



China CITIC Bank Corporation Limited

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

Stock Code: 0998

## 2012 Interim Report





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# Financial Highlights

## | Operating Performance

| Item   | Unit: RMB million       |                         |                    |
|--|-------------------------|-------------------------|--------------------|
|  | January to<br>June 2012 | January to<br>June 2011 | Growth rate<br>(%) |
| Operating income   | 44,243                  | 35,335                  | 25.21              |
| Total profits  | 25,876                  | 20,326                  | 27.30              |
| <b>Net profit attributable to<br/>shareholders of the Bank</b> | <b>19,373</b>           | 15,024                  | 28.95              |
| Net operating cash flow  | (75,551)                | 7,491                   | –                  |
| Per share  |                         |                         |                    |
| Basic earnings per share (RMB)                                 | 0.41                    | 0.37                    | 10.81              |
| Diluted earnings per share (RMB)                               | 0.41                    | 0.37                    | 10.81              |
| Net operating cash flow per share (RMB)                        | (1.61)                  | 0.19                    | –                  |

Note: In 2011, the Bank completed equity financing through rights issue. As a result, the price discount in rights shares subscription was considered when calculating basic earnings per share, and earnings per share in comparative period were recalculated based on the number of shares adjusted.

## | Profitability Indicators

| Item   | January to<br>June 2012 | January to<br>June 2011 | Increase/<br>(decrease) |
|--|-------------------------|-------------------------|-------------------------|
| Return on average assets (ROAA)  | 1.38%                   | 1.41%                   | (0.03)                  |
| Return on average equity<br>(ROAE, excluding<br>non-controlling interests) | 21.38%                  | 23.54%                  | (2.16)                  |
| Cost-to-income ratio   | 28.48%                  | 30.36%                  | (1.88)                  |
| Credit cost  | 0.33%                   | 0.29%                   | 0.04                    |
| Net interest spread  | 2.68%                   | 2.76%                   | (0.08)                  |
| Net interest margin  | 2.89%                   | 2.89%                   | –                       |

## | Scale Indicators

| Item   | Unit: RMB million |                     |                    |
|--|-------------------|---------------------|--------------------|
|  | 30 June 2012      | 31 December<br>2011 | Growth rate<br>(%) |
| <b>Total assets</b>  | <b>2,916,365</b>  | 2,765,881           | 5.44               |
| Total loans and advances to customers  | 1,535,352         | 1,434,037           | 7.07               |
| <b>Total liabilities</b>   | <b>2,723,885</b>  | 2,587,100           | 5.29               |
| Total deposits from customers  | 2,188,820         | 1,968,051           | 11.22              |
| <b>Total equity attributable to<br/>the Bank's shareholders</b>              | <b>187,892</b>    | 174,496             | 7.68               |
| <b>Net asset per share attributable<br/>to the Bank's shareholders (RMB)</b> | <b>4.02</b>       | 3.73                | 7.68               |



## | Asset Quality Indicators

| Item  | 30 June 2012     | 31 December<br>2011 | Unit: RMB million                   |
|---|------------------|---------------------|-------------------------------------|
|   |                  |                     | Growth rate/<br>increase/(decrease) |
| Performing loans  | <b>1,525,959</b> | 1,425,496           | 7.05%                               |
| Non-performing loans (NPLs)                               | <b>9,393</b>     | 8,541               | 9.98%                               |
| Allowance for impairment of loans                         | <b>25,660</b>    | 23,258              | 10.33%                              |
| NPL ratio   | <b>0.61%</b>     | 0.60%               | 0.01%                               |
| Provision coverage ratio                                  | <b>273.18%</b>   | 272.31%             | 0.87%                               |
| Allowance for impairment of loans<br>to total loans ratio | <b>1.67%</b>     | 1.62%               | 0.05%                               |

Note: Performing loans include normal loans and special-mention loans. NPLs include substandard loans, doubtful loans and loss loans.

## | Capital Adequacy Indicators

| Item                               | 30 June 2012  | 31 December<br>2011 | Increase/<br>(decrease) |
|------------------------------------|---------------|---------------------|-------------------------|
|                                    |               |                     |                         |
| Capital adequacy ratio             | <b>13.44%</b> | 12.27%              | 1.17                    |
| Core capital adequacy ratio        | <b>10.05%</b> | 9.91%               | 0.14                    |
| Total equity to total assets ratio | <b>6.60%</b>  | 6.46%               | 0.14                    |

# Corporate Information

|  |   |
|--|---|
| Registered Name in Chinese:                  | 中信銀行股份有限公司  |
| Registered Name in English:                  | CHINA CITIC BANK CORPORATION LIMITED<br>(abbreviated as “CNCB”)   |
| Legal Representative:                        | Tian Guoli  |
| Authorized Representatives:                  | Chen Xiaoxian, Lin Zhengyue   |
| Secretary to the Board of Directors:         | Lin Zhengyue  |
| Joint Company Secretary                      | Lin Zhengyue, Wendy KAM Mei Ha (ACS, ACIS)  |
| Representative of Securities Affairs:        | Wang Junwei   |
| Qualified Accountant:                        | Lu Wei (MPA, CPA)   |
| Registered Address and Office Address:       | Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie,<br>Dongcheng District, Beijing  |
| Postal Code:                                 | 100027  |
| Website:                                     | bank.ecitic.com   |
| Telephone Number:                            | +86-10-65558000   |
| Fax Number:                                  | +86-10-65550809   |
| Email Address:                               | ir_cncb@citicbank.com   |
| Principal Place of Business in<br>Hong Kong: | Level 28, Three Pacific Place, 1 Queen’s Road East, Hong Kong   |
| Newspapers for Information Disclosure:       | China Securities Journal, Shanghai Securities News, Securities Time   |
| Websites for Information Disclosure:         | Website designated by the CSRC to publish A-share interim<br>report:<br>www.sse.com.cn<br><br>Website designated by the SEHK to publish H-share interim<br>report:<br>www.hkexnews.hk |
| Place Where Interim Report is Kept:          | Board Office, CITIC Bank  |
| Legal Advisor as to PRC Laws:                | Jun He Law Offices  |
| Legal Advisor as to Hong Kong Laws:          | Freshfields Bruckhaus Deringer  |

|   |   |
|---|---|
| PRC Auditor:  | KPMG Huazhen (Special General Partnership)<br>8th Floor, Office Building Tower 2, Oriental Plaza East,<br>No. 1 East Chang'an Avenue, Beijing, China<br>(Postal code: 100738)               |
| International Auditor:  | KPMG<br>8th Floor, Prince's Building, No. 10 Chater Road, Central,<br>Hong Kong   |
| A-share Registrar:  | Shanghai Branch of China Securities Depository and<br>Clearing Corporation Limited<br>36th Floor, China Insurance Building,<br>No. 166 Lujiazui East Road,<br>Pudong New District, Shanghai |
| H-share Registrar:  | Computershare Hong Kong Investor Services Limited<br>46th Floor, Hopewell Centre, No. 183 Queen's Road East,<br>Wan Chai, Hong Kong   |
| Places Where Shares are Listed,<br>Stock Name and Stock Code: | A-share<br>Shanghai Stock Exchange<br>CNCB 601998<br><br>H-Share<br>The Stock Exchange of Hong Kong Limited<br>CITIC Bank 00998   |
| Date of First Registration:                                   | 20 April 1987   |
| Date of Changing Registration:                                | 5 July 2012   |
| Authority of First Registration<br>and Changing Registration: | State Administration for Industry & Commerce, PRC   |
| Registration Number of Business License:                      | 100000000006002   |
| Institution Number of Finance License:                        | B0006H111000001   |
| Tax Registration Number:                                      | 110105101690725   |
| Certificate of Organization Code:                             | 10169072-5  |

This report is made in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

# Report

## of the Board of Directors

### | Economic, Financial and Regulatory Environment

In the first half of 2012, the world economy still lingered on the downward track and suffered from unstable and uneven economic development. Fiscal and trade deficits of the United States persisted. With no fundamental solution available to the European sovereign debt crisis, the entire Euro zone economy remained weak and vulnerable. The Japanese economy showed no remarkable sign of change for the better. Even economic momentum of emerging economies generally slowed down. Countries resorted to monetary easing to promote economic growth, with some countries facing risks of high inflation and flows of massive cross-border short-term capital.

Confronted with the complicated and severe international and domestic economic environment, the Chinese national economy enjoyed an overall stability thanks to the Central Committee of CPC and the State Council's insistence on an overall work tone of progressing amidst stability, which, amongst others, featured more attention to the growth stability, implementation of proactive fiscal policy and prudent monetary policy, and enhanced policy pre-adjustment and fine-tuning. Gross domestic product (GDP) in the first half of the year recorded RMB22.7098 trillion, representing a growth of 7.8% year on year; fixed assets investment grew steadily to RMB15.0710 trillion, up by 20.4% year on year; and aggregate sales of retail consumer goods was RMB9.8222 trillion, an increase of 14.4% year on year.

The financial industry in China maintained its prudent operation in the first half of 2012. The total social financing in China registered RMB7.78 trillion, RMB13.5 billion more than the same period of the previous year. As at the end of June 2012, the supply of broad money (M2) and narrow money (M1) reached RMB92.50 trillion and RMB28.75 trillion respectively, up by 13.6% and 4.7% year on year respectively. Balance of loans denominated in both local and foreign currencies totaled RMB63.33 trillion, a growth of 15.9% year on year, including Renminbi loan balance of RMB59.64 trillion, up by 16.0% year on year; while new increase in Renminbi-denominated loans was RMB4.86 trillion, RMB683.3 billion more than the incremental amount in the same period of the previous year. Balance of deposits denominated in both local and foreign currencies totaled RMB90.88 trillion, up by 13.2% year on year, including Renminbi deposit balance of RMB88.31 trillion, a growth of 12.3% year on year.

In the first half of 2012, China's banking industry encountered an even broader regulation. The CBRC increased its financial support to key economic and social aspects and tightened its risk regulations over key areas to push the banking industry to better serve the real economy. To regulate service charges by commercial banks and protect legitimate rights and interests of consumers, CBRC, PBC and National Development and Reform Commission jointly released the *Measures for Administration of Service Charges by Commercial Banks (draft for comments)* intensifying regulation over service charges by commercial banks. With regard to capital regulation, the newly released *Measures for Administration of Capital Management of Commercial Banks (trial)* features more stringent regulatory criteria, stricter capital regulation, a broader range of regulation indicators and stricter regulatory requirements. In terms of interest rate regulation, the PBC announced asymmetrical interest rate cuts twice within a single month, which indicated a marked acceleration of the market-oriented interest rate reform, in the face of which, it is imperative for commercial banks to strengthen their interest rate risk management, drive forward strategic transformation and create competitive and differentiated advantages so as to respond to the far-reaching influence of the interest rate marketization.



## | Analysis of the Financial Statements

### Overview

Faced with complicated and changeable economic and financial situations at home and abroad in the first half of 2012, the Group adhered to its guiding principle of “accelerating transformation, strengthening management and promoting market competitiveness”, and continued promoting the business transformation and the adjustment of operation strategies. With all indicators fulfilling the regulatory requirements, the Group continued to achieve remarkable increase in economic returns, maintained a sound asset quality and realized a steady growth in business scale.

During the reporting period, the Group realized a net profit attributable to the Bank’s shareholders of RMB19.373 billion, up by 28.95% year on year; net interest income of RMB36.929 billion, up by 23.90% year on year; realized a net interest margin of 2.89%, breaking even with the previous year; and a net non-interest income of RMB7.314 billion, up by 32.28% year on year.

As at the end of the reporting period, the Group’s total assets reached RMB2,916.365 billion, up by 5.44% over the end of the previous year, of which total loans to customers was RMB1,535.352 billion, up by 7.07% over the end of the previous year; total liabilities of the Group amounted to RMB2,723.885 billion, up by 5.29% over the end of the previous year, of which total deposits from customers amounted to RMB2,188.820 billion, up by 11.22% over the end of the previous year.

As at the end of the reporting period, the Group’s balance of non-performing Loans (NPLs) was RMB9.393 billion, up by RMB852 million over the end of the previous year; NPL ratio was 0.61%, up by 0.01 percentage point over the end of the previous year; and provision coverage ratio reached 273.18%, up by 0.87 percentage point over the end of the previous year.

### Income Statement Analysis

|  | <b>January to<br/>June 2012</b> | January to<br>June 2011 | Increase/<br>decrease<br>year on year | Growth rate<br>year on year<br>(%) |
|--|---------------------------------|-------------------------|---------------------------------------|------------------------------------|
| Net interest income  | 36,929                          | 29,806                  | 7,123                                 | 23.90                              |
| Net non-interest income  | 7,314                           | 5,529                   | 1,785                                 | 32.28                              |
| Operating income   | 44,243                          | 35,335                  | 8,908                                 | 25.21                              |
| Operating expense  | (15,858)                        | (13,159)                | 2,699                                 | 20.51                              |
| Asset impairment loss  | (2,524)                         | (1,929)                 | 595                                   | 30.84                              |
| Profit before taxation   | 25,876                          | 20,326                  | 5,550                                 | 27.30                              |
| Income tax   | (6,291)                         | (5,053)                 | 1,238                                 | 24.50                              |
| Net profit   | 19,585                          | 15,273                  | 4,312                                 | 28.23                              |
| Including: Net profit attributable to<br>the Bank’s shareholders | 19,373                          | 15,024                  | 4,349                                 | 28.95                              |
| Minority interests   | 212                             | 249                     | (37)                                  | (14.86)                            |

*Unit: RMB million*

## Net Interest Income

The Group's net interest income was influenced by the difference between the yield of interest-earning assets and the cost of interest-bearing liabilities, as well as the difference between the average balance of interest-earning assets and the interest-bearing liabilities. During the reporting period, the Group realized a net interest income of RMB36.929 billion, up by RMB7.123 billion or 23.90% year on year, which was mainly attributable to the continuous increase in interest-earning assets.

The table below sets out the average balances and average interest rates of the Group's interest-earning assets and interest-bearing liabilities.

*Unit: RMB million*

| Item   | January to June 2012 |               |                             | January to June 2011 |               |                             | 2011             |                |                             |
|--|----------------------|---------------|-----------------------------|----------------------|---------------|-----------------------------|------------------|----------------|-----------------------------|
|  | Average balance      | Interest      | Average yield/cost rate (%) | Average balance      | Interest      | Average yield/cost rate (%) | Average balance  | Interest       | Average yield/cost rate (%) |
| <b>Interest-earning assets</b>   |                      |               |                             |                      |               |                             |                  |                |                             |
| Loans and advances to customers  | 1,466,465            | 50,199        | 6.88                        | 1,306,515            | 37,310        | 5.76                        | 1,343,708        | 82,234         | 6.12                        |
| Investment in debt securities  | 269,371              | 4,778         | 3.57                        | 241,537              | 3,510         | 2.93                        | 237,823          | 7,636          | 3.21                        |
| Deposits with Central Bank   | 375,666              | 2,941         | 1.57                        | 278,531              | 2,022         | 1.46                        | 298,864          | 4,425          | 1.48                        |
| Deposits and placements with banks and non-bank financial institutions | 339,001              | 7,857         | 4.66                        | 133,625              | 2,064         | 3.11                        | 188,459          | 7,528          | 3.99                        |
| Amounts under resale agreements  | 117,448              | 2,561         | 4.38                        | 116,093              | 2,700         | 4.69                        | 98,934           | 4,796          | 4.85                        |
| Others <sup>(1)</sup>  | -                    | 1             | -                           | -                    | 10            | -                           | -                | 4              | -                           |
| <b>Subtotal</b>  | <b>2,567,951</b>     | <b>68,337</b> | <b>5.35</b>                 | <b>2,076,301</b>     | <b>47,616</b> | <b>4.62</b>                 | <b>2,167,788</b> | <b>106,623</b> | <b>4.92</b>                 |
| <b>Interest-bearing liabilities</b>                                    |                      |               |                             |                      |               |                             |                  |                |                             |
| Deposits from customers  | 1,951,002            | 22,332        | 2.30                        | 1,708,604            | 13,992        | 1.65                        | 1,761,117        | 32,450         | 1.84                        |
| Deposits and placements from banks and non-bank financial institutions | 354,004              | 8,017         | 4.55                        | 171,605              | 2,835         | 3.33                        | 194,295          | 7,247          | 3.73                        |
| Amounts under repurchase agreements                                    | 18,206               | 405           | 4.47                        | 5,840                | 127           | 4.39                        | 10,420           | 474            | 4.55                        |
| Others <sup>(2)</sup>  | 38,157               | 654           | 3.45                        | 46,127               | 856           | 3.74                        | 36,964           | 1,346          | 3.64                        |
| <b>Subtotal</b>  | <b>2,361,369</b>     | <b>31,408</b> | <b>2.67</b>                 | <b>1,932,176</b>     | <b>17,810</b> | <b>1.86</b>                 | <b>2,002,796</b> | <b>41,517</b>  | <b>2.07</b>                 |
| <b>Net interest income</b>   |                      | <b>36,929</b> |                             |                      | <b>29,806</b> |                             |                  | <b>65,106</b>  |                             |
| <b>Net interest spread <sup>(3)</sup></b>                              |                      |               | <b>2.68</b>                 |                      |               | <b>2.76</b>                 |                  |                | <b>2.85</b>                 |
| <b>Net interest margin <sup>(4)</sup></b>                              |                      |               | <b>2.89</b>                 |                      |               | <b>2.89</b>                 |                  |                | <b>3.00</b>                 |

- Notes: (1) Mainly including interests collected from loans written off by subsidiaries during the reporting period.  
(2) Including debt securities payable and trading financial liabilities.  
(3) Representing the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.  
(4) Calculated by dividing the net interest income by the average balance of total interest-earning assets.

