Department. Market risks arising from non-trading activities at Bank level are monitored and controlled by Financial Planning Department while market risks resulted from trading activities at Bank level and non-trading activities of Financial Market Department are monitored and controlled by Financial Market Department. The Group also established daily, monthly and quarterly reporting mechanism in relation to market risk in which Financial Planning Department and Financial Market Department monitor and analyze market risk change and quota execution before reporting to Risk Management Department and Senior Management on a regular basis.

46.2.2 Market risk measurement techniques

The Group adopts sensitivity analysis to evaluate the exposure to interest rate and foreign exchange rate risks for its trading and non-trading investment portfolio, in which the Group calculates the gap between interest-bearing assets and liabilities which will mature within certain period or require re-pricing on a regular basis and performs sensitivity analysis under changes of bench mark rates, market rates and foreign exchange rates based on the gap computed above.

46.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The Group performs business in PRC mainland in accordance with interest rate system set by the PBOC. According to previous experience, the PBOC will adjust benchmark rates for interest bearing loans and deposits in the same direction but not in parallel.

According to PBOC's requirement, RMB loan rates could differ from PBOC's stipulated rates, whilst the floor for loan interest rates is 10% below the stipulated rates. Discount rate for RMB bills is market-oriented but cannot be lower than PBOC's stipulated rediscount rate. RMB deposit rate cannot exceed PBOC's benchmark rate. From July 6, 2012, the floor for RMB loan rate is 30% below the stipulated rate while the ceiling for RMB deposit rate is 10% above the stipulated rate.

The table below summarizes the Group's exposure to interest rate risks. It includes the Group's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

The Group and Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2010							
Assets							
Cash and balances with the central bank	33,856,953	—	—	—	—	722,573	34,579,526
Due from banks and other financial institutions	1,496,352	—	—	—	—	—	1,496,352
Placements with and loans to banks and other financial institutions	547,453	244,649	445,050	—	—	—	1,237,152
Financial assets held for trading	30,913	811,243	459,041	985,433	431,268	—	2,717,898
Financial assets held under resale agreements	3,371,311	2,445,078	4,726,495	—	—	—	10,542,884
Loans and advances to customers	56,431,266	9,840,188	41,687,141	5,233,489	866,359	—	114,058,443
investment securities							
—Loans and receivables	300,043	297,471	6,063,778	227,166	—	—	6,888,458
—available-for-sale	371,821	2,493,422	5,113,382	8,981,312	3,891,149	14,544	20,865,630
—held-to-maturity	499,624	49,000	2,165,483	6,490,824	3,985,747	—	13,190,678
Other financial assets	—	401,502	—	—	—	810,208	1,211,710
Total assets	96,905,736	16,582,553	60,660,370	21,918,224	9,174,523	1,547,325	206,788,731
Liabilities							
Deposits from banks and other financial institutions	(1,819,206)	(50,000)	(5,853,236)	(2,100,000)	—	—	(9,822,442)
Placements from banks and other financial institutions	(643,840)	(373,600)	(245,700)	—	—	—	(1,263,140)
Financial assets sold under repurchase agreements	(11,871,042)	(4,457,900)	(4,469,027)	—	—	—	(20,797,969)
Deposits from customers	(113,975,759)	(14,600,297)	(28,143,370)	(2,862,574)	(6)	—	(159,582,006)
Other financial liabilities	—	—	—	—	—	(1,447,932)	(1,447,932)
Total liabilities	(128,309,847)	(19,481,797)	(38,711,333)	(4,962,574)	(6)	(1,447,932)	(192,913,489)
Total interest rate sensitivity gap	(31,404,111)	(2,899,244)	21,949,037	16,955,650	9,174,517	99,393	13,875,242

The Group and Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2011							
Assets							
Cash and balances with the central bank	54,959,174	—	—	—	—	869,470	55,828,644
Due from banks and other financial institutions	5,323,058	1,303,180	449,970	—	—	—	7,076,208
Placements with and loans to banks and other financial institutions	1,564,611	301,617	1,714,944	—	—	—	3,581,172
Financial assets held for trading	244,805	881,953	815,907	2,350,361	742,781	—	5,035,807
Financial assets held under resale agreements	2,316,442	3,000,934	—	—	—	—	5,317,376
Loans and advances to customers	48,313,682	10,990,019	69,637,013	4,027,603	954,566	—	133,922,883
investment securities							
—Loans and receivables	—	3,091,887	552,254	170,975	—	—	3,815,116
—available-for-sale	1,257,134	2,177,075	3,592,733	8,042,070	3,268,908	18,983	18,356,903
—held-to-maturity	550,676	991,428	3,045,655	10,176,955	5,839,834	—	20,604,548
Other financial assets	—	—	—	—	—	1,097,233	1,097,233
Total assets	114,529,582	22,738,093	79,808,476	24,767,964	10,806,089	1,985,686	254,635,890
Liabilities							
Deposits from banks and other financial institutions	(2,183,855)	(2,570,000)	(4,569,631)	—	—	—	(9,323,486)
Placements from banks and other financial institutions	(2,369,588)	(664,934)	(500,000)	—	—	—	(3,534,522)
Financial assets sold under repurchase agreements	(15,885,517)	(15,829)	(283,450)	—	—	—	(16,184,796)
Deposits from customers	(136,645,157)	(16,868,455)	(38,862,103)	(11,203,989)	—	—	(203,579,704)
Debt securities in issue	—	—	—	—	(3,991,461)	—	(3,991,461)
Other financial liabilities	—	—	—	—	—	(1,615,080)	(1,615,080)
Total liabilities	(157,084,117)	(20,119,218)	(44,215,184)	(11,203,989)	(3,991,461)	(1,615,080)	(238,229,049)
Total interest rate sensitivity gap	(42,554,535)	2,618,875	35,593,292	13,563,975	6,814,628	370,606	16,406,841

The Group and Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2012							
Assets							
Cash and balances with the central bank	56,675,560	—	—	—	—	973,723	57,649,283
Due from banks and other financial institutions	3,140,097	540,060	153,508	—	—	—	3,833,665
Placements with and loans to banks and other financial institutions	1,240,902	1,456,011	116,464	—	—	—	2,813,377
Financial assets held for trading	98,911	410,809	440,432	1,617,518	1,031,164	—	3,598,834
Financial assets held under resale agreements	2,824,895	14,097,089	21,276,139	—	—	—	38,198,123
Loans and advances to customers	52,704,958	15,791,263	85,818,880	4,328,260	1,298,114	—	159,941,475
investment securities							
—Loans and receivables	—	89,930	1,636,377	87,882	—	—	1,814,189
—available-for-sale	1,663,122	4,517,150	6,482,264	8,997,831	3,903,855	16,383	25,580,605
—held-to-maturity	521,661	933,385	7,833,578	8,844,991	7,929,111	—	26,062,726
Other financial assets	—	—	—	—	—	2,017,310	2,017,310
Total assets	118,870,106	37,835,697	123,757,642	23,876,482	14,162,244	3,007,416	321,509,587
Liabilities							
Deposits from banks and other financial institutions	(2,716,110)	(725,794)	(278,148)	(2,172,591)	(72,607)	—	(5,965,250)
Placements from banks and other financial institutions	(748,200)	—	(150,000)	—	—	—	(898,200)
Financial assets sold under repurchase agreements	(17,137,597)	(14,977,688)	(15,768,181)	—	—	—	(47,883,466)
Deposits from customers	(148,775,136)	(23,756,344)	(47,317,151)	(18,894,492)	(800,000)	—	(239,543,123)
Debt securities in issue	—	—	—	—	(3,991,828)	—	(3,991,828)
Other financial liabilities	—	—	—	—	—	(3,702,943)	(3,702,943)
Total liabilities	(169,377,043)	(39,459,826)	(63,513,480)	(21,067,083)	(4,864,435)	(3,702,943)	(301,984,810)
Total interest rate sensitivity gap	(50,506,937)	(1,624,129)	60,244,162	2,809,399	9,297,809	(695,527)	19,524,777

The Group

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at June 30, 2013							
Assets							
Cash and balances with the central bank	58,635,538	—	—	—	—	1,014,730	59,650,268
Due from banks and other financial institutions	2,253,152	854,070	1,060,118	—	—	—	4,167,340
Placements with and loans to banks and other financial institutions	7,727	231,917	652,953	—	—	—	892,597
Financial assets held for trading	89,215	316,314	567,490	1,657,813	1,037,586	—	3,668,418
Derivatives financial assets	—	—	—	—	—	210	210
Financial assets held under resale agreements	8,891,796	38,954,063	44,435,035	—	—	—	92,280,894
Loans and advances to customers	52,462,443	18,670,240	101,570,073	5,478,105	685,200	—	178,866,061
investment securities							
—Loans and receivables	3,068,045	1,042,175	4,271,200	51,979	—	—	8,433,399
—available-for-sale	4,258,623	4,837,320	5,230,808	11,838,425	4,940,347	16,383	31,121,906
—held-to-maturity	1,892,410	1,298,916	3,488,923	9,811,983	9,219,877	—	25,712,109
Other financial assets	—	—	—	—	—	1,991,532	1,991,532
Total assets	131,558,949	66,205,015	161,276,600	28,838,305	15,883,010	3,022,855	406,784,734
Liabilities							
Deposits from banks and other financial institutions	(2,630,338)	(1,970,000)	(9,100,000)	(6,000,000)	—	—	(19,700,338)
Placements from banks and other financial institutions	(628,683)	(274,232)	—	—	—	—	(902,915)
Derivatives financial liabilities	—	—	—	—	—	(91)	(91)
Financial assets sold under repurchase agreements	(24,375,062)	(40,954,883)	(35,340,160)	—	—	—	(100,670,105)
Deposits from customers	(150,664,179)	(23,516,988)	(48,972,832)	(27,382,412)	(1,600,896)	—	(252,137,307)
Debt securities in issue	—	—	—	(4,993,225)	(3,992,018)	—	(8,985,243)
Other financial liabilities	—	—	—	—	—	(3,572,425)	(3,572,425)
Total liabilities	(178,298,262)	(66,716,103)	(93,412,992)	(38,375,637)	(5,592,914)	(3,572,516)	(385,968,424)
Total interest rate sensitivity gap	(46,739,313)	(511,088)	67,863,608	(9,537,332)	10,290,096	(549,661)	20,816,310

The Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at June 30, 2013							
Assets							
Cash and balances with the central bank	58,635,538	—	—	—	—	1,012,933	59,648,471
Due from banks and other financial institutions	2,253,152	854,070	1,060,118	—	—	—	4,167,340
Placements with and loans to banks and other financial institutions	7,727	231,917	652,953	—	—	—	892,597
Financial assets held for trading	89,215	316,314	567,490	1,657,813	1,037,586	—	3,668,418
Derivatives financial assets	—	—	—	—	—	210	210
Financial assets held under resale agreements	8,891,796	38,954,063	44,435,035	—	—	—	92,280,894
Loans and advances to customers	52,462,443	18,670,240	101,569,873	5,478,105	685,200	—	178,865,861
investment securities							
—Loans and receivables	3,068,045	1,042,175	4,271,200	51,979	—	—	8,433,399
—available-for-sale	4,258,623	4,837,320	5,230,808	11,838,425	4,940,347	16,383	31,121,906
—held-to-maturity	1,892,410	1,298,916	3,488,923	9,811,983	9,219,877	—	25,712,109
Other financial assets	—	—	—	—	—	1,991,532	1,991,532
Total assets	131,558,949	66,205,015	161,276,400	28,838,305	15,883,010	3,021,058	406,782,737
Liabilities							
Deposits from banks and other financial institutions	(2,649,440)	(2,040,000)	(9,100,000)	(6,000,000)	—	—	(19,789,440)
Placements from banks and other financial institutions	(628,683)	(274,232)	—	—	—	—	(902,915)
Derivatives financial liabilities	—	—	—	—	—	(91)	(91)
Financial assets sold under repurchase agreements	(24,375,062)	(40,954,883)	(35,340,160)	—	—	—	(100,670,105)
Deposits from customers	(150,653,092)	(23,516,988)	(48,972,832)	(27,382,412)	(1,600,896)	—	(252,126,220)
Debt securities in issue	—	—	—	(4,993,225)	(3,992,018)	—	(8,985,243)
Other financial liabilities	—	—	—	—	—	(3,572,424)	(3,572,424)
Total liabilities	(178,306,277)	(66,786,103)	(93,412,992)	(38,375,637)	(5,592,914)	(3,572,515)	(386,046,438)
Total interest rate sensitivity gap	(46,747,328)	(581,088)	67,863,408	(9,537,332)	10,290,096	(551,457)	20,736,299

The Group mainly narrows its interest rate sensitivity gap between assets and liabilities through shorter durations for investments and loan price reset.

The currency for the Group's majority of interest-bearing assets is RMB. The potential impact on net interest income as at the balance sheet dates stated below with 100 bps changes along the yield curve is as follows:

The Group

	Estimated changes in net interest income			
	As at December 31,			As at June 30,
	2010	2011	2012	2013
100 bps up along the yield curve	713,094	864,491	964,629	1,012,206
100 bps down along the yield curve	(713,094)	(864,491)	(964,629)	(1,012,206)

The Bank

	Estimated changes in net interest income			
	As at December 31,			As at June 30,
	2010	2011	2012	2013
100 bps up along the yield curve	713,094	864,491	964,629	1,011,472
100 bps down along the yield curve	(713,094)	(864,491)	(964,629)	(1,011,472)

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- Demand deposits will not be re-priced;
- All re-pricing assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- Regardless of impact on the customer's behavior resulted from interest rate changes;
- Regardless of impact on market price resulted from interest rate changes;
- Regardless of actions taken by the Group and the Bank.

Therefore, the actual changes of net profit may differ from the analysis above.

46.2.4 Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle for control over currency risk of the Group is to match assets and liabilities in different currencies and to keep currency risk within limits. Based on the guidelines provided by Risk Management Committee, laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and traders' limits of authority.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

The Group and Bank

	RMB	USD	EUR	Others	Total
As at December 31, 2010					
Assets					
Cash and balances with the central bank	34,566,800	12,180	109	437	34,579,526
Due from banks and other financial institutions	1,040,768	407,968	34,899	12,717	1,496,352
Placements with and loans to banks and other financial institutions	1,237,152	—	—	—	1,237,152
Financial assets held for trading	2,717,898	—	—	—	2,717,898
Financial assets held under resale agreements	10,542,884	—	—	—	10,542,884
Loans and advances to customers	113,828,647	212,844	7,238	9,714	114,058,443
investment securities					
—Loans and receivables	6,888,458	—	—	—	6,888,458
—available-for-sale	20,865,630	—	—	—	20,865,630
—held-to-maturity	13,190,678	—	—	—	13,190,678
Other financial assets	810,067	390,135	2	11,506	1,211,710
Total assets	205,688,982	1,023,127	42,248	34,374	206,788,731
Liabilities					
Deposits from banks and other financial institutions	(9,822,442)	—	—	—	(9,822,442)
Placements from banks and other financial institutions	(828,320)	(434,820)	—	—	(1,263,140)
Financial assets sold under repurchase agreements	(20,797,969)	—	—	—	(20,797,969)
Deposits from customers	(159,258,300)	(268,879)	(34,072)	(20,755)	(159,582,006)
Other financial liabilities	(1,447,617)	(206)	(103)	(6)	(1,447,932)
Total liabilities	(192,154,648)	(703,905)	(34,175)	(20,761)	(192,913,489)
Net on-balance sheet financial position	13,534,334	319,222	8,073	13,613	13,875,242
Financial guarantees and credit commitments	29,624,737	1,379,489	41,497	328,523	31,374,246