The table below sets out the changes in the Group's net interest income due to the changes of the factors of scale and interest rate, where changes under the joint influence of both factors are reflected in the changes of the interest rate.

*Unit: RMB million*

|   | January to June 2012 compared<br>with January to June 2011 |                         |               |
|---|--|-------------------------|---------------|
|   | Scale factor   | Interest<br>rate factor | Total         |
| <b>Assets</b>   |  |                         |               |
| Loans and advances to customers   | 4,569  | 8,320                   | 12,889        |
| Investment in debt securities   | 404  | 864                     | 1,268         |
| Deposits with Central Bank  | 703  | 216                     | 919           |
| Deposits and placements with banks<br>and non-bank financial institutions | 3,167  | 2,626                   | 5,793         |
| Amounts under resale agreements   | 32   | (171)                   | (139)         |
| Others  | –  | (9)                     | (9)           |
| <b>Changes in interest income</b>   | <b>8,875</b>   | <b>11,846</b>           | <b>20,721</b> |
| <b>Liabilities</b>  |  |                         |               |
| Deposits from customers   | 1,983  | 6,357                   | 8,340         |
| Deposits and placement from banks<br>and non-bank financial institutions  | 3,012  | 2,170                   | 5,182         |
| Amounts under repurchase agreements                                       | 269  | 9                       | 278           |
| Others  | (148)  | (54)                    | (202)         |
| <b>Changes in interest expense</b>  | <b>5,116</b>   | <b>8,482</b>            | <b>13,598</b> |
| <b>Changes in net interest income</b>                                     | <b>3,759</b>   | <b>3,364</b>            | <b>7,123</b>  |

### Net Interest Margin and Net Interest Spread

During the reporting period, the Group's net interest margin was 2.89%, breaking even with that of the corresponding period of the previous year; and net interest spread was 2.68%, down by 0.08 percentage point year on year. During the reporting period, the Central Bank strengthened the pre-emptive adjustment and fine tuning of its monetary policies by consecutively lowering the statutory deposit reserve ratio, cutting the interest rates, and accelerating the market-based reform of interest rate, which lead to the continuous narrowing down of the interest spread between deposits and loans. The Group responded proactively and took the following effective measures to ensure the net interest margin remain at a relatively high level: (1) continuously enhancing the authorization management in interest rate pricing, improving the loan re-pricing circle, and upgrading the asset yield level; (2) adjusting the funds transfer pricing prices in appropriate time, and constantly optimizing the structure of assets and liabilities; and (3) strengthening its assessment guidance, and reasonably controlling the cost of liabilities.

### Interest Income

During the reporting period, the Group realized an interest income of RMB68.337 billion, up by RMB20.721 billion or 43.52% year on year. The increase in interest income was primarily due to the increase in scale and average yield of interest-earning assets. The Group's average balance of interest-earning assets increased to RMB2,567.951 billion in the first half of 2012 from RMB2,076.301 billion in the first half of 2011, up by RMB491.650 billion or 23.68%. The average yield of interest-earning assets increased from 4.62% in the first half of 2011 to 5.35% in the first half of 2012, up by 0.73 percentage point.

### Interest Income from Loans and Advances to Customers

The interest income from loans and advances to customers has always taken the largest share in the Group's interest income. In the first half of 2012 and the first half of 2011, the interest income from loans and advances to customers accounted for 73.46% and 78.36% of the Group's total interest income, respectively.

The following table sets out the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the reporting period.

**Table 1: Classification by Term Structure**

#### The Group

|                            | January to June 2012 |                 |                   | January to June 2011 |                 |                   | 2011             |                 |                   |
|----------------------------|----------------------|-----------------|-------------------|----------------------|-----------------|-------------------|------------------|-----------------|-------------------|
|                            | Average balance      | Interest income | Average yield (%) | Average balance      | Interest income | Average yield (%) | Average balance  | Interest income | Average yield (%) |
| Short-term loans           | 768,120              | 28,422          | 7.44              | 640,542              | 19,698          | 6.20              | 666,517          | 44,578          | 6.69              |
| Long and medium-term loans | 698,345              | 21,777          | 6.27              | 665,973              | 17,612          | 5.33              | 677,191          | 37,656          | 5.56              |
| <b>Total</b>               | <b>1,466,465</b>     | <b>50,199</b>   | <b>6.88</b>       | <b>1,306,515</b>     | <b>37,310</b>   | <b>5.76</b>       | <b>1,343,708</b> | <b>82,234</b>   | <b>6.12</b>       |

Unit: RMB million

#### The Bank

|                            | January to June 2012 |                 |                   | January to June 2011 |                 |                   | 2011             |                 |                   |
|----------------------------|----------------------|-----------------|-------------------|----------------------|-----------------|-------------------|------------------|-----------------|-------------------|
|                            | Average balance      | Interest income | Average yield (%) | Average balance      | Interest income | Average yield (%) | Average balance  | Interest income | Average yield (%) |
| Short-term loans           | 754,404              | 27,984          | 7.46              | 629,539              | 19,522          | 6.25              | 656,320          | 44,181          | 6.73              |
| Long and medium-term loans | 634,011              | 20,867          | 6.62              | 597,957              | 16,767          | 5.65              | 608,977          | 35,857          | 5.89              |
| <b>Total</b>               | <b>1,388,415</b>     | <b>48,851</b>   | <b>7.08</b>       | <b>1,227,496</b>     | <b>36,289</b>   | <b>5.96</b>       | <b>1,265,297</b> | <b>80,038</b>   | <b>6.33</b>       |

Unit: RMB million

**Table 2: Classification by Type of Product**

#### The Group

|                                 | January to June 2012 |                 |                   | January to June 2011 |                 |                   | 2011             |                 |                   |
|---------------------------------|----------------------|-----------------|-------------------|----------------------|-----------------|-------------------|------------------|-----------------|-------------------|
|                                 | Average balance      | Interest income | Average yield (%) | Average balance      | Interest income | Average yield (%) | Average balance  | Interest income | Average yield (%) |
| Corporate loans                 | 1,138,227            | 39,280          | 6.94              | 1,036,691            | 29,879          | 5.81              | 1,059,306        | 65,557          | 6.19              |
| Discounted bills                | 52,443               | 2,260           | 8.67              | 43,091               | 1,373           | 6.43              | 44,645           | 3,405           | 7.63              |
| Personal loans                  | 275,795              | 8,659           | 6.31              | 226,733              | 6,058           | 5.39              | 239,757          | 13,272          | 5.54              |
| <b>Total loans to customers</b> | <b>1,466,465</b>     | <b>50,199</b>   | <b>6.88</b>       | <b>1,306,515</b>     | <b>37,310</b>   | <b>5.76</b>       | <b>1,343,708</b> | <b>82,234</b>   | <b>6.12</b>       |

Unit: RMB million

**The Bank**

|                                 | January to June 2012 |                 |                   | January to June 2011 |                 |                   | Unit: RMB million |                 |                   |
|---------------------------------|----------------------|-----------------|-------------------|----------------------|-----------------|-------------------|-------------------|-----------------|-------------------|
|                                 | Average balance      | Interest income | Average yield (%) | Average balance      | Interest income | Average yield (%) | Average balance   | Interest income | Average yield (%) |
| Corporate loans                 | 1,079,045            | 38,316          | 7.14              | 975,346              | 29,184          | 6.03              | 998,702           | 64,028          | 6.41              |
| Discounted bills                | 48,132               | 2,149           | 8.98              | 40,287               | 1,319           | 6.60              | 41,467            | 3,273           | 7.89              |
| Personal loans                  | 261,238              | 8,386           | 6.46              | 211,863              | 5,786           | 5.51              | 225,128           | 12,737          | 5.66              |
| <b>Total loans to customers</b> | <b>1,338,415</b>     | <b>48,851</b>   | <b>7.08</b>       | <b>1,227,496</b>     | <b>36,289</b>   | <b>5.96</b>       | <b>1,265,297</b>  | <b>80,038</b>   | <b>6.33</b>       |

During the reporting period, the Group's interest income from loans and advances to customers was RMB50.199 billion, up by RMB12.889 billion or 34.55% year on year, of which the Bank's interest income from loans and advances to customers was RMB48.851 billion, an increase of RMB12.562 billion or 34.62% year on year, which was mainly because the average loan yield grew by 1.12 percentage points year on year and the average balance increased by RMB160.919 billion. The main reasons that contributed to the increase of the average loan yield are as follows: (1) the Bank achieved the continuous improvement in its capability of loan risk pricing by strengthening its loan interest rate pricing management, assessment and guidance; and (2) the Bank proactively optimized its loan structure, and enhanced the issuance of loans to small and medium-sized enterprises and loans to individual businesses as well as other businesses that have relatively high yields.

**Interest Income from Investment in Debt Securities**

During the reporting period, the Group's interest income from investment in debt securities was RMB4.778 billion, up by RMB1.268 billion or 36.13% year on year, which is primarily because, as the growth of credit business in the banking industry slowed down, the Group enhanced its flexible operation of non-credit assets and increased the scale of investments in debt securities.

**Interest Income from Deposits with the Central Bank**

During the reporting period, the Group's interest income from deposits with the Central Bank amounted to RMB2.941 billion, an increase of RMB919 million or 45.45% year on year. This was mainly because, affected by the growth of consumer deposits, the statutory deposit reserves largely increased, and compared with the first half of 2011, the average balance of deposits with the Central Bank grew by RMB97.135 billion or 34.87% year on year. Meanwhile, the decrease in the proportion of the average balance of excess reserves lead to the increase in the average yield of deposits with the Central Bank growing from 1.46% in the first half of 2011 to 1.57% in the first half of 2012.

**Interest Income from Deposits and Placements with Banks and Non-Bank Financial Institutions**

During the reporting period, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB7.857 billion, up by RMB5.793 billion or 280.67% year on year, which was mainly due to the increase of 1.55 percentage points in the average yield of interest income from deposits and placements with banks and non-bank financial institutions and the increase of RMB205.376 billion in the average balance.

**Interest Income from Amounts under Resale Agreements**

During the reporting period, the Group's interest income from the amounts under resale agreements was RMB2.561 billion, down by RMB139 million year on year, which was mainly because the average yield of the amounts under resale agreements declined by 0.31 percentage point year on year.



## Interest Expense

During the reporting period, the Group's interest expense was RMB31.408 billion, up by RMB13.598 billion or 76.35% year on year. The increase in interest expense was primarily due to the increase of scale and average cost rate of interest-bearing liabilities.

The average balance of the Group's interest-bearing liabilities increased from RMB1,932.176 billion in the first half of 2011 to RMB2,361.369 billion in the first half of 2012, up by RMB429.193 billion or 22.21%. The average cost of its interest-bearing liabilities rose from 1.86% in the first half of 2011 to 2.67% in the first half of 2012, up by 0.81 percentage point.

### Interest Expense on Deposits from Customers

Deposits from customers have always been the major funding source of the Group. The interest expense on deposits from customers in the first half of 2012 and the first half of 2011 accounted for 71.10% and 78.56% of the Group's total interest expense, respectively.

The table below sets out the average balances, interest expenses and average cost of corporate deposits and personal deposits of the Group, divided by product type during the periods indicated.

### The Group

|                           | January to June 2012 |                  |                       | January to June 2011 |                  |                       | Unit: RMB million<br>2011 |                  |                       |
|---------------------------|----------------------|------------------|-----------------------|----------------------|------------------|-----------------------|---------------------------|------------------|-----------------------|
|                           | Average balance      | Interest expense | Average cost rate (%) | Average balance      | Interest expense | Average cost rate (%) | Average balance           | Interest expense | Average cost rate (%) |
| <b>Corporate deposits</b> |                      |                  |                       |                      |                  |                       |                           |                  |                       |
| Time deposits             | 901,257              | 15,631           | 3.49                  | 729,199              | 9,190            | 2.54                  | 762,992                   | 21,233           | 2.78                  |
| Demand deposits           | 723,071              | 2,841            | 0.79                  | 700,594              | 2,463            | 0.71                  | 709,800                   | 5,328            | 0.75                  |
| <b>Subtotal</b>           | <b>1,624,328</b>     | <b>18,472</b>    | <b>2.29</b>           | <b>1,429,793</b>     | <b>11,653</b>    | <b>1.64</b>           | <b>1,472,792</b>          | <b>26,561</b>    | <b>1.80</b>           |
| <b>Personal deposits</b>  |                      |                  |                       |                      |                  |                       |                           |                  |                       |
| Time deposits             | 244,007              | 3,680            | 3.03                  | 200,937              | 2,188            | 2.20                  | 211,280                   | 5,568            | 2.64                  |
| Demand deposits           | 82,667               | 180              | 0.44                  | 77,874               | 151              | 0.39                  | 77,045                    | 321              | 0.42                  |
| <b>Subtotal</b>           | <b>326,674</b>       | <b>3,860</b>     | <b>2.38</b>           | <b>278,811</b>       | <b>2,339</b>     | <b>1.69</b>           | <b>288,325</b>            | <b>5,889</b>     | <b>2.04</b>           |
| <b>Total</b>              | <b>1,951,002</b>     | <b>22,332</b>    | <b>2.30</b>           | <b>1,708,604</b>     | <b>13,992</b>    | <b>1.65</b>           | <b>1,761,117</b>          | <b>32,450</b>    | <b>1.84</b>           |

**The Bank**

*Unit: RMB million*

|                           | January to June 2012 |                  |                       | January to June 2011 |                  |                       | 2011             |                  |                       |
|---------------------------|----------------------|------------------|-----------------------|----------------------|------------------|-----------------------|------------------|------------------|-----------------------|
|                           | Average balance      | Interest expense | Average cost rate (%) | Average balance      | Interest expense | Average cost rate (%) | Average balance  | Interest expense | Average cost rate (%) |
| <b>Corporate deposits</b> |                      |                  |                       |                      |                  |                       |                  |                  |                       |
| Time deposits             | 853,258              | 15,197           | 3.58                  | 684,949              | 9,024            | 2.66                  | 718,757          | 20,767           | 2.89                  |
| Demand deposits           | 706,972              | 2,832            | 0.81                  | 684,668              | 2,455            | 0.72                  | 692,926          | 5,310            | 0.77                  |
| <b>Subtotal</b>           | <b>1,560,230</b>     | <b>18,029</b>    | <b>2.32</b>           | <b>1,369,617</b>     | <b>11,479</b>    | <b>1.69</b>           | <b>1,411,683</b> | <b>26,077</b>    | <b>1.85</b>           |
| <b>Personal deposits</b>  |                      |                  |                       |                      |                  |                       |                  |                  |                       |
| Time deposits             | 217,799              | 3,370            | 3.11                  | 181,122              | 2,009            | 2.24                  | 188,359          | 5,125            | 2.72                  |
| Demand deposits           | 69,420               | 167              | 0.48                  | 62,330               | 135              | 0.44                  | 62,895           | 290              | 0.46                  |
| <b>Subtotal</b>           | <b>287,219</b>       | <b>3,537</b>     | <b>2.48</b>           | <b>243,452</b>       | <b>2,144</b>     | <b>1.78</b>           | <b>251,254</b>   | <b>5,415</b>     | <b>2.16</b>           |
| <b>Total</b>              | <b>1,847,449</b>     | <b>21,566</b>    | <b>2.35</b>           | <b>1,613,069</b>     | <b>13,623</b>    | <b>1.70</b>           | <b>1,662,937</b> | <b>31,492</b>    | <b>1.89</b>           |

During the reporting period, the Group's interest expense on deposits from customers was RMB22.332 billion, up by RMB8.340 billion or 59.61% year on year.

The Bank's interest expense on deposits from customers amounted to RMB21.566 billion, up by RMB7.943 billion or 58.31% year on year, which was primarily due to the increase of RMB234.380 billion in the Bank's average balance of deposits from customers and the increase of 0.65 percentage point in average cost. The key reasons for the rise in average cost of deposits from customers are: (1) the Central Bank raised the benchmark interest rate for deposits from customers for five consecutive times from October 2010 to July 2011, coupled with the completion of the interest rate repricing, as a result of which the average cost rose gradually; meanwhile, the interest rate policy issued on 8 June 2012 did not materially affect the cost of deposits; and (2) time deposits accounted for increasingly higher proportion of total deposits from customers, and the proportion of average balance of time deposits rose from 53.69% in the first half of 2011 to 57.97% in the first half of 2012.

#### Interest Expense on Deposits and Placements from Banks and Non-Bank Financial Institutions

During the reporting period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB8.017 billion, up by RMB5.182 billion or 182.79% year on year, which was primarily due to the rise of average cost of such deposits and placements from 3.33% to 4.55%, and the increase of RMB182.399 billion in average balance.

#### Interest Expense on Other Borrowed Funds

During the reporting period, the Group's interest expenses on other borrowings was RMB654 million, down by RMB202 million year on year, which was primarily because the interest cost of bond issuance by the Group was lower than that of the previous year.

### Net Non-Interest Income

During the reporting period, by adopting measures including strengthening the performance assessment and appropriating dedicated budget, the Group accelerated and improved the management system of fee-based business which contributed to the sustained and stable growth of net non-interest income.

During the reporting period, the Group realized a net non-interest income of RMB7.314 billion, up by RMB1.785 billion or 32.28% year on year. The proportion of the Group's net non-interest income to its operating income reached 16.53%, up by 0.88 percentage point year on year.

|                                      | <i>Unit: RMB million</i> |                         |                                       |                                    |
|--------------------------------------|--------------------------|-------------------------|---------------------------------------|------------------------------------|
|                                      | January to<br>June 2012  | January to<br>June 2011 | Increase/<br>decrease<br>year on year | Growth rate<br>year on year<br>(%) |
| Net fee and commission income        | 5,405                    | 3,898                   | 1,507                                 | 38.66                              |
| Net gain from trading                | 1,540                    | 1,029                   | 511                                   | 49.66                              |
| Net gain from investment securities  | 115                      | 110                     | 5                                     | 4.55                               |
| Net (loss) from arbitrage            | -                        | (1)                     | 1                                     | -                                  |
| Income from other businesses         | 254                      | 493                     | (239)                                 | (48.48)                            |
| <b>Total net non-interest income</b> | <b>7,314</b>             | <b>5,529</b>            | <b>1,785</b>                          | <b>32.28</b>                       |

### Net Fee and Commission Income

During the reporting period, the Group realized a net fee and commission income of RMB5.405 billion, an increase of RMB1.507 billion or 38.66% year on year, of which the fee and commission income amounted to RMB5.817 billion, up by 38.11% year on year. This increase was primarily due to the Group's devotion to the development of its fee-based business and the relatively rapid growth in items including bank card fees, settlement fees, agency fees, and custody and other trusted services commissions.

|   | <i>Unit: RMB million</i> |                         |                                       |                                    |
|---|--------------------------|-------------------------|---------------------------------------|------------------------------------|
|   | January to<br>June 2012  | January to<br>June 2011 | Increase/<br>decrease<br>year on year | Growth rate<br>year on year<br>(%) |
| Bank card fees                                    | 1,624                    | 942                     | 682                                   | 72.40                              |
| Consulting and advisory fees                      | 1,506                    | 1,324                   | 182                                   | 13.75                              |
| Settlement fees                                   | 1,446                    | 819                     | 627                                   | 76.56                              |
| Agency fees                                       | 465                      | 319                     | 146                                   | 45.77                              |
| Wealth management fees                            | 280                      | 262                     | 18                                    | 6.87                               |
| Guarantee fees                                    | 263                      | 392                     | (129)                                 | (32.91)                            |
| Custody and other trusted<br>services commissions | 229                      | 150                     | 79                                    | 52.67                              |
| Others  | 4                        | 4                       | -                                     | -                                  |
| <b>Subtotal</b>                                   | <b>5,817</b>             | <b>4,212</b>            | <b>1,605</b>                          | <b>38.11</b>                       |
| Fee and commission expense                        | (412)                    | (314)                   | 98                                    | 31.21                              |
| <b>Net fee and commission income</b>              | <b>5,405</b>             | <b>3,898</b>            | <b>1,507</b>                          | <b>38.66</b>                       |

## Net Gain from Trading

| Item   | Unit: RMB million       |                         |                       |                    |
|--|-------------------------|-------------------------|-----------------------|--------------------|
|  | January to<br>June 2012 | January to<br>June 2011 | Increase/<br>decrease | Growth rate<br>(%) |
| Net gain from foreign<br>exchange trading                              | 757                     | 909                     | (152)                 | (16.72)            |
| Derivatives  | 574                     | 115                     | 459                   | 399.13             |
| Debt securities  | 208                     | 2                       | 206                   | –                  |
| Investment funds   | –                       | 1                       | (1)                   | –                  |
| Financial liabilities measured at<br>fair value through profit or loss | 1                       | 2                       | (1)                   | (50.00)            |
| <b>Net gain from trading</b>   | <b>1,540</b>            | <b>1,029</b>            | <b>511</b>            | <b>49.66</b>       |

During the reporting period, the Group's net gain from trading was RMB1.540 billion, up by RMB511 million or 49.66% year on year, which was mainly due to the increase in the fair value of derivatives through revaluation.

## Loss on Asset Impairment

| Item                                  | Unit: RMB million       |                         |                                       |                                    |
|---------------------------------------|-------------------------|-------------------------|---------------------------------------|------------------------------------|
|                                       | January to<br>June 2012 | January to<br>June 2011 | Increase/<br>decrease<br>year on year | Growth rate<br>year on year<br>(%) |
| Loans and advances to customers       | 2,447                   | 1,916                   | 531                                   | 27.71                              |
| Off-balance sheet credit assets       | 85                      | 51                      | 34                                    | 66.67                              |
| Others <sup>(note)</sup>              | (8)                     | (38)                    | 30                                    | –                                  |
| <b>Total loss on asset impairment</b> | <b>2,524</b>            | <b>1,929</b>            | <b>595</b>                            | <b>30.84</b>                       |

Note: Including the impairment losses of debt assets and other assets.

During the reporting period, the Group's impairment loss on assets was RMB2.524 billion, up by RMB595 million year on year, of which impairment loss on loans and advances to customers was RMB2.447 billion, up by RMB531 million year on year.

## Operating Expenses

| Item  | Unit: RMB million       |                         |                                |                    |
|---|-------------------------|-------------------------|--------------------------------|--------------------|
|   | January to<br>June 2012 | January to<br>June 2011 | Increase/<br>decrease          | Growth rate<br>(%) |
| Staff cost  | 7,105                   | 6,036                   | 1,069                          | 17.71              |
| Property and equipment<br>expenses and amortization             | 2,228                   | 1,886                   | 342                            | 18.13              |
| General and administrative expenses                             | 3,268                   | 2,805                   | 463                            | 16.51              |
| <b>Subtotal</b>   | <b>12,601</b>           | <b>10,727</b>           | <b>1,874</b>                   | <b>17.47</b>       |
| Business tax and surcharges                                     | 3,257                   | 2,432                   | 825                            | 33.92              |
| <b>Total operating expenses</b>                                 | <b>15,858</b>           | <b>13,159</b>           | <b>2,699</b>                   | <b>20.51</b>       |
| Cost-to-income ratio  | 35.84%                  | 37.24%                  | Down by 1.40 percentage points |                    |
| Cost-to-income ratio (deducting<br>business tax and surcharges) | 28.48%                  | 30.36%                  | Down by 1.88 percentage points |                    |

During the reporting period, the Group's operating expenses amounted to RMB15.858 billion, up by RMB2.699 billion or 20.51% year on year, which was primarily because: (1) the Group's staff cost, property and equipment expenses and amortization increased due to the increase of business outlets; (2) the Group's business expenses increased due to the increase in its dedicated budget for purpose of promoting its restructuring.

During the reporting period, the Group's cost-to-income ratio was 28.48%, down by 1.88 percentage points year on year, thus maintaining relatively high input-output efficiency.

### Income Tax Analysis

During the reporting period, the Group's income tax was RMB6.291 billion, up by RMB1.238 billion or 24.50% year on year. The Group's effective tax rate was 24.31%, down by 0.55 percentage point from 24.86% in the first half of 2011.

### Balance Sheet Analysis

*Unit: RMB million*

|  | 30 June 2012     |                | 31 December 2011 |                |
|--|------------------|----------------|------------------|----------------|
|  | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Total loans and advances to customers  | 1,535,352        | –              | 1,434,037        | –              |
| Including:   |                  |                |                  |                |
| Corporate loans  | 1,165,479        | –              | 1,116,389        | –              |
| Discounted bills   | 76,823           | –              | 49,451           | –              |
| Personal loans   | 293,050          | –              | 268,197          | –              |
| Provision for impairment losses  | (25,660)         | –              | (23,258)         | –              |
| Net loans and advances to customers  | 1,509,692        | 51.8           | 1,410,779        | 51.0           |
| Investments <sup>(1)</sup>   | 319,149          | 10.9           | 253,388          | 9.2            |
| Cash and deposits with Central Bank  | 379,044          | 13.0           | 366,391          | 13.2           |
| Net deposits and placements<br>with banks and non-bank<br>financial institutions | 444,365          | 15.2           | 537,539          | 19.4           |
| Amounts under resale agreements  | 225,462          | 7.7            | 162,211          | 5.9            |
| Others <sup>(2)</sup>  | 38,653           | 1.4            | 35,573           | 1.3            |
| <b>Total assets</b>  | <b>2,916,365</b> | <b>100.0</b>   | <b>2,765,881</b> | <b>100.0</b>   |
| Deposits from customers  | 2,188,820        | 80.4           | 1,968,051        | 76.1           |
| Including:   |                  |                |                  |                |
| Corporate loans  | 1,811,434        | 66.5           | 1,622,087        | 62.7           |
| Personal loans   | 377,386          | 13.9           | 345,964          | 13.4           |
| Deposits and placement from banks<br>and non-bank financial institutions         | 431,309          | 15.8           | 540,222          | 20.9           |
| Amounts under repurchase agreements  | 5,084            | 0.2            | 9,806            | 0.4            |
| Debt securities payable  | 54,022           | 2.0            | 33,730           | 1.3            |
| Others <sup>(3)</sup>  | 44,650           | 1.6            | 35,291           | 1.3            |
| <b>Total liabilities</b>   | <b>2,723,885</b> | <b>100.0</b>   | <b>2,587,100</b> | <b>100.0</b>   |

Notes: (1) Including investments for trading purpose, available-for-sale investments, held-to-maturity investments and investments in associates.

(2) Including derivative financial assets, interest receivables, fixed assets, intangible assets, real estate for investment purposes, goodwill, deferred income tax assets and other assets.

(3) Including trading financial liabilities, derivative financial liabilities, staff remuneration payable, tax and fee payables, interest payables, estimated liabilities, other liabilities and so on.

Most of the Group's assets are loans and advances to customers. As at the end of the reporting period, The Group's loans and advances to customers after deducting provisions for impairment losses accounted for 51.8% of the Group's total assets.



## Loan Business

For the analysis of loan business, please refer to “Report of the Board of Directors — Risk Management” in this report.

## Investment Business

### Investment Portfolio Analysis

|   | 30 June 2012   |                | 31 December 2011 |                |
|---|----------------|----------------|------------------|----------------|
|   | Value          | Proportion (%) | Value            | Proportion (%) |
| Held-to-maturity debt securities                                      | 127,401        | 39.9           | 108,468          | 42.8           |
| Available-for-sale debt securities                                    | 164,809        | 51.6           | 126,875          | 50.1           |
| Debt securities measured at fair value through profit or loss         | 15,528         | 4.9            | 8,188            | 3.2            |
| <b>Total debt securities</b>  | <b>307,738</b> | <b>96.4</b>    | <b>243,531</b>   | <b>96.1</b>    |
| Available-for-sale investment funds                                   | 5,695          | 1.8            | 5,706            | 2.3            |
| Investment funds measured at fair value through profit or loss        | 2              | —              | 2                | —              |
| <b>Total investment funds</b>   | <b>5,697</b>   | <b>1.8</b>     | <b>5,708</b>     | <b>2.3</b>     |
| Available-for-sale equity investments                                 | 177            | —              | 171              | —              |
| Investment in associates  | 2,210          | 0.7            | 2,212            | 0.9            |
| <b>Long-term equity investments</b>                                   | <b>2,387</b>   | <b>0.7</b>     | <b>2,383</b>     | <b>0.9</b>     |
| Available-for-sale financial assets-certificates of deposits          | 3,327          | 1.1            | 1,766            | 0.7            |
| <b>Total investments</b>  | <b>319,149</b> | <b>100.0</b>   | <b>253,388</b>   | <b>100.0</b>   |
| Market value of listed securities in held-to-maturity debt securities | 700            |                | 692              |                |

### Classification of Debt Securities Investment

As at the end of the reporting period, the Group's investment in debt securities reached RMB307.738 billion, an increase of RMB64.207 billion or 26.37% over the end of the previous year.

|   | 30 June 2012   |                | 31 December 2011 |                |
|---|----------------|----------------|------------------|----------------|
|   | Balance        | Proportion (%) | Balance          | Proportion (%) |
| Banks and non-bank financial institutions | 108,336        | 35.2           | 47,974           | 19.7           |
| Government                                | 60,110         | 19.5           | 62,150           | 25.5           |
| PBC                                       | 25,339         | 8.2            | 26,860           | 11.0           |
| Policy banks                              | 23,600         | 7.7            | 39,709           | 16.3           |
| Public entities                           | 48             | —              | 75               | —              |
| Others <sup>(Note)</sup>                  | 90,305         | 29.4           | 66,763           | 27.5           |
| <b>Total debt securities</b>              | <b>307,738</b> | <b>100.0</b>   | <b>243,531</b>   | <b>100.0</b>   |

Note: Primarily corporate bonds.

*Unit: RMB million*

|                              | 30 June 2012   |                | 31 December 2011 |                |
|------------------------------|----------------|----------------|------------------|----------------|
|                              | Balance        | Proportion (%) | Balance          | Proportion (%) |
| Domestic                     | 290,321        | 94.3           | 224,976          | 92.4           |
| Overseas                     | 17,417         | 5.7            | 18,555           | 7.6            |
| <b>Total debt securities</b> | <b>307,738</b> | <b>100.0</b>   | <b>243,531</b>   | <b>100.0</b>   |

#### Foreign Currency Denominated Debt Securities Held

As at the end of the reporting period, the Group held a total of USD3.724 billion worth of foreign currency denominated debt securities (equivalent to RMB23.552 billion), of which the Bank held USD1.400 billion with the proportion of 37.59%. The Bank had no exposure to European sovereign debts and the balance of European regions debts was merely USD45 million (which were mainly financial institutional debts of Germany and the United Kingdom).

The Group's balance for provision for impairment losses on foreign currency denominated debt securities investment was USD68 million (equivalent to RMB428 million), of which the Bank's balance for provision was USD45 million, with the proportion of 66.18%.

#### Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at the end of the reporting period.