The Group and Bank

	RMB	USD	EUR	Others	Total
As at December 31, 2011					
Assets					
Cash and balances with the central bank	55,816,847	11,259	76	462	55,828,644
Due from banks and other financial institutions	6,632,536	351,458	78,305	13,909	7,076,208
Placements with and loans to banks and other financial institutions	3,581,172	—	—	—	3,581,172
Financial assets held for trading	5,035,807	—	—	—	5,035,807
Financial assets held under resale agreements	5,317,376	—	—	—	5,317,376
Loans and advances to customers	133,133,762	739,815	8,008	41,298	133,922,883
investment securities					
—Loans and receivables	3,815,116	—	—	—	3,815,116
—available-for-sale	18,356,903	—	—	—	18,356,903
—held-to-maturity	20,604,548	—	—	—	20,604,548
Other financial assets	1,097,215	13	3	2	1,097,233
Total assets	253,391,282	1,102,545	86,392	55,671	254,635,890
Liabilities					
Deposits from banks and other financial institutions	(9,323,486)	—	—	—	(9,323,486)
Placements from banks and other financial institutions	(3,361,082)	(135,765)	—	(37,675)	(3,534,522)
Financial assets sold under repurchase agreements	(16,184,796)	—	—	—	(16,184,796)
Deposits from customers	(202,986,421)	(565,697)	(15,148)	(12,438)	(203,579,704)
Debt securities in issue	(3,991,461)	—	—	—	(3,991,461)
Other financial liabilities	(1,604,524)	(10,529)	(17)	(10)	(1,615,080)
Total liabilities	(237,451,770)	(711,991)	(15,165)	(50,123)	(238,229,049)
Net on-balance sheet financial position	15,939,512	390,554	71,227	5,548	16,406,841
Financial guarantees and credit commitments	40,557,283	2,764,708	340,230	72,554	43,734,775

The Group and Bank

	RMB	USD	EUR	Others	Total
As at December 31, 2012					
Assets					
Cash and balances with the central bank	57,566,091	82,693	47	452	57,649,283
Due from banks and other financial institutions	3,295,530	227,812	207,924	102,399	3,833,665
Placements with and loans to banks and other financial institutions	2,813,377	—	—	—	2,813,377
Financial assets held for trading	3,598,834	—	—	—	3,598,834
Financial assets held under resale agreements	38,198,123	—	—	—	38,198,123
Loans and advances to customers	158,098,655	1,837,747	5,073	—	159,941,475
investment securities					
—Loans and receivables	1,814,189	—	—	—	1,814,189
—available-for-sale	25,580,605	—	—	—	25,580,605
—held-to-maturity	26,062,726	—	—	—	26,062,726
Other financial assets	2,015,784	1,030	496	—	2,017,310
Total assets	319,043,914	2,149,282	213,540	102,851	321,509,587
Liabilities					
Deposits from banks and other financial institutions	(5,613,339)	(188,565)	(163,346)	—	(5,965,250)
Placements from banks and other financial institutions	(457,200)	(441,000)	—	—	(898,200)
Financial assets sold under repurchase agreements	(47,883,466)	—	—	—	(47,883,466)
Deposits from customers	(238,333,585)	(998,079)	(47,602)	(163,857)	(239,543,123)
Debt securities in issue	(3,991,828)	—	—	—	(3,991,828)
Other financial liabilities	(3,701,165)	(1,516)	(253)	(9)	(3,702,943)
Total liabilities	(299,980,583)	(1,629,160)	(211,201)	(163,866)	(301,984,810)
Net on-balance sheet financial position	19,063,331	520,122	2,339	(61,015)	19,524,777
Financial guarantees and credit commitments	50,467,418	1,284,867	597,494	126,071	52,475,850

The Group

	RMB	USD	EUR	Others	Total
As at June 30, 2013					
Assets					
Cash and balances with the central bank	59,623,864	26,279	61	64	59,650,268
Due from banks and other financial institutions	3,575,149	427,943	144,360	19,888	4,167,340
Placements with and loans to banks and other financial institutions	768,365	124,232	—	—	892,597
Financial assets held for trading	3,668,418	—	—	—	3,668,418
Derivative financial assets	30	179	1	—	210
Financial assets held under resale agreements	92,280,894	—	—	—	92,280,894
Loans and advances to customers	177,428,691	1,416,794	11,719	8,857	178,866,061
investment securities					
—Loans and receivables	8,433,399	—	—	—	8,433,399
—available-for-sale	31,121,906	—	—	—	31,121,906
—held-to-maturity	25,712,109	—	—	—	25,712,109
Other financial assets	1,990,978	476	—	78	1,991,532
Total assets	404,603,803	1,995,903	156,141	28,887	406,784,734
Liabilities					
Deposits from banks and other financial institutions	(19,700,338)	—	—	—	(19,700,338)
Placements from banks and other financial institutions	(157,200)	(745,715)	—	—	(902,915)
Derivative financial liabilities	(84)	(7)	—	—	(91)
Financial assets sold under repurchase agreements	(100,670,105)	—	—	—	(100,670,105)
Deposits from customers	(251,536,457)	(583,259)	(2,235)	(15,356)	(252,137,307)
Debt securities in issue	(8,985,243)	—	—	—	(8,985,243)
Other financial liabilities	(3,567,290)	(5,062)	(48)	(25)	(3,572,425)
Total liabilities	(384,616,717)	(1,334,043)	(2,283)	(15,381)	(385,968,424)
Net on-balance sheet financial position	19,987,086	661,860	153,858	13,506	20,816,310
Financial guarantees and credit commitments	56,338,484	2,021,759	97,312	80,283	58,537,838

The Bank

	RMB	USD	EUR	Others	Total
As at June 30, 2013					
Assets					
Cash and balances with the central bank	59,622,067	26,279	61	64	59,648,471
Due from banks and other financial institutions	3,575,149	427,943	144,360	19,888	4,167,340
Placements with and loans to banks and other financial institutions	768,365	124,232	—	—	892,597
Financial assets held for trading	3,668,418	—	—	—	3,668,418
Derivative financial assets	30	179	1	—	210
Financial assets held under resale agreements	92,280,894	—	—	—	92,280,894
Loans and advances to customers	177,428,491	1,416,794	11,719	8,857	178,865,861
investment securities					
—Loans and receivables	8,433,399	—	—	—	8,433,399
—available-for-sale	31,121,906	—	—	—	31,121,906
—held-to-maturity	25,712,109	—	—	—	25,712,109
Other financial assets	1,990,978	476	—	78	1,991,532
Total assets	404,601,806	1,995,903	156,141	28,887	406,782,737
Liabilities					
Deposits from banks and other financial institutions	(19,789,440)	—	—	—	(19,789,440)
Placements from banks and other financial institutions	(157,200)	(745,715)	—	—	(902,915)
Derivative financial liabilities	(84)	(7)	—	—	(91)
Financial assets sold under repurchase agreements	(100,670,105)	—	—	—	(100,670,105)
Deposits from customers	(251,525,370)	(583,259)	(2,235)	(15,356)	(252,126,220)
Debt securities in issue	(8,985,243)	—	—	—	(8,985,243)
Other financial liabilities	(3,567,289)	(5,062)	(48)	(25)	(3,572,424)
Total liabilities	(384,694,731)	(1,334,043)	(2,283)	(15,381)	(386,046,438)
Net on-balance sheet financial position	19,907,075	661,860	153,858	13,506	20,736,299
Financial guarantees and credit commitments	56,338,484	2,021,759	97,312	80,283	58,537,838

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact on net profits resulted from foreign currency translation gain or loss with 1% fluctuation of foreign currency against RMB is as follows:

The Group and Bank

	Estimated change in net profits/(losses)			
	As at December 31,			As at June 30,
	2010	2011	2012	2013
1% of appreciation of FX against RMB	2,557	3,505	3,461	6,219
1% of depreciation of FX against RMB	(2,557)	(3,505)	(3,461)	(6,219)

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index, regardless of:

- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- Regardless of impact on the customer's behavior resulted from interest rate changes;
- Regardless of impact on market price resulted from interest rate changes;
- Regardless of actions taken by the Group and the Bank.