*Unit: RMB million*

| Name of Debt Securities      | Book value    | Maturity Date    | Annual interest rate (%) |
|------------------------------|---------------|------------------|--------------------------|
| Debt Securities 1            | 4,052         | 23 April 2013    | 3.45                     |
| Debt Securities 2            | 4,000         | 28 February 2017 | 4.20                     |
| Debt Securities 3            | 3,077         | 23 April 2017    | 4.11                     |
| Debt Securities 4            | 3,013         | 20 February 2015 | 4.26                     |
| Debt Securities 5            | 2,646         | 23 April 2019    | 4.32                     |
| Debt Securities 6            | 2,430         | 7 December 2015  | 4.27                     |
| Debt Securities 7            | 2,212         | 6 May 2017       | 3.83                     |
| Debt Securities 8            | 2,152         | 23 April 2022    | 4.44                     |
| Debt Securities 9            | 2,000         | 14 March 2017    | 4.45                     |
| Debt Securities 10           | 1,942         | 18 June 2022     | 4.24                     |
| <b>Total debt securities</b> | <b>27,524</b> |                  |                          |

## Investment Quality Analysis

The table below sets out the changes in the provision for impairment loss on investment of the Group.

|   | As at 30<br>June 2012 | As at 31<br>December 2011 |
|---|-----------------------|---------------------------|
| <b>Beginning balance</b>                | 440                   | 350                       |
| Accruals during the year <sup>(1)</sup> | (13)                  | 181                       |
| Write-offs                              | —                     | (11)                      |
| Transfer in/(out) <sup>(2)</sup>        | 1                     | (80)                      |
| <b>Ending balance</b>                   | <b>428</b>            | 440                       |

- Notes: (1) Equal to the net expense from provisions for impairment loss recognized in the consolidated income statement of the Group.  
 (2) Transfer in/(out) includes the amount transferred from the provisions for impairment loss of investment in overdue debt securities to the provisions for bad debt, the sale of impaired investments and the impact due to changes in exchange rate.

|  | As at 30<br>June 2012 | As at 31<br>December 2011 |
|--|-----------------------|---------------------------|
| Provision for available-for-sale investment impairment | 294                   | 303                       |
| Provision for held-to-maturity investment impairment   | 134                   | 137                       |
| Provision for long-term equity investment impairment   | —                     | —                         |
| <b>Total</b>   | <b>428</b>            | 440                       |

## Derivatives Classification and Fair Value Analysis

|                           | 30 June 2012         |              |              | 31 December 2011     |              |              |
|---------------------------|----------------------|--------------|--------------|----------------------|--------------|--------------|
|                           | Nominal<br>principal | Fair value   |              | Nominal<br>principal | Fair value   |              |
|                           |                      | Assets       | Liabilities  |                      | Assets       | Liabilities  |
| Interest rate derivatives | 232,597              | 1,497        | 1,098        | 200,104              | 1,627        | 1,314        |
| Currency derivatives      | 506,256              | 3,430        | 2,403        | 404,074              | 3,036        | 2,438        |
| Credit derivatives        | 1,047                | 4            | 11           | 1,050                | 19           | 11           |
| Equity derivatives        | —                    | —            | —            | 15                   | 1            | 1            |
| <b>Total</b>              | <b>739,900</b>       | <b>4,931</b> | <b>3,512</b> | <b>605,243</b>       | <b>4,683</b> | <b>3,764</b> |

### On-Balance Sheet Interest Receivables

The table below sets out the changes in interest receivables of the Group.

|   | 31 December<br>2011 | Increase<br>during the<br>current period | Collected/returned<br>during the<br>current period | <i>Unit: RMB million</i><br><b>30 June 2012</b> |
|---|---------------------|--|--|---|
| Loan interest receivables                                 | 3,566               | 50,199                                   | (49,980)   | <b>3,785</b>                                    |
| Interest receivables from debt securities                 | 3,515               | 4,778                                    | (3,897)  | <b>4,396</b>                                    |
| Other interest receivables                                | 3,026               | 13,360                                   | (13,104)   | <b>3,282</b>                                    |
| <b>Subtotal</b>   | <b>10,107</b>       | <b>68,337</b>                            | <b>(66,981)</b>                                    | <b>11,463</b>                                   |
| Allowances for impairment loss<br>on interest receivables | (56)                | (31)                                     | 3  | <b>(84)</b>                                     |
| <b>Total</b>  | <b>10,051</b>       | <b>68,306</b>                            | <b>(66,978)</b>                                    | <b>11,379</b>                                   |

### Debt Assets

The table below sets out the status of the debt assets of the Group.

|  | <i>Unit: RMB million</i><br><b>30 June 2012</b> | 31 December 2011 |
|--|---|------------------|
| Original value of debt assets            |   |                  |
| – Land, premises and constructions       | <b>433</b>                                      | 404              |
| – Others                                 | <b>22</b>                                       | 34               |
| Allowances for impairment of debt assets |   |                  |
| – Land, premises and constructions       | <b>(155)</b>                                    | (137)            |
| – Others                                 | <b>(18)</b>                                     | (24)             |
| <b>Total book value of debt assets</b>   | <b>282</b>                                      | 277              |

### Deposits from Customers

#### The Group

|                                      | <i>Unit: RMB million</i><br><b>30 June 2012</b> |                | 31 December 2011 |                |
|--------------------------------------|---|----------------|------------------|----------------|
|                                      | Balance   | Proportion (%) | Balance          | Proportion (%) |
| <b>Corporate deposits</b>            |   |                |                  |                |
| Demand deposits                      | <b>814,590</b>                                  | <b>37.2</b>    | 787,052          | 40.0           |
| Time deposits                        | <b>996,844</b>                                  | <b>45.6</b>    | 835,035          | 42.4           |
| Including: negotiated                | <b>100,096</b>                                  | <b>4.6</b>     | 69,866           | 3.6            |
| <b>Subtotal</b>                      | <b>1,811,434</b>                                | <b>82.8</b>    | 1,622,087        | 82.4           |
| <b>Personal deposits</b>             |   |                |                  |                |
| Demand deposits                      | <b>101,920</b>                                  | <b>4.7</b>     | 91,762           | 4.7            |
| Time deposits                        | <b>275,466</b>                                  | <b>12.5</b>    | 254,202          | 12.9           |
| <b>Subtotal</b>                      | <b>377,386</b>                                  | <b>17.2</b>    | 345,964          | 17.6           |
| <b>Total deposits from customers</b> | <b>2,188,820</b>                                | <b>100.0</b>   | 1,968,051        | 100.0          |

As at the end of the reporting period, deposits from customers of the Group totaled RMB2,188.820 billion, an increase of RMB220.769 billion or 11.22% over the end of the previous year.

## The Bank

|                                      | 30 June 2012     |                | 31 December 2011 |                |
|--------------------------------------|------------------|----------------|------------------|----------------|
|                                      | Balance          | Proportion (%) | Balance          | Proportion (%) |
| <b>Corporate deposits</b>            |                  |                |                  |                |
| Demand deposits                      | 799,300          | 38.3           | 770,384          | 41.3           |
| Time deposits                        | 948,541          | 45.5           | 787,775          | 42.2           |
| Including: negotiated                | 99,340           | 4.8            | 69,240           | 3.7            |
| <b>Subtotal</b>                      | <b>1,747,841</b> | <b>83.8</b>    | <b>1,558,159</b> | <b>83.5</b>    |
| <b>Personal deposits</b>             |                  |                |                  |                |
| Demand deposits                      | 87,489           | 4.2            | 79,753           | 4.3            |
| Time deposits                        | 250,019          | 12.0           | 227,309          | 12.2           |
| <b>Subtotal</b>                      | <b>337,508</b>   | <b>16.2</b>    | <b>307,062</b>   | <b>16.5</b>    |
| <b>Total deposits from customers</b> | <b>2,085,349</b> | <b>100.0</b>   | <b>1,865,221</b> | <b>100.0</b>   |

Unit: RMB million

As at the end of the reporting period, the Bank's deposits from customers totaled RMB2,085.349 billion, an increase of RMB220.128 billion or 11.80% over the end of the previous year. The balance of corporate deposits of the Bank increased by RMB189.682 billion over the end of the previous year, of which negotiated deposits increased to RMB99.340 billion as at 30 June 2012 from RMB69.240 billion as at the end of 2011, up by RMB30.1 billion or 43.47%, which was mainly because the Bank properly obtained certain negotiated deposits considering the match of the maturity of assets and liabilities and the Bank's personal deposits increased by RMB30.446 billion or 9.92% over the end of the previous year.

## Breakdown of Deposits from Customers by Currency

|                    | 30 June 2012     |                | 31 December 2011 |                |
|--------------------|------------------|----------------|------------------|----------------|
|                    | Balance          | Proportion (%) | Balance          | Proportion (%) |
| RMB                | 1,975,478        | 90.3           | 1,816,875        | 92.3           |
| Foreign currencies | 213,342          | 9.7            | 151,176          | 7.7            |
| <b>Total</b>       | <b>2,188,820</b> | <b>100.0</b>   | <b>1,968,051</b> | <b>100.0</b>   |

Unit: RMB million

## Breakdown of Deposits by Geographical Location

|                                      | 30 June 2012     |                | 31 December 2011 |                |
|--------------------------------------|------------------|----------------|------------------|----------------|
|                                      | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Bohai Rim <sup>(note)</sup>          | 602,169          | 27.5           | 538,762          | 27.4           |
| Yangtze River Delta                  | 573,239          | 26.2           | 505,692          | 25.7           |
| Pearl River Delta and West Strait    | 291,631          | 13.3           | 278,346          | 14.1           |
| Central region                       | 302,954          | 13.8           | 257,689          | 13.1           |
| Western region                       | 253,370          | 11.6           | 227,366          | 11.6           |
| Northeastern region                  | 62,492           | 2.9            | 57,160           | 2.9            |
| Overseas                             | 102,965          | 4.7            | 103,036          | 5.2            |
| <b>Total deposits from customers</b> | <b>2,188,820</b> | <b>100.0</b>   | <b>1,968,051</b> | <b>100.0</b>   |

Unit: RMB million

Note: Including head office.



### Breakdown of Deposits by Remaining Period of Maturity

The table below sets out the deposits from customers by remaining period of maturity as at the end of the reporting period.

#### The Group

*Unit: RMB million*

|                    | Overdue/updated  |                | Within 3 months |                | Within 3 to 12 months |                | Within 1 to 5 years |                | After 5 years |                | Total            |                |
|--------------------|------------------|----------------|-----------------|----------------|-----------------------|----------------|---------------------|----------------|---------------|----------------|------------------|----------------|
|                    | Amount           | Proportion (%) | Amount          | Proportion (%) | Amount                | Proportion (%) | Amount              | Proportion (%) | Amount        | Proportion (%) | Amount           | Proportion (%) |
| Corporate deposits | 885,951          | 40.5           | 376,690         | 17.2           | 397,687               | 18.2           | 143,966             | 6.6            | 7,140         | 0.3            | 1,811,434        | 82.8           |
| Personal deposits  | 168,561          | 7.7            | 98,820          | 4.5            | 81,771                | 3.7            | 28,222              | 1.3            | 12            | –              | 377,386          | 17.2           |
| <b>Total</b>       | <b>1,054,512</b> | <b>48.2</b>    | <b>475,510</b>  | <b>21.7</b>    | <b>479,458</b>        | <b>21.9</b>    | <b>172,188</b>      | <b>7.9</b>     | <b>7,152</b>  | <b>0.3</b>     | <b>2,188,820</b> | <b>100.0</b>   |

#### The Bank

*Unit: RMB million*

|                    | Overdue/updated  |                | Within 3 months |                | Within 3 to 12 months |                | Within 1 to 5 years |                | After 5 years |                | Total            |                |
|--------------------|------------------|----------------|-----------------|----------------|-----------------------|----------------|---------------------|----------------|---------------|----------------|------------------|----------------|
|                    | Amount           | Proportion (%) | Amount          | Proportion (%) | Amount                | Proportion (%) | Amount              | Proportion (%) | Amount        | Proportion (%) | Amount           | Proportion (%) |
| Corporate deposits | 870,660          | 41.7           | 339,779         | 16.3           | 387,341               | 18.6           | 142,921             | 6.9            | 7,140         | 0.3            | 1,747,841        | 83.8           |
| Personal deposits  | 154,119          | 7.5            | 79,790          | 3.8            | 75,646                | 3.6            | 27,941              | 1.3            | 12            | –              | 337,508          | 16.2           |
| <b>Total</b>       | <b>1,024,779</b> | <b>49.2</b>    | <b>419,569</b>  | <b>20.1</b>    | <b>462,987</b>        | <b>22.2</b>    | <b>170,862</b>      | <b>8.2</b>     | <b>7,152</b>  | <b>0.3</b>     | <b>2,085,349</b> | <b>100.0</b>   |

### Shareholders' Equity

For changes in shareholders' equity during the reporting period, please refer to the Group's financial statements — "Consolidated Statement of Changes in Equity".

### Major Off-Balance Sheet Items

The table below sets out major off-balance sheet items and their balances as at the end of the reporting period.

*Unit: RMB million*

|                                | 30 June 2012     | 31 December 2011 |
|--------------------------------|------------------|------------------|
| Credit commitments             |                  |                  |
| – Banker's acceptance bill     | 617,074          | 503,666          |
| – Letter of guarantee issued   | 76,786           | 64,534           |
| – Letter of credit issued      | 247,871          | 244,312          |
| – Irrevocable loan commitments | 110,146          | 95,218           |
| – Credit card commitments      | 65,227           | 60,937           |
| <b>Subtotal</b>                | <b>1,117,104</b> | <b>968,667</b>   |
| Operating leasing commitments  | 8,383            | 8,260            |
| Capital commitments            | 734              | 1,438            |
| Pledged assets                 | 5,495            | 11,637           |
| <b>Total</b>                   | <b>1,131,716</b> | <b>990,002</b>   |

## Supplementary Financial Indicators

| Major Indicators <sup>(1)</sup>            | Standard (%) | Data of the Bank (%) |                  |                  |
|--|--------------|----------------------|------------------|------------------|
|  |              | 30 June 2012         | 31 December 2011 | 31 December 2010 |
| <b>Liquidity ratio</b>                     | ≥ 25         | <b>62.15</b>         | 60.89            | 59.11            |
| Including: RMB                             | ≥ 25         | <b>59.23</b>         | 58.97            | 56.75            |
| Foreign currencies                         | ≥ 25         | <b>92.62</b>         | 96.55            | 68.68            |
| <b>Loan-to-deposit ratio<sup>(2)</sup></b> | ≤ 75         | <b>70.07</b>         | 72.97            | 72.83            |
| Including: RMB                             | ≤ 75         | <b>72.23</b>         | 73.26            | 73.31            |
| Foreign currencies                         | ≤ 75         | <b>37.69</b>         | 65.44            | 60.42            |

Notes: (1) The figures are calculated in accordance with the regulatory standards of Chinese banking industry.

(2) Discounted bills are included in loans.

## Capital Management

The Group's objectives in capital management include: to establish a dynamic capital replenishing mechanism and maintain a solid capital base to ensure the capital adequacy ratio fulfills the regulatory requirements at any time and the capital fully covers all risks faced by the Group; to specify the business expansion plan according to its capital base and guide the optimal allocation of various resources of the Group for balancing capital, profits and risks and to maximize shareholders' value with controlled risks.

To that end, the Group carried out the following strategies to manage capital: (1) making scientific capital plans and making adjustments thereto on a dynamic basis; (2) preparing feasible plans for capital adequacy ratio stage by stage, specifying a targeted range of capital adequacy ratio, setting up internal capital alarming lines and regularly monitoring the capital adequacy ratio of the Group, to maintain a reasonable growth of risk assets and proactively manage the capital; (3) taking effective measures to enhance capital constraint mechanism and to use capital in a more efficient way; promulgating performance-based employee evaluation system emphasizing "economic profit" and "risk-adjusted return on capital" throughout the Bank; by leveraging on the internal capital allocation system, realizing an optimized allocation of economic capital among all business units, products and industries of the Group; and (4) scientifically making use of all sorts of capital instruments to optimize the total amount and the structure of capital and reduce financing cost.

According to the above-mentioned management strategies and to adapt to external environment and meet the requirements of internal management, in 2012, the Group continued to improve capital management procedures and further reinforced capital management in, among others, capital plan, capital replenishing, capital allocation and capital evaluation. The Group has taken the following measures to achieve its goals: firstly, based on the long and medium-term capital plans, making annual economic capital management plans and keeping monitoring and analysing on a dynamic basis; secondly, taking quota management based on capital regulation to realize the optimal allocation of capital in different regions, and making internal adjustments to realize strategic guidance; thirdly, enhancing the operation and management evaluation system emphasizing "risk-adjusted return on capital"; and fourthly, having issued subordinated debts with the value of RMB20 billion in June 2012 which further replenished the supplementary capital.

In the next stage, based on the *Measures for the Administration of Capital Management of Commercial Banks (Trial)* promulgated by the CBRC on 8 June 2012, the Group will proactively push forward the preparation of rules and working systems to ensure that the Group is in compliance with various regulatory requirements within the required period and further enhances its risk resistance capability.

At the moment, the Group calculated and disclosed its capital adequacy ratio in accordance with the *Measures for the Administration of Capital Adequacy Ratio of Commercial Banks* issued by CBRC and its subsequent amendments. As at the end of the reporting period, the capital adequacy ratio and core capital adequacy ratio of the Group were 13.44% and 10.05% respectively, up by 1.17 and 0.14 percentage points respectively over the end of the previous year.

*Unit: RMB million*

|  | 30 June 2012  | 31 December 2011 | 31 December 2010 |
|--|---------------|------------------|------------------|
| Total capital before deduction                         | 250,611       | 214,002          | 160,928          |
| Including: Total core capital                          | 186,393       | 171,534          | 119,166          |
| Total supplementary capital                            | 64,218        | 42,468           | 41,762           |
| Deduction: Unconsolidated equity investment and others | 4,191         | 4,134            | 4,314            |
| Net capital  | 246,420       | 209,868          | 156,614          |
| Net core capital                                       | 184,294       | 169,466          | 116,988          |
| Risk-weighted assets                                   | 1,822,617     | 1,702,165        | 1,385,262        |
| Market risk capital                                    | 850           | 696              | –                |
| <b>Core capital adequacy ratio</b>                     | <b>10.05%</b> | 9.91%            | 8.45%            |
| <b>Capital adequacy ratio</b>                          | <b>13.44%</b> | 12.27%           | 11.31%           |

Note: Since 2011, the regulatory authorities cancelled the threshold for the provision for market risk capital required previously; instead, all banks shall calculate market risk capital according to relevant calculation methods.

## Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the *Accounting Standards for Business Enterprises* requires the Group to make certain accounting estimates and assumptions when the Group's accounting policies are applied to determine the amounts of relevant assets and liabilities as well as income and expenses for the reporting period. The accounting estimates and assumptions made by the Group are based on its historical experience and other factors such as reasonable expectations of future events, and are reviewed on an on-going basis. The accounting estimates and assumptions made by the Group appropriately reflected the financial positions of the Group.

The main aspects of the preparation basis of the Group's financial statements influenced by estimates and judgments include: confirmation and measurement of financial instruments (provisions for loan impairment losses and bad debt write-offs, classification of debt securities and equity investments, measurement of the fair value of investments for trading purpose and transactions designated at fair value through profit or loss, measurement of the fair value of available-for-sale investments, measurement of the fair value of derivative financial instruments), affirmation of actuarial obligations for pension and welfare, and recognition of deferred income tax and income tax expense.

## Measurement of Fair Value

The Bank measures the fair value of financial instruments according to the method stated in *Price Determination Method for Financial Instruments in Treasury and Capital Market Business of China CITIC Bank*. The methods for determination of fair value include the use of financial media quotes, open or independent valuation techniques, and trading counterparty or third party price inquiry. In principle, it is the Bank's priority to use the quotes from active markets to measure fair values. For financial instruments without active markets, the latest market trading quotes shall be applied. For those financial instruments without market quotes, valuation techniques or price inquiry method shall be applied.

The Bank strictly implements the internal control procedure for the measurement of fair values. The business department, the risk management department and the accounting department collectively confirm the determination method and source for the fair values of financial instruments according to business requirements. The accounting department conducts an independent evaluation on fair value based on the requirements of the accounting standards, and prepares valuation reports regularly. The risk management department reviews various valuation reports, and supervises the implementation of those valuation methods. The relevant systems and methods related to the measurement of fair values are approved by the Market Risk Management Committee of the Bank's head office.

### Items with Fluctuations over 30% in the Accounting Statements

| Item  | End of<br>June 2012/<br>first half<br>of 2012 | Compared<br>with end<br>of previous year/<br>same period of<br>previous year (%) | Main reasons   |
|---|---|--|--|
| Net fee and commission income                     | 5,405   | 38.66  | Rapid development of the fee-based businesses                      |
| Net gain from trading                             | 1,540   | 49.66  | Gains from derivatives and debt securities increased               |
| Net gain from other operating activities          | 254   | (48.48)  | Other incomes from the business of overseas subsidiaries decreased |
| Asset impairment losses                           | 2,524   | 30.84  | Impairment allowance for credit assets portfolio increased         |
| Share of losses of associates                     | 20  | -  | Profit of overseas subsidiaries in associates decreased            |
| Trading financial assets                          | 15,530  | 89.62  | Trading investments in debt securities increased                   |
| Financial assets held under resale agreements     | 225,462                                       | 38.99  | Bills under resale agreements increased                            |
| Financial assets sold under repurchase agreements | 5,084   | (48.15)  | Debt securities under repurchase agreements decreased              |
| Debts securities payable                          | 54,022  | 60.16  | Issue subordinated debts   |
| Other liabilities                                 | 12,122  | 141.67   | Retained profit for 2011   |
| Investment revaluation reserve                    | 970   | 353.27   | Fair value change of financial assets available for sale           |

## Segment Report

### Business Segment

The Group has maintained a leading position in corporate banking business. During the reporting period, the corporate banking business contributed an operating profit of RMB21.214 billion to the Group, with the proportion of 81.21%; the personal banking business contributed an operating profit of RMB1.293 billion to the Group, with the proportion of 4.95%; the treasury business contributed an operating profit of RMB3.616 billion to the Group, with the proportion of 13.84%.

### Geographical Segment

The Bohai Rim (including head office), the Yangtze River Delta, the Pearl River Delta and the West Strait have always been the most important contributors to the Group's income and profit growth, contributing a total operating profit of RMB18.548 billion to the Group during the reporting period, with the proportion of 71.68%. The Group's business in Central, Western and Northeastern regions of China have been developing rapidly in recent years, and during the reporting period, the operating profit from these three regions amounted to RMB6.498 billion, with the proportion of 25.11%. In addition, the profit derived from operations in Hong Kong amounted to RMB830 million and the economic efficiency kept growing steadily.

## | Business Overview

### Corporate Banking Business

In 2012, with focus on business transformation, the Bank proactively optimized its financial service models for large, medium and small corporate customers, enhanced application of the comprehensive evaluation system of corporate customers' value, improved the stratified operation system for corporate customers, enhanced innovation of products and services, and facilitated the construction of transaction banking platform which resulted in better sustainability of the Bank's corporate banking business. As at the end of the reporting period, the Bank recorded a total balance of corporate deposits of RMB1,747.841 billion, an increase of 12.17% over the end of the previous year, and a total balance of corporate loans of RMB1,179.274 billion, an increase of 6.87% over the end of the previous year; the Bank's net non-interest income during the reporting period was RMB3.715 billion, up by 34.07% year on year.

### Corporate Deposits and Loans

In light of corporate deposits, the Bank further optimized its business development model for corporate deposits during the reporting period. By increasing corporate liabilities with low cost and stable sources and expanding diversified sources of liabilities, the Bank out-performed the market amidst the fierce competition. The Bank further increased the proportion of deposits from institutional customers by enhancing professional services and systematic marketing; increased the availability and application of transaction banking products and services such as E-finance, supply chain finance and trade finance, so as to expand medium and small customer groups in upstream and downstream while considering large customers as its core focus and drive the growth in enterprise settlement deposits; and paid high attention to opportunities brought along by financial disintermediation and capital market expansion, so as to widen sources of corporate business growth by exploring sources of liabilities business on the capital market. As at the end of the reporting period, the number of corporate deposit accounts of the Bank was 297,000, an increase of 13,000 accounts over the end of the previous year; the corporate deposit balance reached RMB1,747.841 billion, up by 12.17% over the end of the previous year, with the balance of deposits from institutional customers including fiscal and taxation entities registering RMB460.65 billion, 12.5% higher over the end of the previous year, accounting for 26.36% of the Bank's total corporate deposits; and negotiated deposits recorded RMB99.34 billion, up by 43.47% over the end of the previous year and accounting for 5.68% of the Bank's total corporate deposits.

As to corporate loans, the Bank further adjusted and optimized its asset business structure thereof by optimizing the allocation of the loan resources during the reporting period. Leveraging on the opportunity inherent in stronger support from the national government to emerging industries during the "12th Five-Year Plan" period, the Bank gave priority to marketing efforts to strategic emerging industries, including waste water treatment, manufacture of environment protection equipment, industrial energy conservation, the Internet of things, and manufacture of high-end equipment. In response to market-based interest rate reform, the Bank explored and expanded investment channels for corporate asset business and made use of multiple tools such as bonds, mid-term notes, private equity bonds and financing products, which, while effectively expanding the financing channels for customers, also helped with coordinated development of on and off-balance sheet asset business. As at the end of the reporting period, the Bank's corporate loan balance registered RMB1,179.274 billion (including discounted bills), up by 6.87% over the end of the previous year, of which general corporate loan balance was RMB1,106.644 billion, up by 4.59% over the end of the previous year.



### **Transaction Banking Business**

During the reporting period, the Bank continuously paid efforts to optimize its institutional management model of supply chain finance and established its concentrated management platform at the branch level and its multi-layer management system for supply chain finance, implemented its project verification and approval system for supply chain finance and expanded the service scope of supply chain finance to pharmaceuticals, paper-making, construction, engineering and machinery, food and apparels. In addition, the Bank enhanced its innovation and application of supply chain finance products, developed and launched a supply chain finance business system, improved its harbor finance products system, optimized system functions for commercial papers, and thus further escalated its market competitiveness. As at the end of the reporting period, the number of effective credit-receiving accounts of supply chain finance business (excluding auto finance) of the Bank was 3,773, an increase of 976 accounts over the end of the previous year, with the accumulative financing volume reaching RMB180.9 billion, up by 16.9% year on year; and acceptance and discount of electronic commercial papers reached RMB100.75 billion with a comprehensive market share approaching to 20%.

During the reporting period, the Bank accelerated the innovation of corporate electronic financial products and services, including successfully launching corporate Internet banking version 6.5, initiating the construction of the third-generation Internet banking project, and launching the cash management system version 5.2, which expanded the functionalities of group fund reporting and multi-bank multi-currency cash pool, etc. The Bank optimized the B2B E-commerce system platform by the launching of Trade & Tariff E-Tone version 3.0 to further optimize tax payment categories, improve processing efficiency, enable more efficient and convenient circulation of tax bills and improve the system safety, which in turn further supported the overall customs tariff electronic payment system. The successful completion of the fund payment supervision business system (phase II) realized functions such as fund clearing, information supervision and balance monitoring of the entire fund transaction process. As at the end of the reporting period, the number of cash management projects and accounts of the Bank recorded 2,200 and 13,478 respectively, an increase of 263 projects and 1,672 accounts over the end of the previous year respectively. The Bank realized a transaction volume of RMB6,462.8 billion during the reporting period, an increase of RMB53.3% year on year.

### **International Business**

During the reporting period, the Bank took the initiative to adjust its business structure, income structure, regional structure and customer structure of its international business. While maintaining steady development of its trade in settlement services, the Bank vigorously developed emerging business lines including trade service, capital settlement, local letter of credit and letter of guarantee and effectively broadened its service chain and tapped the sources for business and income growth. With the launch of products such as import finance, export reimbursing, domestic L/C finance, arbitrage based on exchange rate difference, Renminbi loans backed by standby L/C and cross-border three-in-one financial product, the Bank made full use of inter-bank funds and business resources at home and abroad, effectively addressed the shortage of funds denominated in foreign currencies and other business resources, and helped customers conduct more effective financial management.

During the reporting period, the Bank realized the international business foreign exchange received and paid (including trade account and non-trade account) of USD112.785 billion, up by 6.24% year on year, taking a steady first place among all small and medium joint-stock banks in terms of market share (according to the ranking of international balance of payment statistics by the State Administration of Foreign Exchange), and the Bank completed RMB62.81 billion cross-border Renminbi settlement, up by 17.7% year on year, which also made it the lead among small and medium joint-stock banks in terms of market share. The Bank earned RMB1.47 billion for international fee-based business, an increase of 49.9% year on year, with the growth of income outpacing that of settlement volume.

In parallel with rapid development of international business, the Bank effectively drove along marketing of liabilities business via products such as margin deposit, international settlement deposit, and cross-border Renminbi deposit, thus effectively promoting the marketing of the liabilities business and alleviating the pressure of the growing liability within the Bank.

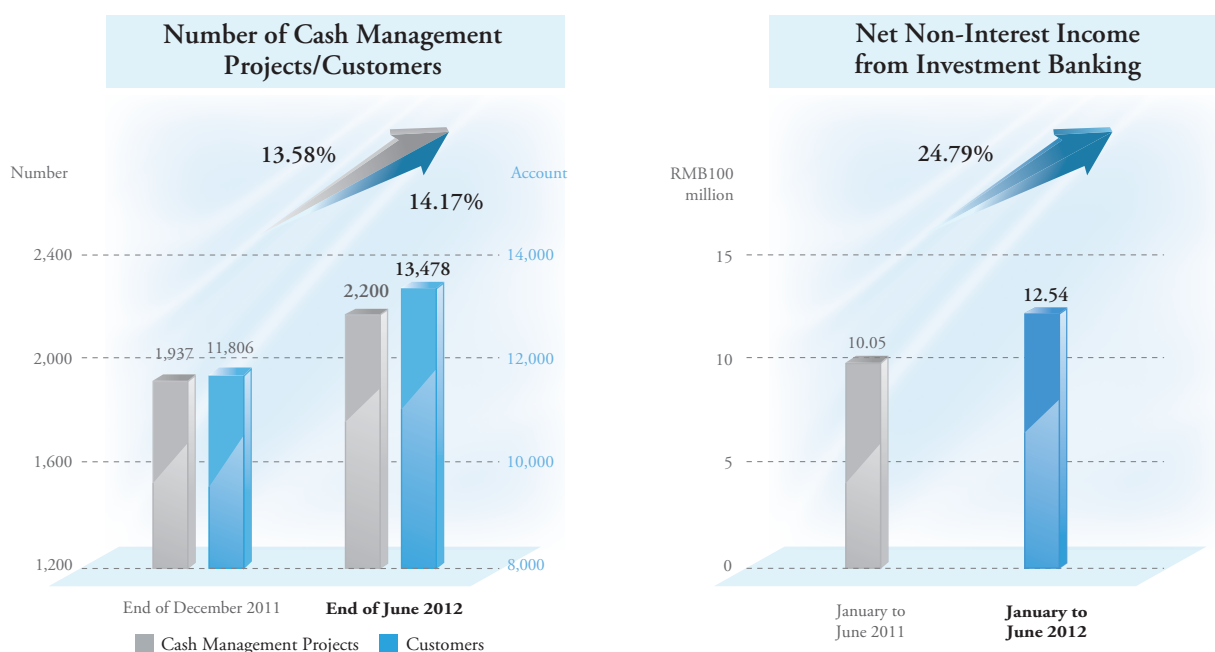
### Investment Banking Business

The Bank continued to practice the specialized business operation model in investment banking business and proactively built a diversified business platform based on customers' demands for debt and equity financing, so as to continuously improve its capacity in providing integrated financial services to strategic customers. Therefore, the Bank maintained its momentum of fast development in investment banking business.

During the reporting period, the Bank's bond underwriting was RMB56.003 billion, up by 61.28% year on year. The scale of structured financing of the Bank was RMB94.884 billion, up by 19.58% year on year. And the net non-interest income from investment banking business reached RMB1.254 billion, up by 24.79% year on year, of which, that of structured financing, bond underwriting and asset management business generated grew by 70.36%, 57.6% and 52.87% year on year, respectively.

### Small Business Finance Business

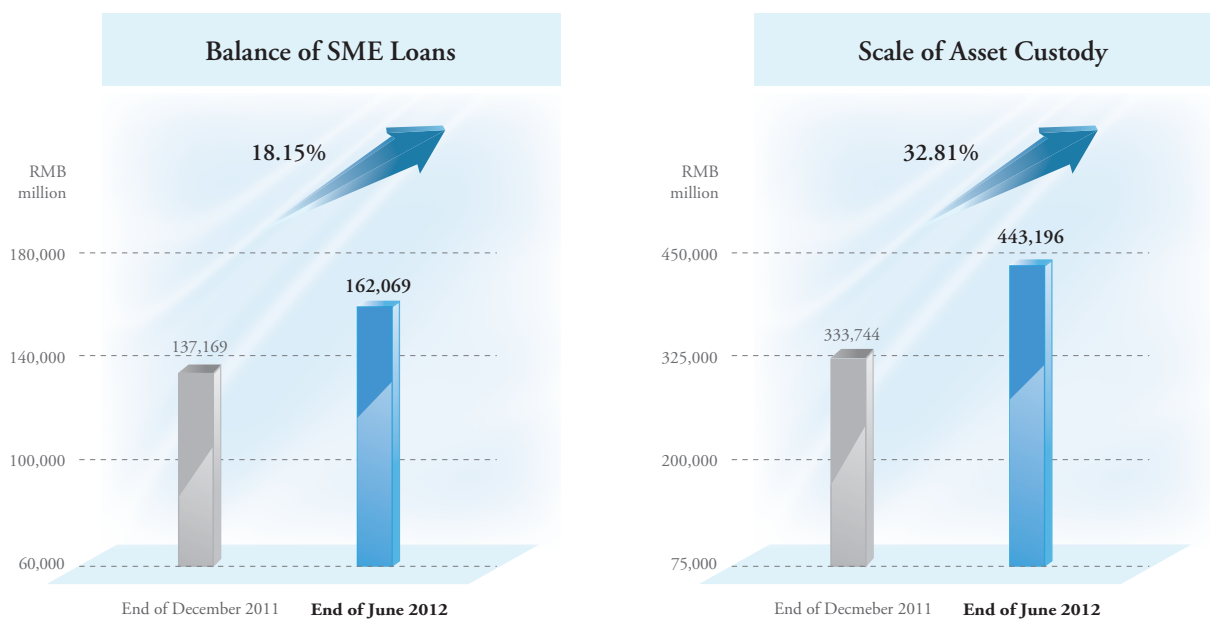
Pursuant to the marketing positioning of "one chain, two circles, and three clusters" and the marketing model of "cluster marketing together with credit rating raising", the Bank further deepened the cooperation on marketing platform. During the reporting period, the Bank conducted overall cooperation with some key chambers of commerce to provide an all-round small business finance services to member enterprises. In the meantime, the Bank promoted the construction of "Star of Future" club, helped growing quality small enterprises with rapid growth and provided assistance to enterprises in acquiring fund support with innovative financial tools.