Therefore, the actual changes of net profit may differ from the analysis above.

46.3 Liquidity risk

46.3.1 Overview

Keep a match between the maturity dates of assets and liabilities and maintain an effective control over mismatch is of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues but it also exposes the Group to greater risks of losses.

The match between maturity dates of assets and liabilities as well as a banks' ability to replace due liabilities with acceptable costs are all key factors when evaluating its' exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. According to previous experience, a large portion of matured deposits are not withdrawn on the maturity date. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

46.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flow, and the Group manages the liquidity risk based on the estimation of future cash flow.

The Group and Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at December 31, 2010						
Liabilities						
Deposits from banks and other financial institutions	(1,819,206)	(119,416)	(5,957,822)	(2,122,693)	—	(10,019,137)
Placements from banks and other financial institutions	(674,822)	(292,525)	(273,972)	(378,655)	—	(1,619,974)
Financial assets sold under repurchase agreements	(11,884,267)	(4,500,775)	(4,528,905)	—	—	(20,913,947)
Deposits from customers	(113,982,963)	(14,855,460)	(28,434,000)	(3,018,407)	(6)	(160,290,836)
Other financial liabilities	—	—	(815,282)	—	—	(815,282)
Total liabilities(contractual maturity)	(128,361,258)	(19,768,176)	(40,009,981)	(5,519,755)	(6)	(193,659,176)
Assets						
Cash and balances with the central bank	34,591,719	—	—	—	—	34,591,719
Due from banks and other financial institutions	1,497,346	—	—	—	—	1,497,346
Placements with and loans to banks and other financial institutions	548,788	246,644	453,725	—	—	1,249,157
Financial assets held for trading	31,957	144,903	516,752	2,103,194	520,622	3,317,428
Financial assets held under resale agreements	3,376,789	2,465,077	4,796,805	—	—	10,638,671
Loans and advances to customers	7,756,085	11,944,931	51,538,815	42,655,124	23,033,825	136,928,780
Investment securities						
—Loans and receivables	300,164	343,773	6,215,566	299,599	—	7,159,102
—Available-for-sale	282,709	1,350,299	3,623,841	12,397,329	6,339,196	23,993,374
—Held-to-maturity	29,236	64,391	1,342,078	8,537,236	5,785,828	15,758,769
Other financial assets	—	—	401,502	14,121	—	415,623
Financial assets held for managing liquidity risk (contractual maturity)	48,414,793	16,560,018	68,889,084	66,006,603	35,679,471	235,549,969
Net liquidity	(79,946,465)	(3,208,158)	28,879,103	60,486,848	35,679,465	41,890,793

The Group and Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at December 31, 2011						
Liabilities						
Deposits from banks and other financial institutions	(2,214,593)	(2,702,290)	(4,708,424)	—	—	(9,625,307)
Placements from banks and other financial institutions	(2,369,862)	(665,417)	(500,000)	—	—	(3,535,279)
Financial assets sold under repurchase agreements	(15,906,232)	(15,898)	(285,728)	—	—	(16,207,858)
Deposits from customers	(136,653,187)	(16,965,064)	(39,524,808)	(12,792,541)	—	(205,935,600)
Debt securities in issue	—	—	(262,000)	(1,048,000)	(5,310,000)	(6,620,000)
Other financial liabilities	—	—	(337,334)	—	—	(337,334)
Total liabilities(contractual maturity)	(157,143,874)	(20,348,669)	(45,618,294)	(13,840,541)	(5,310,000)	(242,261,378)
Assets						
Cash and balances with the central bank	55,828,644	—	—	—	—	55,828,644
Due from banks and other financial institutions	5,358,308	1,313,280	453,457	—	—	7,125,045
Placements with and loans to banks and other financial institutions	1,571,186	306,086	1,784,034	—	—	3,661,306
Financial assets held for trading	83,719	163,082	970,950	3,591,490	1,122,684	5,931,925
Financial assets held under resale agreements	2,319,197	3,021,901	—	—	—	5,341,098
Loans and advances to customers	8,729,152	14,629,871	64,701,551	38,608,604	30,302,615	156,971,793
Investment securities						
—Loans and receivables	—	3,194,674	602,246	215,529	—	4,012,449
—Available-for-sale	924,216	1,105,158	2,628,151	11,348,451	5,267,513	21,273,489
—Held-to-maturity	103,457	532,079	2,412,218	13,097,742	7,914,399	24,059,895
Other financial assets	53,254	—	—	—	—	53,254
Financial assets held for managing liquidity risk (contractual maturity)	74,971,133	24,266,131	73,552,607	66,861,816	44,607,211	284,258,898
Net liquidity	(82,172,741)	3,917,462	27,934,313	53,021,275	39,297,211	41,997,520

The Group and Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at December 31, 2012						
Liabilities						
Deposits from banks and other financial institutions	(416,987)	(3,084,875)	(384,527)	(2,231,439)	(77,281)	(6,195,109)
Placements from banks and other financial institutions	(748,542)	—	(159,125)	—	—	(907,667)
Financial assets sold under repurchase agreements	(17,161,309)	(15,092,228)	(16,012,593)	—	—	(48,266,130)
Deposits from customers	(134,855,643)	(38,297,119)	(48,686,164)	(21,961,684)	(800,000)	(244,600,610)
Debt securities in issue	—	—	(262,000)	(1,048,000)	(5,048,000)	(6,358,000)
Other financial liabilities	(1,765,408)	—	—	—	—	(1,765,408)
Total liabilities(contractual maturity)	(154,947,889)	(56,474,222)	(65,504,409)	(25,241,123)	(5,925,281)	(308,092,924)
Assets						
Cash and balances with the central bank	57,649,283	—	—	—	—	57,649,283
Due from banks and other financial institutions	1,993,405	1,699,115	157,112	—	—	3,849,632
Placements with and loans to banks and other financial institutions	1,242,516	1,465,870	119,155	—	—	2,827,541
Financial assets held for trading	36,670	165,028	472,324	2,441,604	1,207,041	4,322,667
Financial assets held under resale agreements	2,828,144	14,209,689	21,620,831	—	—	38,658,664
Loans and advances to customers	10,414,841	19,580,790	75,675,495	47,320,787	34,885,191	187,877,104
investment securities						
—Loans and receivables	—	93,623	1,694,725	119,941	—	1,908,289
—Available-for-sale	1,422,632	2,478,253	4,381,657	14,224,778	7,242,199	29,749,519
—Held-to-maturity	52,943	465,474	6,415,833	14,435,356	9,277,541	30,647,147
Other financial assets	659,506	—	—	—	—	659,506
Financial assets held for managing liquidity risk (contractual maturity)	76,299,940	40,157,842	110,537,132	78,542,466	52,611,972	358,149,352
Net liquidity	(78,647,949)	(16,316,380)	45,032,723	53,301,343	46,686,691	50,056,428

The Group

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at June 30, 2013						
Liabilities						
Deposits from banks and other financial institutions	(2,633,954)	(2,008,930)	(9,283,051)	(6,781,150)	—	(20,707,085)
Placements from banks and other financial institutions	(628,973)	(283,714)	—	—	—	(912,687)
Financial assets sold under repurchase agreements	(24,418,238)	(41,316,216)	(35,846,228)	—	—	(101,580,682)
Deposits from customers	(150,683,309)	(23,642,798)	(49,862,600)	(32,052,398)	(2,071,398)	(258,312,503)
Debt securities in issue	—	—	(481,400)	(6,684,800)	(4,786,000)	(11,952,200)
Other financial liabilities	(1,317,218)	—	—	—	—	(1,317,218)
Total liabilities(contractual maturity)	(179,681,692)	(67,251,658)	(95,473,279)	(45,518,348)	(6,857,398)	(394,782,375)
Assets						
Cash and balances with the central bank	59,650,268	—	—	—	—	59,650,268
Due from banks and other financial institutions	2,255,515	862,162	1,079,076	—	—	4,196,753
Placements with and loans to banks and other financial institutions	7,727	232,605	667,518	—	—	907,850
Financial assets held for trading	40,265	127,887	307,307	2,686,801	1,181,681	4,343,941
Financial assets held under resale agreements	8,903,865	39,249,540	45,093,882	—	—	93,247,287
Loans and advances to customers	7,406,683	22,319,909	86,419,283	53,599,741	40,959,319	210,704,935
investment securities						
—Loans and receivables	3,075,470	1,068,956	4,328,974	58,360	—	8,531,760
—Available-for-sale	3,254,435	3,457,895	2,417,703	17,525,494	9,379,876	36,035,403
—Held-to-maturity	1,463,429	761,665	2,345,333	15,638,144	10,464,023	30,672,594
Other financial assets	508,001	—	—	—	—	508,001
Financial assets held for managing liquidity risk (contractual maturity)	86,565,658	68,080,619	142,659,076	89,508,540	61,984,899	448,798,792
Net liquidity	(93,116,034)	828,961	47,185,797	43,990,192	55,127,501	54,016,417

The Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at June 30, 2013						
Liabilities						
Deposits from banks and other financial institutions	(2,653,056)	(2,078,930)	(9,283,051)	(6,781,150)	—	(20,796,187)
Placements from banks and other financial institutions	(628,973)	(283,714)	—	—	—	(912,687)
Financial assets sold under repurchase agreements	(24,418,238)	(41,316,216)	(35,846,228)	—	—	(101,580,682)
Deposits from customers	(150,672,222)	(23,642,798)	(49,862,600)	(32,052,398)	(2,071,398)	(258,301,416)
Debt securities in issue	—	—	(481,400)	(6,684,800)	(4,786,000)	(11,952,200)
Other financial liabilities	(1,317,218)	—	—	—	—	(1,317,218)
Total liabilities(contractual maturity)	(179,689,707)	(67,321,658)	(95,473,279)	(45,518,348)	(6,857,398)	(394,860,390)
Assets						
Cash and balances with the central bank	59,648,471	—	—	—	—	59,648,471
Due from banks and other financial institutions	2,255,515	862,162	1,079,076	—	—	4,196,753
Placements with and loans to banks and other financial institutions	7,727	232,605	667,518	—	—	907,850
Financial assets held for trading	40,265	127,887	307,307	2,686,801	1,181,681	4,343,941
Financial assets held under resale agreements	8,903,865	39,249,540	45,093,882	—	—	93,247,287
Loans and advances to customers	7,406,683	22,319,909	86,419,083	53,599,741	40,959,319	210,704,735
investment securities						
—Loans and receivables	3,075,470	1,068,956	4,328,974	58,360	—	8,531,760
—Available-for-sale	3,254,435	3,457,895	2,417,703	17,525,494	9,379,876	36,035,403
—Held-to-maturity	1,463,429	761,665	2,345,333	15,638,144	10,464,023	30,672,594
Other financial assets	508,001	—	—	—	—	508,001
Financial assets held for managing liquidity risk (contractual maturity)	86,563,861	68,080,619	142,658,876	89,508,540	61,984,899	448,796,795
Net liquidity	(93,125,846)	758,961	47,185,597	43,990,192	55,127,501	53,936,405

46.3.3 Derivative financial instruments cash flow

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group and Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
As at June 30, 2013						
Foreign exchange derivatives						
—Outflow	(37,608)	(59,164)	(223,589)	—	—	(320,361)
—Inflow	37,620	59,187	223,675	—	—	320,482
	12	23	86	—	—	121

46.3.4 Maturity analysis

The table below analyzes the Group's net assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The Group and Bank

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at December 31, 2010									
Cash and balances with the central bank	11,179,873	23,399,653	—	—	—	—	—	—	34,579,526
Due from banks and other financial institutions	1,481,049	15,303	—	—	—	—	—	—	1,496,352
Placements with and loans to banks and other financial institutions	—	547,453	244,649	445,050	—	—	—	—	1,237,152
Financial assets held for trading	—	30,913	99,788	449,128	1,706,801	431,268	—	—	2,717,898
Financial assets held under resale agreements	—	3,371,311	2,445,078	4,726,495	—	—	—	—	10,542,884
Loans and advances to customers	—	7,070,995	10,846,386	48,740,422	30,299,818	16,986,772	114,050	—	114,058,443
investment securities									
—Loans and receivables	—	300,043	297,471	6,063,778	227,166	—	—	—	6,888,458
—Available-for-sale	—	251,686	1,246,935	3,049,552	10,530,432	5,772,481	—	14,544	20,865,630
—Held-to-maturity	—	—	—	994,865	7,229,819	4,965,994	—	—	13,190,678
Other assets (including deferred income tax assets)	417,215	269,556	166,974	350,026	10,464	—	—	2,184,892	3,399,127
Total assets	13,078,137	35,256,913	15,347,281	64,819,316	50,004,500	28,156,515	114,050	2,199,436	208,976,148
Deposits from banks and other financial institutions	(1,819,038)	(168)	(50,000)	(5,853,236)	(2,100,000)	—	—	—	(9,822,442)
Placements from banks and other financial institutions	—	(643,840)	(373,600)	(245,700)	—	—	—	—	(1,263,140)
Financial assets sold under repurchase agreements	—	(11,871,042)	(4,457,900)	(4,469,027)	—	—	—	—	(20,797,969)
Deposits from customers	(103,385,090)	(10,240,320)	(14,511,348)	(28,433,924)	(3,011,318)	(6)	—	—	(159,582,006)
Other liabilities (including deferred income tax liabilities)	(738,985)	(884,355)	(140,962)	(580,493)	(769,710)	(4,827)	—	(33,966)	(3,153,298)
Total liabilities	(105,943,113)	(23,639,725)	(19,533,810)	(39,582,380)	(5,881,028)	(4,833)	—	(33,966)	(194,618,855)
Net liquidity gap	(92,864,976)	11,617,188	(4,186,529)	25,236,936	44,123,472	28,151,682	114,050	2,165,470	14,357,293