During the reporting period, the Bank's small business loans were mainly directed to the Yangtze River Delta region and mainly went to the sector of wholesale and retail, followed by manufacturing industry. Such orientation of business development was consistent with the Bank's regional and industrial positioning. As at the end of the reporting period, the Bank had 20,781 small business customers<sup>1</sup>, an increase of 2,204 over the end of the previous year. The total balance of credit granted reached RMB364.117 billion, an increase of RMB46.189 billion or 14.53% over the end of the previous year; the total loan balance was RMB162.069 billion, accounting for 14.64% of the total corporate loans, an increase of RMB24.900 billion or 18.15% over the end of the previous year, a growth rate markedly higher than that of corporate loans; the NPL balance was RMB681 million, while NPL ratio 0.42%, up by 0.15 percentage point over the end of the previous year. The Bank kept relatively high pricing for its small business loans. During the reporting period, the Bank recorded a 24.73% and 23.75% interest rate premium above the benchmark rate on average for newly granted small business loans and small business loans balance, both of which were remarkably higher than the average level of interest rate premium of corporate loans.

### Asset Custody Business

During the reporting period, in terms of asset custody and pension business, the Bank maintained the business development philosophy of "conducting custody to make breakthroughs, establishing custody business platform, combining tradition and innovation, giving equal weights to scale and income". Through proactively making deployment and steadily promoting marketing, the Bank's fee income from asset custody and pension business grew by more than 50% year on year and the assets under custody reached a new record of over RMB400 billion. As at the end of the reporting period, assets under custody by the Bank registered RMB443.196 billion, an increase of 32.81% over the end of the previous year; and the scale of pension business under contract totaled RMB19.286 billion, up by RMB4.689 billion or 32.12% over the end of the previous year. During the reporting period, total income from custody fees reached RMB229 million, up by 52.67% year on year.



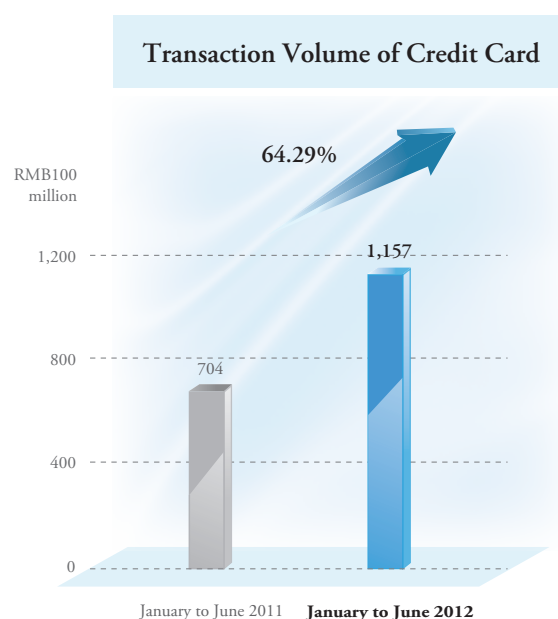
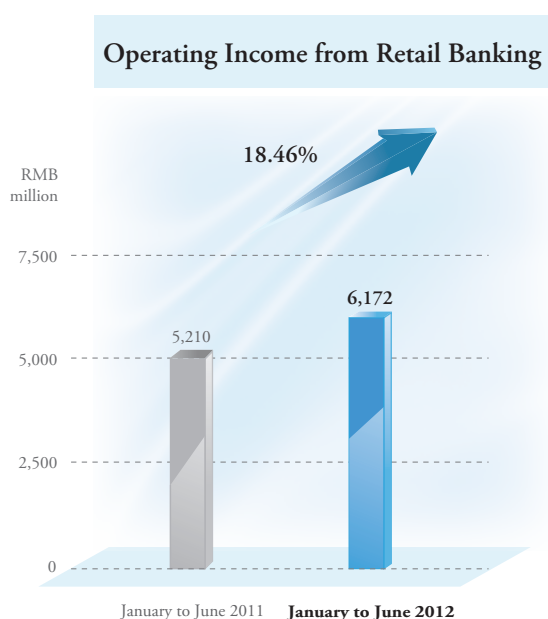
<sup>1</sup> The Bank defines small businesses as enterprises and legal entities with net asset of RMB20 million or below as at the end of the previous year or sales revenue of RMB200 million or below for the previous year.

### Auto Finance

During the reporting period, the Bank achieved steady growth in all the business indicators related to auto finance despite the slowdown of the domestic auto market since 2011 due to adverse impact such as the external macro economic situation, exit of China's stimulus policy and high oil price, etc. As at the end of the reporting period, the Bank established "head office to head office" cooperative relationship with 60 automobile brands, covering key domestic automobile manufacturers; developed partnership with 4,098 auto dealers, up by 881 or 27.39% year on year; provided cumulative financing of RMB181.217 billion for auto dealers, up by RMB43.252 billion or 31.35% year on year. During the reporting period, the Bank absorbed RMB71.828 billion daily deposits from auto dealers and manufacturers, of which the balance of daily deposits from dealers was RMB46.419 billion, an increase of RMB2.425 billion or 5.51% over the end of the previous year; and realized a fee-based income of RMB82.0927 million from auto finance business, up by RMB15.1354 million or 22.60% year on year. The Bank enjoyed a growth rate higher than that of auto sales nationwide in all indicators for auto finance business.

### Retail Banking Business

During the reporting period, following the guiding philosophy of "outperforming the market by focusing on increasing both the number of customers and assets under management, pursuing balanced development of liabilities, assets and fee-based business, continuously enhancing competitiveness to target customers and increasing the market share of liabilities and assets business", the Bank made prudent progress on all fronts, thereby driving forward business growth and accelerating business transformation in retail banking. As at the end of the reporting period, the balance of savings deposits in the Bank reached RMB337.508 billion, up by 9.92% over the end of the previous year; the balance of personal loans was RMB278.552 billion, up by 9.72% over the end of the previous year; the number of customer accounts of retail banking reached 22.7989 million, up by 7.65% over the end of the previous year. During the reporting period, the Bank recorded an operating income from retail banking business of RMB6.172 billion, up by 18.46% year on year, which accounted for 14.42% of the total operating income of the Bank.



### **Retail Assets under Management<sup>1</sup>**

During the reporting period, the Bank adhered to the “customer first” operational and service philosophy in retailing banking, provided comprehensive wealth management services to customers, and achieved steady growth in both assets under management and savings deposits through diversification of products and services. As at the end of the reporting period, the balance of savings deposits of the Bank reached RMB337.508 billion, up by 9.92% over the end of the previous year; and the retail assets under management reached RMB545.141 billion, up by 12.44% over the end of the previous year.

### **Retail Credit**

During the reporting period, while maintaining steady growth in personal housing mortgage loans, the Bank vigorously developed business loans and increased other consumer loans, thereby effectively promoting the rapid growth in loan scale. As at the end of the reporting period, the balance of retail loans of the Bank reached RMB232.162 billion, up by 6.61% over the end of the previous year, of which the balance of personal housing mortgage loans reached RMB171.659 billion, up by 1.12% over the end of the previous year; the balance of personal business loans (excluding mortgage loans for commercial property and commercial vehicles) reached RMB37.961 billion, up by 35.84% over the end of the previous year; and the balance of commercial property loans totaled RMB10.311 billion, up by 17.32% over the end of the previous year. In parallel with the increase of loan scale, the Bank also made great efforts to promote continuous growth of overall earnings of retail credit by adjusting product mix and improving loan pricing.

The Bank always attaches great attention to the risk management of retail credit. Despite the fluctuation of macro-economic environment, NPL ratio of retail banking business was well under control. As at the end of the reporting period, the Bank's balance of non-performing retail loans (excluding credit card loan) was RMB429 million, an increase of RMB84 million over the end of the previous year and the NPL ratio stayed at 0.18%, up by 0.02 percentage point over the end of the previous year.

### **Wealth Management**

During the reporting period, the Bank strengthened cross selling to its VIP customers through specialized customer programs like the “Everyday Up” program. As at the end of the reporting period, the Bank had 199,224 VIP customers with assets of over RMB500,000 under the management of the Bank, an increase of 21,064 or 11.82% over the end of the previous year; the balance of assets of VIP customers managed at the Bank reached RMB335.749 billion, accounting for 61.94% of the total retail assets under the Bank's management; and the new assets from VIP customers managed by the Bank recorded RMB48.384 billion, accounting for 84.44% of the newly increased retail assets under management at the Bank.

### **Private Banking Business**

During the reporting period, the Bank continuously optimized its unique “Five-type Private Banking” system. Following the idea of “precise marketing and delicacy managing” and focusing on dynamic wealth management services, intensified the building of its investment consulting service system, established asset program based upon automatic identification of wealth products by category in the wealth management system, incorporated exclusive products, agency sales products and open market products into the wealth management analysis system, and launched tailor-made products and services to high net worth customers. In addition, the Bank further improved its club and “circle” models of value-added service systems and launched “Zunyihui”— an exclusive club for the top customers, in which a membership-only practice that features multiple exclusive services prevailed and won high regards from customers. As at the end of the reporting period, the number of private banking customers of the Bank reached 29,751, indicating that private banking business of the Bank entered a fast development stage.

<sup>1</sup> Retail assets under management refer to the aggregate value of individual customers' savings deposits and financial assets under the Bank's management.

### Personal Auto Consumer Credit

The Auto Finance Center of the Bank continued to expand its auto consumer credit business in Beijing and Shanghai, acquiring significant local market shares. During the reporting period, the Auto Finance Center issued 8,137 personal auto consumer loans valued at RMB1.965 billion in total, up by 43.88% year on year. As at the end of the reporting period, the Bank's cumulative personal auto loan issuance was 32,100, with total loan balance amounting to RMB4.965 billion, the personal auto consumer credit business of the Bank covered 64 auto brands and 477 dealers, who are located in Beijing and Shanghai, an increase of 41 over the end of the previous year; the NPL balance of personal auto consumer credit was RMB10.7782 million, the NPL ratio 0.22%, indicating the good quality of the overall assets.

## Special Column

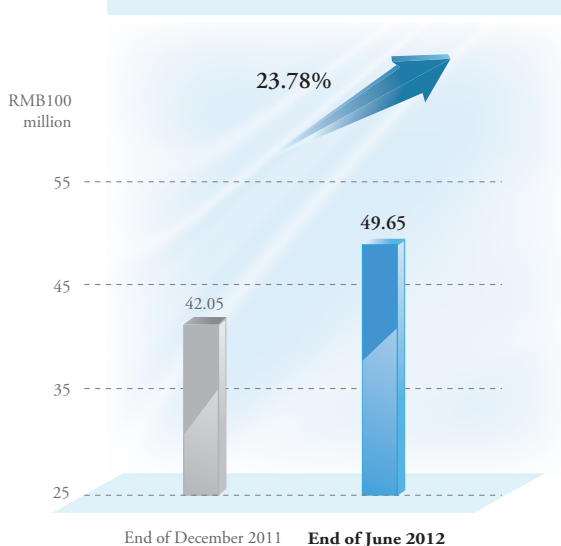
### Steady and Healthy Development of the Credit Card Business

During the reporting period, following the guiding principle of “pursuing process reengineering, and tackling difficulties in business transformation”, the Bank deepened the “second business transformation” of its credit card business and registered steady growth in both scale and income. As at the end of the reporting period, the Bank issued a total of 15.57 million credit cards, up by 23% year on year. During the reporting period, the total credit card transaction volume reached RMB115.7 billion, up by 64% year on year, with a balance of credit card loans of RMB41.425 billion, up by 29.85% over the end of the previous year.

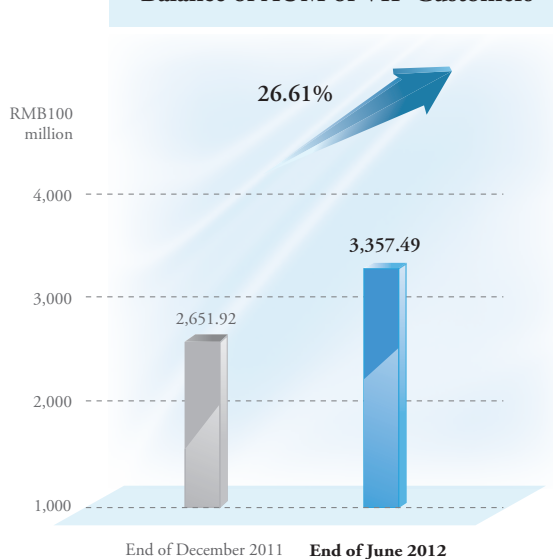
### Product portfolio continuously diversified

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Balance of Personal Auto Consumer Credit



Balance of AUM of VIP Customers





## Special Column

### Product portfolio continuously diversified

During the reporting period, the Bank continuously enhanced its product development and upgrading of its credit card business, thereby solidified the advantages of its leading products and further sharpened its competitive edge. Targeting the young high-consumption customer group, the Bank piloted the CITIC platinum credit card in Shenzhen. Targeting high-end customer group, the Bank re-packaged and optimized the rights and benefits of the platinum credit card holders as a whole. Meanwhile, the Bank implemented programs aiming to upgrade business travel functions for the platinum credit card holders and functions for magic card holders. Targeting frequent business travelers, the Bank continuously enhanced its cooperation with business traveling partners including airlines, travel agencies and branded hotels and improved its business travel products system in all dimensions ranging from air flights, hotels to all-round tour services. During the reporting period, the consumer finance installment business, as one of the core business lines for priority development, witnessed a strong growth momentum, achieving 100% income growth year on year. “Xinjinbao”, a cash installment product, and “Yuanmengjin”, a large-amount consumption installment product, both targeting premium customers with steady income, made fresh headways, thereby gradually perfecting the consumer finance business system.

### Brand effect continuously enhanced

During the reporting period, thanks to its solid customer base, high-quality customer service and excellent innovative capability, the Bank's credit card business recorded extensive influence in the industry and amongst its customers, and was well received within and outside the industry for its operation, management and services. In 2012, the credit card service center of the Bank, because of its consistent excellent services, became the exclusive winner of the Global Call Center of the Year Silver Awards for “Strategic Value” in Asia-Pacific region by International Customer Management Institute (ICMI) for the second consecutive time, which award is the only specialized silver award. With its distinctive advantages in customer relationship management (CRM) in credit card business, the Bank won “The Excellence in Retail Financial Services Award” in Asia Pacific region for “Best Customer Relationship Management” issued by the Asian Banker. Thanks to its leading data storage system and innovative technical concepts, the credit card business of the Bank won “The Best Data Infrastructure Project Award 2012” award by the Asian Banker. With extensive application of risk measurement tools in the key business of loan cycles and the remarkable effects it has produced, the Bank's credit card “service system based on the dual life cycle management of MOT (critical moment)” project won the award of “The Best Credit Risk Management of Banking in 2012” issued by the *Asian Banker*.

### Optimistic long-term outlook

With volatile domestic and international economic environment, the credit card business of commercial banks would be confronted with even more challenges. In addition, the emergence of new payment methods such as online payment and mobile payment, together with the rise of third-party payment companies could exert strong impact on the credit card sector as a whole or even affect the credit card business model itself. But in the meantime, with the proceeding of China's industrialization and urbanization, the proportion of residents consumption in GDP will increase continuously, and the credit card, as major payment tool, will gradually show its advantages. With the improvement of risk control of banks, the credit card business is expected to embrace new long-term development opportunities. The Bank's credit card business will continue to build its own market status and competitiveness and, based on a steady business development, become the key source of future profit of the Bank while continuously promoting process optimization and upgrading customer experience.