The Group and Bank

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at December 31, 2011									
Cash and balances with the central bank	22,207,816	33,620,828	—	—	—	—	—	—	55,828,644
Due from banks and other financial institutions	1,863,574	3,459,484	1,303,180	449,970	—	—	—	—	7,076,208
Placements with and loans to banks and other financial institutions	—	1,564,611	301,617	1,714,944	—	—	—	—	3,581,172
Financial assets held for trading	—	76,482	113,409	805,983	3,055,133	984,800	—	—	5,035,807
Financial assets held under resale agreements	—	2,316,442	3,000,934	—	—	—	—	—	5,317,376
Loans and advances to customers	—	8,349,732	12,303,552	58,384,894	25,027,364	29,789,778	67,563	—	133,922,883
investment securities									
—Loans and receivables	—	—	3,091,887	552,254	170,975	—	—	—	3,815,116
—Available-for-sale	—	887,868	988,411	2,076,412	9,555,028	4,830,201	—	18,983	18,356,903
—Held-to-maturity	—	50,000	428,564	1,952,336	11,230,947	6,942,701	—	—	20,604,548
Other assets (including deferred income tax assets)	38,497	389,131	227,086	405,245	51,075	—	—	2,331,865	3,442,899
Total assets	24,109,887	50,714,578	21,758,640	66,342,038	49,090,522	42,547,480	67,563	2,350,848	256,981,556
Deposits from banks and other financial institutions	(374,810)	(1,809,045)	(2,570,000)	(4,569,631)	—	—	—	—	(9,323,486)
Placements from banks and other financial institutions	—	(2,369,588)	(664,934)	(500,000)	—	—	—	—	(3,534,522)
Financial assets sold under repurchase agreements	—	(15,885,517)	(15,829)	(283,450)	—	—	—	—	(16,184,796)
Deposits from customers	(122,230,721)	(12,827,262)	(16,737,572)	(39,360,572)	(12,423,577)	—	—	—	(203,579,704)
Debt securities in issue	—	—	—	—	—	(3,991,461)	—	—	(3,991,461)
Other liabilities (including deferred income tax liabilities)	(310,207)	(679,861)	(228,195)	(1,033,991)	(999,993)	(1)	—	(31,813)	(3,284,061)
Total liabilities	(122,915,738)	(33,571,273)	(20,216,530)	(45,747,644)	(13,423,570)	(3,991,462)	—	(31,813)	(239,898,030)
Net liquidity gap	(98,805,851)	17,143,305	1,542,110	20,594,394	35,666,952	38,556,018	67,563	2,319,035	17,083,526

The Group and Bank

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at December 31, 2012									
Cash and balances with the central bank	16,737,893	40,911,390	—	—	—	—	—	—	57,649,283
Due from banks and other financial institutions	1,282,308	710,047	1,690,641	150,669	—	—	—	—	3,833,665
Placements with and loans to banks and other financial institutions	—	1,240,902	1,456,011	116,464	—	—	—	—	2,813,377
Financial assets held for trading	—	30,774	122,044	351,667	1,995,048	1,099,301	—	—	3,598,834
Financial assets held under resale agreements	—	2,824,895	14,097,089	21,276,139	—	—	—	—	38,198,123
Loans and advances to customers	—	9,942,063	16,855,130	68,453,319	30,847,485	33,479,833	363,645	—	159,941,475
investment securities									
—Loans and receivables	—	—	89,930	1,636,377	87,882	—	—	—	1,814,189
—Available-for-sale	—	1,365,977	2,269,569	3,683,196	11,799,252	6,446,228	—	16,383	25,580,605
—Held-to-maturity	—	—	311,499	5,678,617	11,963,471	8,109,139	—	—	26,062,726
Other assets (including deferred income tax assets)	637,446	451,452	303,669	601,270	26,000	—	—	2,712,243	4,732,080
Total assets	18,657,647	57,477,500	37,195,582	101,947,718	56,719,138	49,134,501	363,645	2,728,626	324,224,357
Deposits from banks and other financial institutions	(329,675)	(87,253)	(3,056,194)	(363,545)	(2,055,976)	(72,607)	—	—	(5,965,250)
Placements from banks and other financial institutions	—	(748,200)	—	(150,000)	—	—	—	—	(898,200)
Financial assets sold under repurchase agreements	—	(17,137,597)	(14,977,688)	(15,768,181)	—	—	—	—	(47,883,466)
Deposits from customers	(122,336,331)	(12,499,809)	(38,082,367)	(47,776,374)	(18,104,242)	(744,000)	—	—	(239,543,123)
Debt securities in issue	—	—	—	—	—	(3,991,828)	—	—	(3,991,828)
Other liabilities (including deferred income tax liabilities)	(1,734,310)	(837,300)	(324,559)	(1,273,472)	(1,259,803)	(27)	—	(32,095)	(5,461,566)
Total liabilities	(124,400,316)	(31,310,159)	(56,440,808)	(65,331,572)	(21,420,021)	(4,808,462)	—	(32,095)	(303,743,433)
Net liquidity gap	(105,742,669)	26,167,341	(19,245,225)	36,616,146	35,299,117	44,326,039	363,645	2,696,531	20,480,924

The Group

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at June 30, 2013									
Cash and balances with the central bank	2,367,241	57,283,027	—	—	—	—	—	—	59,650,268
Due from banks and other financial institutions	1,487,212	765,940	854,070	1,060,118	—	—	—	—	4,167,340
Placements with and loans to banks and other financial institutions	—	7,727	231,917	652,953	—	—	—	—	892,597
Financial assets held for trading	—	20,828	109,534	179,721	2,263,122	1,095,213	—	—	3,668,418
Derivative financial assets	—	18	29	163	—	—	—	—	210
Financial assets held under resale agreements	—	8,891,796	38,954,063	44,435,035	—	—	—	—	92,280,894
Loans and advances to customers	—	6,911,967	19,384,121	78,333,784	34,458,070	39,185,990	592,129	—	178,866,061
investment securities									
—Loans and receivables	—	3,068,045	1,042,175	4,271,200	51,979	—	—	—	8,433,399
—Available-for-sale	—	3,113,724	3,258,633	1,594,776	14,646,270	8,492,120	—	16,383	31,121,906
—Held-to-maturity	—	1,369,864	561,325	1,658,840	12,882,203	9,239,877	—	—	25,712,109
Other assets (including deferred income tax assets)	386,671	640,032	315,311	639,526	16,975	—	—	2,795,380	4,793,895
Total assets	4,241,124	82,072,968	64,711,178	132,826,116	64,318,619	58,013,200	592,129	2,811,763	409,587,097
Deposits from banks and other financial institutions	(253,214)	(2,377,124)	(1,970,000)	(9,100,000)	(6,000,000)	—	—	—	(19,700,338)
Placements from banks and other financial institutions	—	(628,683)	(274,232)	—	—	—	—	—	(902,915)
Derivative financial liabilities	—	(6)	(6)	(79)	—	—	—	—	(91)
Financial assets sold under repurchase agreements	—	(24,375,062)	(40,954,883)	(35,340,160)	—	—	—	—	(100,670,105)
Deposits from customers	(136,325,585)	(14,338,594)	(23,516,988)	(48,972,832)	(27,382,412)	(1,600,896)	—	—	(252,137,307)
Debt securities in issue	—	—	—	—	(4,993,225)	(3,992,018)	—	—	(8,985,243)
Other liabilities (including deferred income tax liabilities)	(1,344,586)	(635,137)	(287,299)	(1,141,894)	(1,561,469)	(1,083)	—	(33,354)	(5,004,822)
Total liabilities	(137,923,385)	(42,354,606)	(67,003,408)	(94,554,965)	(39,937,106)	(5,593,997)	—	(33,354)	(387,400,821)
Net liquidity gap	(133,682,261)	39,718,362	(2,292,230)	38,271,151	24,381,513	52,419,203	592,129	2,778,409	22,186,276

The Bank

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at June 30, 2013									
Cash and balances with the central bank	2,365,444	57,283,027	—	—	—	—	—	—	59,648,471
Due from banks and other financial institutions	1,487,212	765,940	854,070	1,060,118	—	—	—	—	4,167,340
Placements with and loans to banks and other financial institutions	—	7,727	231,917	652,953	—	—	—	—	892,597
Financial assets held for trading	—	20,828	109,534	179,721	2,263,122	1,095,213	—	—	3,668,418
Derivative financial assets	—	18	29	163	—	—	—	—	210
Financial assets held under resale agreements	—	8,891,796	38,954,063	44,435,035	—	—	—	—	92,280,894
Loans and advances to customers	—	6,911,967	19,384,121	78,333,584	34,458,070	39,185,990	592,129	—	178,865,861
investment securities									
—Loans and receivables	—	3,068,045	1,042,175	4,271,200	51,979	—	—	—	8,433,399
—Available-for-sale	—	3,113,724	3,258,633	1,594,776	14,646,270	8,492,120	—	16,383	31,121,906
—Held-to-maturity	—	1,369,864	561,325	1,658,840	12,882,203	9,239,877	—	—	25,712,109
Other assets (including deferred income tax assets)	386,671	640,032	315,311	639,526	16,975	—	—	2,828,180	4,826,695
Total assets	4,239,327	82,072,968	64,711,178	132,825,916	64,318,619	58,013,200	592,129	2,844,563	409,617,900
Deposits from banks and other financial institutions	(253,214)	(2,396,226)	(2,040,000)	(9,100,000)	(6,000,000)	—	—	—	(19,789,440)
Placements from banks and other financial institutions	—	(628,683)	(274,232)	—	—	—	—	—	(902,915)
Financial derivative liabilities	—	(6)	(6)	(79)	—	—	—	—	(91)
Financial assets sold under repurchase agreements	—	(24,375,062)	(40,954,883)	(35,340,160)	—	—	—	—	(100,670,105)
Deposits from customers	(136,325,585)	(14,327,507)	(23,516,988)	(48,972,832)	(27,382,412)	(1,600,896)	—	—	(252,126,220)
Debt securities in issue	—	—	—	—	(4,993,225)	(3,992,018)	—	—	(8,985,243)
Other liabilities (including deferred income tax liabilities)	(1,344,585)	(635,134)	(287,299)	(1,141,894)	(1,561,469)	(1,083)	—	(33,354)	(5,004,818)
Total liabilities	(137,923,384)	(42,362,618)	(67,073,408)	(94,554,965)	(39,937,106)	(5,593,997)	—	(33,354)	(387,478,832)
Net liquidity gap	(133,684,057)	39,710,350	(2,362,230)	38,270,951	24,381,513	52,419,203	592,129	2,811,209	22,139,068

46.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amount of cash collaterals. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, therefore, funds required for guarantees and letters of credit are not so much as required for other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amount for credit commitment cannot represent the actual funds required.

The Group and Bank

	Within 1 year	1-5 years	Over 5 years	Total
As at December 31, 2010				
Bank acceptance	27,467,421	—	—	27,467,421
Letter of credit	1,558,210	124,693	—	1,682,903
Letter of guarantee	904,764	748,889	2,679	1,656,332
Loan commitments	1,000	51,000	—	52,000
Unused credit card lines	257,795	257,795	—	515,590
Total	30,189,190	1,182,377	2,679	31,374,246

The Group and Bank

	Within 1 year	1-5 years	Over 5 years	Total
As at December 31, 2011				
Bank acceptance	38,087,308	—	—	38,087,308
Letter of credit	2,529,126	524,017	—	3,053,143
Letter of guarantee	975,762	776,753	200	1,752,715
Loan commitments	168,903	129,097	—	298,000
Unused credit card lines	271,805	271,804	—	543,609
Total	42,032,904	1,701,671	200	43,734,775

The Group and Bank

	Within 1 year	1-5 years	Over 5 years	Total
As at December 31, 2012				
Bank acceptance	46,602,041	—	—	46,602,041
Letter of credit	1,992,079	31,269	—	2,023,348
Letter of guarantee	869,992	804,752	200	1,674,944
Loan commitments	244,465	222,075	—	466,540
Unused credit card lines	854,489	854,488	—	1,708,977
Total	50,563,066	1,912,584	200	52,475,850

The Group and Bank

	Within 1 year	1-5 years	Over 5 years	Total
As at June 30, 2013				
Bank acceptance	50,744,290	—	—	50,744,290
Letter of credit	3,314,316	21,392	—	3,335,708
Letter of guarantee	906,274	864,797	3,181	1,774,252
Loan commitments	126,719	278,681	—	405,400
Unused credit card lines	1,139,094	1,139,094	—	2,278,188
Total	56,230,693	2,303,964	3,181	58,537,838

46.4 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet, including investment securities-loans and receivables, investment securities-held-to-maturity, deposits from customers and debt securities in issue.

As the following financial assets and liabilities will fall due within one year or are with floating interest rates, their carrying values are similar to fair values. Such assets and liabilities include: cash and balances with the central bank, due from and placements with and loans to banks and other financial institutions, financial assets held under resale agreements, deposits and placements from banks and other financial institutions, financial liabilities sold for repurchase, interest receivable, interest payable, other assets and other liabilities.

Most loans and advances to customers are subject to an annual or more frequent re-pricing based on market rates. Thus, their carrying value is similar to fair value.

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Investment securities-Loans and receivables	6,888,458	6,850,449	3,815,116	3,814,564	1,814,189	1,795,394	8,433,399	8,417,646
Investment securities-Held-to-maturity	13,190,678	13,026,324	20,604,548	20,615,724	26,062,726	26,013,829	25,712,109	25,663,696
Financial Liabilities								
Deposits from customers	(159,582,006)	(159,436,224)	(203,579,704)	(203,235,288)	(239,543,123)	(239,150,154)	(252,137,307)	(252,094,138)
Debt securities in issue	—	—	(3,991,461)	(3,595,860)	(3,991,828)	(3,929,248)	(8,985,243)	(9,099,364)

(i) Loans and receivables and held-to-maturity investments

The fair value of held-to-maturity assets is based on market prices. As such information is not available for loans and receivables, the estimated fair value represents the discounted amount of estimated future cash flows expected to be received and quoted market prices for products with similar credit, maturity and yield characteristics are used where applicable.

(ii) Deposits from customers

The estimated fair value of deposits with no stated maturity, which includes check accounts, deposit accounts and short-term money market deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing time deposits not quoted in an active market is based on discounted cash flows using interest rates for existing time deposits with similar remaining maturity.

(iii) Debt securities in issue

The aggregate fair value is calculated based on quoted market prices.

(b) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Hong Kong Stock Exchange).
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and issued structured debt in interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are China Bond and Bloomberg.
- Level 3—Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments.