## **Treasury and Capital Market Business**

With regard to its treasury and capital market business, the Bank dynamically adjusted its business structure, effectively managed assets and improved the assets yield during the reporting period by adhering to the “trade-sales” model and the development strategy of “simple products with efficient marketing” and consistently implementing the “customer first” service philosophy. With the foundation for business development continuously consolidated, all aspects of treasury and capital market business of the Bank exhibited a sound momentum of growth. As at the end of the reporting period, the income of the treasury and capital market business recorded RMB3.739 billion, accounting for 8.73% of the Bank’s total operating income; and the net non-interest income of the treasury and capital market business totaled RMB1.040 billion, accounting for 15.96% of the Bank’s total net non-interest income.

### **Foreign Exchange Business**

During the reporting period, the Bank proactively dealt with the severe and complicated external economic situation, strengthened guidance to market-making products and market risk management of foreign exchange business, while actively working on innovative products such as portfolio options and cross-border business products, in order to identify new source of business growth and create value for customers through product innovation. During the reporting period, with the foreign exchange market-making transaction volume and profitability both growing steadily, the Bank took a leading position in market share amongst all small and medium commercial banks.

### **Renminbi Bond and Interest Rate Market-Making Business**

During the reporting period, confronted by economic turmoil both at home and abroad and wide fluctuation of capital market yields, the Bank adopted prudent transaction strategies based on effective risk control. Thanks to prudent conduct of Renminbi bond market-making, interest rate derivatives market-making and participation in group subscription business, constant capacity building in market pricing and trend sizing, active innovation, gradual tapping of actual customer demands, and continuous enhancement of business sustainability, the Bank maintained high market shares in the above-mentioned business areas and further escalated its market influence and competitiveness.

### **Wealth Management and Derivative Trading Business**

During the reporting period, the Bank focused on launching wealth management products including bond asset pool products and structured wealth management products that featured relatively low risk and stable yield, while enhancing product research and development to meet the need of customers for wealth management products of different maturities.

Strictly following the principle of meeting actual customer demands and the prudent development strategy, the Bank focused on standardized simple derivative products to satisfy customer needs for financial management on the basis of effective risk control, primarily by offering simple derivative products such as interest rate products. In the meantime, the Bank attached great attention to improving its market research capacity to better seize market opportunities and offer top-quality professional hedging services to customers in a continuous manner.

### **Asset Management**

During the reporting period, the Bank adopted a prudent investment strategy for its proprietary investments in Renminbi bonds, and further improved overall asset yield by appropriately extending duration, optimizing asset structure, following the market trend and enhancing operation in a dynamic basis. In terms of foreign currency asset management, the Bank actively restructured its foreign currency assets and reduced the holding of assets with expected high risks, thus further enhancing yield stability and risk resilience of its assets as a whole.

### **Financial Institutions Business**

To further enhance the support for financial institutions business, the Bank established the Treasury and Financial Institutions Department during the reporting period, which integrated functions of financial institutions business management and Renminbi liquidity risk management, pushed forward the development of financial institutions business and improved the liquidity risk management.

During the reporting period, confronted with the complicated external policies and market environment, based on effective risk management, the Bank rapidly developed its financial institutions business by actively absorbing deposits from financial institutions, expanding sources of liabilities from financial institutions, flexibly engaging itself in money market business such as Renminbi inter-bank lending and bond repurchase, and vigorously pushing forward reverse repurchase of inter-bank discounted bank notes and non-settlement deposits and placements with banks and non-bank financial institutions. Against the backdrop of an environment with decreasing interest rates, the Bank further increased the asset allocation to medium and long-term inter-bank assets with relatively high yields, thereby effectively improving its efficiency in funds operation.

### **Cooperation with Financial Institutions**

During the reporting period, by giving full play to the inter-bank cooperation platform and focusing on six types of customers, namely banks, securities companies, enterprise group financial companies, trust companies, insurance companies and leasing companies, the Bank endeavored to explore an efficient optimum business and service model, and expanded its basic customer group of financial institutions.

Leveraging on the opportunity of inter-bank credit granting cooperation, the Bank proactively promoted the all-dimensional cooperation with banking financial institutions including policy banks, state-owned banks, joint-stock banks and regional banks in financing, asset management and resource sharing. In the meantime, the Bank enhanced its cooperations with non-bank financial institutions including securities companies, financial companies, trust companies, insurance companies and financial leasing companies. As at the end of the reporting period, the Bank approved credit lines for 148 banking financial institutions, cumulatively signed third-party depository agreements with 89 securities companies and entered into margin financing and securities lending agreements with 18 securities companies.

### **Deposits from Financial Institutions**

The Bank further optimized its deposit structure by actively absorbing deposits from all kinds of financial institutions including banks, credit cooperatives, securities companies, financial companies and trust companies. During the reporting period, the average daily balance of deposits from financial institutions was RMB345.093 billion, of which, deposits from banking financial institutions, trust companies and securities companies accounted for 52.93%, 15.83% and 11.65% respectively.

### Reverse Repurchase of Inter-Bank Discounted Bank Notes

As reverse repurchase of inter-bank discounted bank notes does not impact on credit scale but offers relatively high yield at relatively low risks, the Bank enhanced its effort in promoting the business development and deepened cooperation with highly credible financial institutions that enjoyed good management in reverse repurchase of inter-bank discount of bank notes. During the reporting period, the average daily balance of reverse repurchase of inter-bank discount of bank notes was RMB78.507 billion.

### Non-Settlement Deposits with Banks and Non-Bank Financial Institutions

The Bank actively boosted the cooperation with highly qualified counterparties including large state-owned banks and national joint-stock banks in non-settlement deposit with banks and non-bank financial institutions by continuously expanding the scope of counterparties and proactively strengthening guidance to branches in business pricing. During the reporting period, the average daily balance of non-settlement deposits with banks and non-bank financial institutions was RMB104.402 billion.

### Inter-Bank Lending and Bond Repurchase Business

Money market business including inter-bank lending and bond repurchase serve as important tools for liquidity management. The Bank, while effectively managing liquidity risk bank-wide, steadily engaged in inter-bank lending and bond repurchase operations in a view to effectively utilizing these tools for better funds use and to maintaining inter-bank customer relationship. During the reporting period, the Bank's average daily balance of inter-bank lending and bond repurchase was RMB60.946 billion.

## Special Column

### A New Phase for Wealth Management

In 2012, in order to comply with external regulatory and risk control requirements while meeting the requirements for business development, the Bank integrated and optimized wealth management business bank-wide, enhanced business management, thereby effectively controlling business risks, improving product competitiveness and raising customer satisfaction, all of which were achieved in line with the basic principle of “unified management, unified accounting, unified sales and unified brand” and the management philosophy of “separating front, middle and back offices and ensuring consistency of channels and the maintenance of the customer relationships”.

### Organizational structure of wealth management business further clarified

To better conduct the design of bank-wide wealth management products and risk management, during the reporting period the Bank established a Wealth Management Department as a management center at the middle office.

The organizational structure of the Bank's wealth management business is divided into front office, middle office and back office. The front sales office is responsible for proposing demand for products and organizing sales activities through three channels, namely retail, corporate and inter-bank channels. The middle office is internally responsible for centralized management, planning, access control, risk limits management and coordination; and externally it is responsible for reporting to regulators, conducting unified information disclosure, managing and maintaining brand image in relation to wealth management business. The product research and development department is responsible for product research and development and investment operation. And the risk management department is responsible for providing support related to risk control. The settlement, accounting and IT system support departments at the back office are responsible for accounting, settlement, operation, valuation of assets under custody, coordinated IT system development and management, respectively.

## Special Column

### Management capacity of wealth management business further enhanced

During the reporting period, the Bank's model for reviewing and approving wealth management products was changed to a model of review by an expert panel. With their expertise and capabilities in designing different categories of products, the new system enables a tighter and more comprehensive risk control of wealth management products. Furthermore, the Bank integrated methods for statistical data calculation, established a statistical notification mechanism, standardized the collection and summary of statistics of wealth management business, thereby laying a solid data base for scientific decision-making. Meanwhile, the Bank tightened supervision over investment operations and conducted monitoring on all-round investment operational risks to provide strong support to operational decision-making through comprehensive supervision over investment operations and risk profiles.

### Product research and development as well as marketing capabilities built up

During the reporting period, the Bank's sales volume of wealth management products through research and development reached RMB434.844 billion, of which 2,367 wealth management products with a sales volume of RMB408.116 billion; 638 wealth management products sold to retail customers with a sales volume of RMB288.498 billion, accounting for 70.69%; 1,729 wealth management products sold to corporate customers with a sales volume of RMB119.618 billion, accounting for 29.31%; the sales volume of trust scheme sold on agency basis, public offering funds/securities broker wealth management products and insurance products sold on agency basis were RMB8.680 billion, RMB18.084 billion and RMB3.048 billion, respectively.

As at the end of the reporting period, the stock of products developed and sold by the Bank in wealth management business reached RMB192.026 billion, representing an increase of RMB35.875 billion or 22.97% over the end of the previous year. The number of ongoing wealth management products totaled 1,361, amounting to RMB154.895 billion; of which 489 were sold to retail customers, amounting to RMB101.018 billion, accounting for 65.22%; 872 were sold to corporate customers, amounting to RMB53.877 billion, accounting for 34.78%; ongoing wealth management products sold on agency basis as trust products amounted to RMB13.129 billion, and ongoing wealth management products including public offering funds and products from securities brokers sold on agency basis amounted to RMB24.002 billion.

## Integrated Financial Service Platform of CITIC Group

CITIC Group has numerous subsidiaries that are engaged in multiple business areas such as banking, securities, fund, trust, insurance and futures, most of which are leaders in their respective sectors. The Bank provides comprehensive all-dimensional financial services to customers via the integrated financial service platform of CITIC Group.

### Provision of Integrated Financial Solutions

The Bank provides customers with differentiated integrated financial services through cross-selling of financial products and joint marketing of major projects.

- The Bank underwrites commercial papers, medium-term papers and private placement notes (PPNs). During the reporting period, the Bank and CITIC Securities jointly underwrote commercial papers of RMB5.2 billion, medium-term papers of RMB500 million and PPNs of RMB1.0 billion.
- The Bank provides cross-border financing solutions. During the reporting period, the Bank successfully cooperated with CBI in jointly providing customers with cross-border structured financing amounted to USD 21 million.

### Extensive Sharing of Customer Resources

The Bank has been working with securities companies under CITIC Group, including CITIC Securities, CITIC Securities (Zhejiang), and CITIC Wantong Securities, on third-party depository services, being the main depository management bank of CITIC Securities and CITIC Securities (Zhejiang), and the general depository management bank of CITIC Wantong Securities.

- Institutional customers. As at the end of the reporting period, the Bank shared 4,540 institutional accounts of customers with securities companies under CITIC Group, achieving RMB7.3113 billion of commission fee income for depository services.
- Individual customers. As at the end of the reporting period, the number of individual customers under depository management from securities companies under CITIC Group increased by 9,300.

### Cross-Design and Cross-Selling

Making use of the integrated financial service platform of CITIC Group and its own banking network resources, the Bank conducted all-round cooperation with CITIC Securities, CITIC Trust, CITIC Capital, CITIC Splendid Capital and CIFL in product development, establishment of the industry (venture capital) fund business platform and market expansion of custody business, whereby respective resource advantages of all relevant parties were leveraged for further business development. As at the end of the reporting period, the custody scale of private equity (PE) products jointly launched by the Bank and CITIC Capital reached an equivalent of RMB1.34 billion; the custody scale of the corporate collective/targeted asset management program jointly launched by the Bank and CITIC Securities totaled RMB10.911 billion; and the scale of collective fund trust scheme jointly launched by the Bank and CITIC Trust registered RMB50.175 billion.

In terms of annuity, the Bank engaged in extensive cooperation with subsidiaries of CITIC Group that hold the qualifications of annuity manager, namely CITIC Trust, CITIC Securities and China AMC to launch “CITIC Xinrui”, an enterprise annuity product, which reached RMB86.8215 million in scale as at the end of the reporting period. The Bank invited CITIC Trust, CITIC Securities and China AMC to serve as account manager and investment manager for its series of annuity programs and jointly promoted the development of annuity business, which yielded good cooperative results.

### Cooperation with Strategic Investor

During the reporting period, the Bank further enhanced the strategic cooperation with BBVA, its strategic investor, in areas including investment banking, enterprise annuity, small and medium-sized enterprise (SME) finance, treasury and capital market, auto finance as well as private banking.

Investment banking. During the reporting period, the two parties jointly provided USD50 million loans backed by standby L/C to the customers of the Bank. In addition, the Bank and BBVA are steadily promoting the collaboration in providing cross-border financing services to Chinese enterprises.

Annuity business. The Bank has been steadily promoting multi-faceted and multi-modeled cooperation with BBVA in pension business, and exploring the feasibility of establishing an independent business unit (IBU) for pension business, with focuses on programs such as IT platform, agency sales of insurance products and personal pension products. During the reporting period, the Bank, together with the Ministry of Human Resources and Social Security of PRC and BBVA, jointly translated a BBVA research book entitled *Pension Reform in Latin America: Balance and Challenges Ahead*, which will be tentatively released into Chinese market in the last quarter of 2012.

SME finance. During the reporting period, by holding seminars and workshops, the Bank and BBVA extensively exchanged views on stratified management of small business customers, product standardization, marketing strategy, product research and development and risk control, and hold discussions on cross-border collaboration projects.

Treasury and capital market business. During the reporting period, the Bank fully leveraged its own advantages on treasury and capital market business and those of BBVA in the global financial market for close cooperation in foreign exchange transactions, derivatives and wealth management products. During the reporting period, the total value of foreign exchange transactions concluded by the Bank and BBVA was equivalent to RMB16.3 billion, while the scale of derivatives transactions reached RMB4.615 billion.

Auto finance. The project of establishment of an auto finance joint venture by the Bank and BBVA has been submitted to the CBRC for approval, which is still in the process of approval.

Private banking. During the reporting period, the Private Banking Independent Business Cooperation Unit (PBIBCU) between the Bank and BBVA has already entered the stage of official operation.

## **Distribution Channels**

### **Branches**

During the reporting period, the Bank continuously improved the layout of its branches in the provincial capitals and Eastern regions, properly intensified branch construction in central, Western regions and tier-three cities, while focusing on increasing the number of outlets in tier-one cities including Beijing, Shanghai, Guangzhou and Shenzhen to improve the radiation of its outlets and optimize the strategic layout of the outlets. During the reporting period, 26 outlets of the Bank started operation, including Haikou branch, a tier-1 branch, Chuzhou branch and Pingdingshan branch, tier-2 branches, and 23 sub-branches. In addition, the plan of opening two provincial capital branches, namely Yinchuan branch and Xining branch, as well as eight tier-2 branches, including Yulin branch, has been approved by the CBRC. Lin'an CITIC Rural Bank, a subsidiary controlled by the Bank, started its business operation on 9 January 2012. As at the end of the reporting period, the Bank had 799 branch outlets in 98 large and medium cities in China, with 36 (directly affiliated) tier-1 branches, 56 tier-2 branches and 707 sub-branches.

CBI, a wholly-owned subsidiary of the subsidiary of the Bank, conducts commercial banking business in Hong Kong. As at the end of the reporting period, CBI had 32 institution outlets in Hong Kong and overseas branches in Macau, Singapore, New York and Los Angeles.

### **Self-Service Outlets and Self-Service Terminals**

During the reporting period, in parallel with enhancing risk prevention in trading through self-service banking, the Bank exerted continuous efforts to expand the distribution networks of self-service banking and self-service equipment and raise the replacement rate of self-service equipment. As at the end of the reporting period, the Bank had 1,413 self-service banks and 5,018 self-service equipment (including ATMs, CDMs and CRSs), up by 5.84% and 5.89% respectively over the end of the previous year.

### **Mobile Banking**

The Bank, pursuing establishment of "A Bank at Hand", conducted marketing proactively, upgraded mobile banking systems and enhanced the optimization of functionalities. During the reporting period, the Bank launched the mobile banking software for android handsets and tablet pads, upgraded the system of web version from WAP to HTML, and in the meantime, completed the development of mobile phone version for Windows Phone 7.

During the reporting period, the Bank intensified its marketing efforts for mobile banking. As a result, the Bank recorded 531,684 mobile banking accounts, representing an increase of 459,442 accounts or 635.98% over the end of the previous year, which shows an 8.32-time increase of the incremental accounts for the previous year, and achieved the mobile banking transaction volume of RMB623 million, 3.76 times of the volume achieved in the same period of the previous year.



### **Internet Banking**

In terms of corporate Internet banking, during the reporting period, the Bank started the third generation of Internet banking project, successfully launched corporate Internet banking version 6.5, featuring a brand new function of fund supervision over B2B bulk commodity trading, fully optimized 24 functionalities including business process, trading risk and system performance, and thereby further improved the service capability of the Bank for corporate Internet banking products. During the reporting period, the Bank, conforming to the development trend of mobile Internet, initiated its mobile phone banking project and was committed to providing diversified corporate electronic financial mobile banking services to customers. The Bank proactively promoted the proceeding of its corporate electronic financial trading risk management project and enhanced its risk control on liquidity risk, credit funds risk, money laundering risk and customer legal person risk so as to foster the sustained and sound development of corporate Internet banking business. The corporate Internet banking transaction volume of the Bank grew by RMB3.4 trillion year on year, or up by 50.8% year on year; the number of transactions through the corporate Internet banking system was 2,159,800, up by 36.23% year on year; transaction replacement rate of corporate Internet banking reached 47.7%, up by 7.66 percentage points over the end of the previous year; number of accounts with effective transactions reached 72,447, up by 20,996 year on year, and the ratio of active accounts reached 62.24%, up by 7.06 percentage points.

In terms of personal Internet banking, the Bank vigorously marketed Internet banking, while adhering to the development principle of “innovation with a pioneering spirit” and “attaching equal importance to quantity and quality”. A series of marketing campaigns with “Winning in China through Internet” as the theme were carried out, which effectively promoted account activity and trading and expanded the sales of wealth management products, thereby maintaining a strong momentum of business growth. As at the end of the reporting period, the coverage rate of personal Internet banking customers reached 33.04%, up by 6.09 percentage points over the end of the previous year. During the reporting period, the number of new personal Internet banking customers reached 814,200 with a cumulative number of personal Internet banking customers of 6.5213 million, an increase of 14.27% over the end of the previous year. The number and volume of transactions through personal Internet banking reached 24.1420 million and RMB1.45 trillion respectively, 1.66 and 1.48 times of the figures in the previous year respectively. The number and volume of funds sold via personal Internet banking reached 52,600 and RMB13.085 billion, 1.81 and 2.85 times of the figures in the same period of the previous year respectively. The number and volume of wealth management products sold via personal Internet banking reached 393,200 and RMB184.470 billion respectively, 2.53 and 1.51 times of the figures in the same period of the previous year respectively.

### **E-Commerce**

“CITIC E-Payment” version 3.0, an upgraded and optimized online payment platform, has been put in use at the end of April 2012, aiming to further enhance the competitiveness of the Bank in E-commerce and improve the payment experience of customers.

As at the end of the reporting period, the Bank recorded a number of 6.7348 million E-payments and RMB3.502 billion trading volume, up by 44.98% and 29.56% year on year respectively. A total of 2.7443 million payments were made with bank card (including Express Checkout), with trading volume reaching RMB580 million; 2,300 bank card withdrawals were made, with the volume of the withdrawals totaling RMB703 million.

### **Telephone Banking**

The 95558, the Bank’s customer service center, insists on the centralized operation, the standardized management and the continuous improvement of service quality. During the reporting period, the Bank arranged the call center staff specially for private banking so that a complete service system covering mass customers, VIP customers and private banking customers was established. In addition, the Bank launched the intelligent voice service of “intelligent robot CC”, where the service directory can be rapidly located by using voice recognition, which improved the efficiency of service. The Bank reviewed the business operational procedures and promoted a smoother implementation of all related works.



During the reporting period, the hotline of the customer service center of the Bank received nearly 19.06 million inbound calls, with customer satisfaction and satisfaction with handling of customer complaints reaching 98.87%, and 92.38% respectively. The center proactively made 1.4472 million outbound calls (person-times) to customers, producing good results in marketing products such as bank cards, wealth management products and sales of funds on agency basis. In addition, the center made 406,800 outbound calls (person-times) to customers to market insurance products, and thereby promoted the rapid growth in fee-based business indicators such as the number of policies and the net amount insured.

## Information Technology

During the reporting period, the Bank continuously increased its input into IT system construction to meet the needs of business operation and management as guided by its IT planning and supported by the development of three professional systems, namely application development, system operation and information technology risk management and control.

- With regard to application development, the Bank progressed with upgrading its core business systems in an orderly manner and completed a series of work including the demand compiling and the overall design. Meanwhile, the Bank finished the project implementation of data governance, product and institutional theme data standards consulting. As for the system construction project for the supply chain finance business, the Bank realized the online operation of major business functionalities. The *New Basel Capital Accord* Risk Weighted Asset (NRWA) project and liquidity risk management project were under development while the major functionalities of the project of internal models approach for market risk were put online and the internal control platform entering the stage of business test.
- With regard to system operation, the Bank continued to promote the integrated system for operation and maintenance (O&M) management, continuously improved its policies, criteria and management process, and refined its indicator system and assessment system for O&M management. The Bank enhanced the head office's service support and management to branches in operation, and accelerated the construction of O&M management support systems. Further efforts were made to consolidate IT infrastructure, thereby laying a solid foundation for safe operation of the information system. With the second center of Internet banking officially put in operation, the reliability of the Bank's E-channel services was improved. The emergency response capability was built up via better contingent plan for the information system and the organized switch drillings for intra-city disaster preparation, local double-computer switch drillings and desk drillings for various scenarios.
- With regard to information technology risk management and control, the Bank carried on its construction of the information technology risk management system to improve the capacity for information safety assurance and prevent information technology risks. During the reporting period, the Bank organized self-check and rectification on information safety and assessment of information system safety protection for different levels bank-wide, while further efforts were also exerted to ensure information safety in key areas and sensitive information.

## Business of Subsidiaries

During the reporting period, the Bank continued to enhance the synergy and cooperation with CIFH, CIFL and Lin'an CITIC Rural Bank and its comprehensive and internationalized business development has been improved and developed. Meanwhile, the Bank, in accordance to regulatory requirements, set up a four-layer structure including board of directors, senior management team, departments in head office and subsidiaries, formulated a series of rules and regulations including *Measures on Consolidation Management*, *System on Risk Firewall and Management Measures on Internal Trade*, etc so as to prudently and orderly promote the consolidation management and make efforts to exercise an overall and effective risk management and control on subsidiaries.

### **CITIC International Financial Holdings Limited**

CIFH is the main platform for the Bank to conduct its overseas business, with the Bank and BBVA holding 70.32% and 29.68% of equity interests in CIFH respectively. During the reporting period, CIFH continued to build CBI, its subsidiary, as a platform to promote the internationalization of the Group.

The reporting period witnessed marked slowdown of economic growth in Hong Kong due to weakening local consumption and shrinking trade volume. In addition, a sluggish investment environment due to the lingering debt crisis in Europe also posed challenges to the financial industry in Hong Kong. Thanks to the ongoing full efforts of CIFH to promote the interaction and cooperation between CBI and the Bank for greater synergy, CIFH enjoyed high growth in the balances of both cross-border and Renminbi settlement business and Renminbi deposits.

As at the end of the reporting period, CIFH recorded a total assets of HKD173.025 billion, almost the same as that as at the end of the previous year; and achieved a net profit of HKD878 million for the reporting period.

- CBI. With reference to the management experience of BBVA, its strategic shareholder, CBI kept optimizing its risk management capability and improving its asset quality. To leverage on the growing cross-border business opportunity resulting from the continuous growth of the Chinese economy and internationalization of Renminbi, CBI boosted its cooperation with the Bank and other subsidiaries of CITIC Group, enjoying rapid growth in both scale and income of referral business. During the reporting period, CBI recorded HKD1.87 billion of operating income, an increase of 3.5% year on year and further improvement of loan quality, with NPL ratio reduced to 0.52% at the end of the reporting period, down by 0.23 percentage point over the end of the previous year. Thanks to its stable and prudent financial position, the Moody's upgraded CBI's financial capacity outlook from stable to positive.
- CIAM. During the reporting period, CIAM carried out various projects as planned. CITIC YBN, its strategic investment platform, continued to expand the agriculture-related financial services, e.g. orderly progress in both Phase II of Henan Agricultural Fund and negotiation for conclusion of a contract with Jilin Zhongxin Food Zone regarding the planting of organic rice.
- CITIC Capital. During the reporting period, the total assets of projects under management by CITIC Capital was approximately USD4.1 billion, slightly less than that at the end of the previous year, which was mainly due to dividend distribution to investors after the withdrawal of projects.

### **China Investment and Finance Limited**

CIFL is a controlled subsidiary of the Bank established and located in Hong Kong with a registered capital of HKD25 million. The Bank holds 95% equity interest and CBI holds the other 5% in CIFL. CIFL's business covers loan business (CIFL holds a money lender license in Hong Kong) and investment business (including fund investment, bond investment and equity investment, etc.)

During the reporting period, CIFL reinforced its asset risk monitoring and control and enhanced its business cooperation with the Bank while maintaining stable development of all business lines. As at the end of the reporting period, the total assets of CIFL was equivalent to RMB1.122 billion, striking a balance with the same period of the previous year, and the net profit equivalent to RMB13.11 million, down by 46.18% year on year.

### **Zhejiang Lin'an CITIC Rural Bank**

The Bank established its first rural bank in Lin'an city of Zhejiang Province, which officially started operation on 9 January 2012. Lin'an CITIC Rural Bank has a registered capital of RMB200 million. The Bank holds 51% equity interest and another 13 enterprises hold the rest 49%. As at the end of the reporting period, Lin'an CITIC Rural Bank realized a good performance in all business operation indicators with a deposit balance of RMB530 million and a loan balance of RMB407 million.

## | Risk Management

### Management of Credit Risk

#### Corporate Loans Risk Management

During the reporting period, the Bank focused its efforts to prevent loan risks in key areas including local government financing vehicles and the real estate sector, conducted stringent control over loans to overcapacity industries such as the steel industry, and prudently carried out loan granting to export-oriented enterprises.

- Loans to local government financing vehicles (LGFV). The Bank pursued the control on aggregate credit volume with the aim to control the balance of LGFV within that as at the end of 2011. New demand for LGFV was mainly met through restructuring such loans, with priorities given to funding demands of key national construction projects in progress and extending construction. As at the end of the reporting period, the aggregate loan volume of LGFV decreased over the beginning of this year.
- Loans to the real estate sector. The Bank prioritized the risk prevention of loans to the real estate development with multiple measures, including: (1) improving mortgage registration procedures of land and construction projects in progress to ensure the concerned loans are validly secured; (2) monitoring the use of loan funds for specified purposes to ensure the construction progress and prevent projects from being left unfinished; and (3) stringently managing loan customers' proceeds from sales to prevent misappropriation of repayment. During the reporting period, the Bank continued to control the total credit volume of the real estate sector, while the loans to this particular sector recorded a remarkable decrease in both incremental amount and growth rate compared with the previous year. Efforts were made to screen the best from the eligible projects to grant real estate credit. Great attention was specially paid to the risk of fund chain rupture of developers. Appropriate support was provided to residential projects with superior locations, cost advantages and availability of collaterals and closed-loop fund management, while special support was provided to construction projects in progress and extending construction.
- Loans to overcapacity industries. The Bank exercised stringent control over loans granted to overcapacity industries with a requirement of approval from the head office for the incremental credit grants, and thereby ensuring a lower growth rate of general loans to overcapacity industries in comparison with the average growth rate of the Bank. Following the principle of “focusing on premium enterprises, short-term credit granting, and supply chain finance”, when granting credit to overcapacity industries, the Bank continued with its stringent control over project loans disbursement.
- Loans to export-oriented businesses. Attaching great significance to the grave situation confronted by export-oriented businesses, the Bank actively supported exporters who have channel advantages, stable orders and strong risk-resistance capabilities, rendered priority support to the “go-international” enterprises (engineering and large equipment manufacturing companies) insured by China Export and Credit Insurance Corporation (Sinasure), conducted stringent control over credit granting to enterprises with strong intention of business diversification and weak risk resistance capability without distinctive core business and took a prudent stance when granting credit to those enterprises that imported raw materials and exported products. Thanks to the rational arrangement of financing structure, intensified monitoring of logistic and/or capital flows and design of standard products (credit insurance financing, export factoring, etc.), the Bank achieved effective control over credit risks of export-oriented businesses.

### **Small Business Loans Risk Management**

During the reporting period, the Bank continued improving its capability of risk management over small businesses.

- Implementation of the “embedded” review and approval system. The Bank fully implemented the “embedded” review and approval system at the branch level. On the basis of separating the loan approval and disbursement processes, the Bank further improved its professional capability in review, approval and risk management of small businesses loans.
- Promotion of the cluster credit approval model for small businesses. During the reporting period, the Bank chose a couple of branches to pilot the business process of cluster credit approval model for cluster of markets. Through approval of total credit lines and deployment of risk limits thereof, the Bank effectively kept systematic risk of small business loans under control.
- Enhanced the monitoring and inspection of credit risks of small business loans. The Bank adopted various measures to further its risk monitoring and inspection over credit granting to small businesses, namely (1) establishing the risk monitoring and analysis mechanism of credit granting to small businesses with regular risk analysis and assessment conducted from multiple perspectives including region, sector, product and guarantee, etc.; and (2) enhancing specialized risk monitoring and inspection of special business areas.

### **Personal Loan Risk Management**

During the reporting period, based on macro-economic changes and regulatory requirements, the Bank further adjusted its personal credit policies by intensifying risk control, highlighting compliant operation, improving system development, reviewing business processes, and enhancing post-lending management, which ensured the overall quality of personal credit assets.

- Proactive optimization of product structure. On the basis of system improvement, the Bank took the initiative to expand personal business loans, promote product diversification and mitigate potential risks arising from over concentration of single products.
- Improvement of the risk management system. Based on personal loan center at branch level, the Bank adopted the “embedded” review and approval model and further improved the risk management system of personal loans by dispatching full-time risk reviewers thereto.
- Enhancement of post-lending management. By measures including organizing special inspections and intensifying system monitoring, the Bank further enhanced its policy compliance and operational risk management of its personal credit business.
- More efforts for better early warning of risks. The Bank conducted an in-depth analysis on the impacts of macro-economic developments on its personal loan business, paid more attention to key risk areas and timely guided branches in business development and risk prevention.
- Strengthened monitoring and loan collection. The Bank conducted regular and comprehensive monitoring of the quality of personal credit assets, while enhancing monitoring, collection and recovery of loans overdue, thus the Bank made constant improvement in its asset quality management.

### Risk Management of Credit Card Business

During the reporting period, the Bank continued to adhere to its master guiding principle of “pursuing risk-filtered returns” for risk management of credit card business, and adhered to the risk management philosophy of “scientific resources allocation, prudent risk operation”, which greatly supported the healthy and orderly progress of its credit card business.

- Improvement of the credit card center/sub-centers risk management system. The Bank, as always, considered the customer portfolio management as its key focus and enhancement of the evaluation system as its priority task. By establishing the integrated credit card management system covering the credit card center at the head office and local sub-centers, the Bank has remarkably upgraded the effectiveness of all-round management of credit card risk.
- Establishment of the a warning system for internal and external economic indicators. By means of quantitative analysis and other measures, the Bank made reasonable forecast and early warnings on economic fluctuations; through relevance analysis on business indices, the Bank improved the timeliness and sensitivity of its early warning; through the development of forward-looking strategies and reserve plans, the Bank was able to promptly activate risk prevention mechanisms upon obvious signals generated from its early warning system and thereby alleviating systematic risks.
- Deepening effectiveness of early intervention in risks. The Bank built a mechanism of early intervention in risks and kept enhancing its depth and width. In the meantime, proactive treatments were made to new trend of transaction frauds.
- Better management of highly active customers. The Bank adopted measures such as close-down and transaction restriction against risky merchants to crack down on suspicious cash-out transactions more accurately and control the volume and proportion of suspicious transactions.
- More effective collection of payments through system platforms. The Bank actively applied asset management system platforms including decision engine system, WCS collection affiliate system, and loan collection scoring tool. The Bank explored and developed differentiated loan collection strategies in combination with its current risk profiles. All these contributed to the overall effectiveness of loan collection.
- All-round application of risk measurement tools. The Bank actively structured the “MOT credit service system based on dual-life cycle management” for credit card business. To support bank-wide efforts for completion of the *New Basel Capital Accord* implementation projects at the final stages, the Bank organized the design of the business program for application of retail rating results in risk limits.
- Stringent prevention of compliance risk and operational risk. The Bank intensified compliance management of credit card business in an all-round way, established an operational risk management system and enhanced the communication and education regarding compliance and operational risks, in a view to upgrading the awareness of compliance and operational risks throughout the Bank.

## Special