The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

For unlisted equities (private equity) held by the Group, the fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments. Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

Assets and liabilities measured at fair value:

The Group and Bank

	Level 1	Level 2	Level 3	Total
As at December 31, 2010				
Financial assets held for trading				
—Debt securities	—	2,717,898	—	2,717,898
Available-for-sale				
—Debt securities	—	20,725,156	—	20,725,156
—Equity securities	5,660	—	8,884	14,544
—Asset management schemes by securities firms or trust companies	—	125,930	—	125,930
Total assets	5,660	23,568,984	8,884	23,583,528

The Group and Bank

	Level 1	Level 2	Level 3	Total
As at December 31, 2011				
Financial assets held for trading				
—Debt securities	—	5,035,807	—	5,035,807
Available-for-sale				
—Debt securities	—	16,056,010	—	16,056,010
—Equity securities	8,825	—	10,158	18,983
—Asset management schemes by securities firms or trust companies	—	2,281,910	—	2,281,910
Total assets	8,825	23,373,727	10,158	23,392,710

The Group and Bank

	Level 1	Level 2	Level 3	Total
As at December 31, 2012				
Financial assets held for trading				
—Debt securities	—	3,598,834	—	3,598,834
Available-for-sale				
—Debt securities	—	20,475,612	—	20,475,612
—Equity securities	6,474	—	9,909	16,383
—Asset management schemes by securities firms or trust companies	—	5,088,610	—	5,088,610
Total assets	6,474	29,163,056	9,909	29,179,439

The Group and Bank

	Level 1	Level 2	Level 3	Total
As at June 30, 2013				
Financial assets held for trading				
—Debt securities	—	3,668,418	—	3,668,418
Derivative financial assets	—	210	—	210
Available-for-sale				
—Debt securities	—	25,990,403	—	25,990,403
—Equity securities	6,474	—	9,909	16,383
—Asset management schemes by securities firms or trust companies	—	5,115,120	—	5,115,120
Total assets	6,474	34,774,151	9,909	34,790,534
Derivative financial liabilities	—	(91)	—	(91)
Total liabilities	—	(91)	—	(91)

The following table presents the changes in level 3 instruments:

The Group and Bank

	Available-for-sale	Total assets
Balance at January 1, 2010	10,249	10,249
Total gains/(losses)		
—Disposals	(1,365)	(1,365)
Balance at December 31, 2010	8,884	8,884
Total gains/(losses) for the period included in profit or loss for assets/liabilities held at December 31, 2010	343	343

The Group and Bank

	Available-for-sale	Total assets
Balance at January 1, 2011	8,884	8,884
Total gains/(losses)		
—Fair value changes taken into equity	1,274	1,274
Balance at December 31, 2011	10,158	10,158
Total gains/(losses) for the period included in profit or loss for assets/liabilities held at December 31, 2011	2,249	2,249

The Group and Bank

	Available-for-sale	Total assets
Balance at January 1, 2012	10,158	10,158
Total gains/(losses)		
—Disposals	(249)	(249)
Balance at December 31, 2012	9,909	9,909
Total gains/(losses) for the period included in profit or loss for assets/liabilities held at December 31, 2012	305	305

The Group and Bank

	Available-for-sale	Total assets
Balance at January 1, 2013	9,909	9,909
Total gains/(losses)		
—Disposals	—	—
Balance at June 30, 2013	9,909	9,909
Total gains/(losses) for the period included in profit or loss for assets/liabilities held at June 30, 2013	—	—

46.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management also aims to stimulate expansion of capital scale and to improve risk management.

The Group prudently set the objective of capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions, like limit management to ensure the realization of the objectives and proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes modification of dividend distribution plan, raising new capital and issuance of new bonds.

In 2010, 2011 and 2012, the Group calculated and disclosed capital ratio in accordance with "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" amended by the CBRC on December 28, 2006 and other relevant regulation. From January 1, 2013, the Group started to implement "The Trial Measures for Capital Management of Commercial Banks" Promulgated by the CBRC on June 7, 2012.

The table below summarizes the capital adequacy ratios of the Group and the Bank for the years ended December 31, 2010, 2011 and 2012:

The Group and Bank

	As at December 31,		
	2010	2011	2012
Core capital:			
Paid up ordinary share capital	8,174,819	8,174,819	8,174,819
Capital reserve	1,721,425	1,772,530	1,681,017
Surplus reserve and general reserve	1,766,283	2,585,779	3,560,679
Profit and loss	2,694,766	3,732,916	6,240,783
	14,357,293	16,266,044	19,657,298
Supplementary capital:			
Collective impairment allowances for impaired assets	1,175,256	1,756,256	2,223,599
Subordinated debts	—	4,000,000	4,000,000
Other supplementary capital	—	—	6,144
Total supplementary capital	1,175,256	5,756,256	6,229,743
Total qualifying supplementary capital	1,175,256	5,756,256	6,229,743
Total capital base before deduction	15,532,549	22,022,300	25,887,041
Deductions:			
Equity investments in financial institutions which are not consolidated	(141,180)	(140,000)	(140,000)
Equity investments in enterprises	(9,924)	—	—
	(151,104)	(140,000)	(140,000)
Total capital base, net of deductions	15,381,445	21,882,300	25,747,041
Core capital base, net of deductions	14,281,741	16,196,044	19,587,298
Risk-weighted assets:			
On-balance sheet	116,449,648	131,224,011	167,696,487
Off-balance sheet	11,131,362	17,830,571	22,413,330
Total risk-weighted assets	127,581,010	149,054,582	190,109,817
Capital adequacy ratio	12.06%	14.68%	13.54%
Core capital adequacy ratio	11.19%	10.87%	10.30%

The tables below summarize the capital adequacy ratio of the Group and the Bank for the period ended June 30, 2013:

The Group

	As at June 30, 2013
Core Tier 1 capital	22,182,467
Including: Paid-up capital	8,174,819
Capital reserve	1,704,626
Surplus reserve, general and statutory reserve	5,581,720
Retained Earnings	6,677,906
Non-controlling interests	43,396
Regulation of deductions for core Tier 1 capital	(67,354)
Total core Tier 1 capital, net of deductions	22,115,113
Other Tier 1 capital	5,786
Total Tier 1 capital, net of deductions	22,120,899
Tier 2 capital	6,361,997
Including: Tier 2 capital instruments and premium	3,592,645
Surplus loan loss provisions	2,757,780
Non-controlling interests	11,572
Regulation of deductions for Tier 2 capital	—
Total capital, net of deductions	28,482,896
Credit risk-weighted assets	223,380,160
Market risk-weighted assets	1,220,043
Operational risk-weighted assets	14,663,082
Total risk-weighted assets	239,263,285
Capital adequacy ratio	11.90%
Tier 1 capital adequacy ratio	9.25%
Core Tier 1 capital adequacy ratio	9.24%

According to regulatory requirement, the capital adequacy ratio calculation by the Group above is based on the consolidation of both Jinzhai Huiyin Rural Bank Co., Ltd and Wuwei Huiyin Rural Bank Co., Ltd.

The Bank

	As at June 30, 2013
Core Tier 1 capital	22,139,068
Including: Paid-up capital	8,174,819
Capital reserve	1,704,626
Surplus reserve, general and statutory reserve	5,581,720
Retained Earnings	6,677,903
Regulation of deductions for core Tier 1 capital	(166,059)
Total core Tier 1 capital, net of deductions	21,973,009
Tier 2 capital	6,339,726
Including: Tier 2 capital instruments and premium	3,592,645
Surplus loan loss provisions	2,747,081
Regulation of deductions for Tier 2 capital	—
Total capital, net of deductions	28,312,735
Credit risk-weighted assets	222,513,527
Market risk-weighted assets	1,220,043
Operational risk-weighted assets	14,584,311
Total risk-weighted assets	238,317,881
Capital adequacy ratio	11.88%
Tier 1 capital adequacy ratio	9.22%
Core Tier 1 capital adequacy ratio	9.22%

46.6 Fiduciary activities

The Group provides custody and trustee services to third parties. These assets arising thereon are excluded from the financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the financial statements either.

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Entrusted loans	6,180,386	9,780,024	14,062,704	22,274,110
Off-balance sheet wealth management	177,912	—	2,500,000	2,700,350

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to June 30, 2013 and up to the date of this report. Save as disclosed in this report, no dividend distribution has been declared or made by the Group in respect of any period subsequent to June 30, 2013.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong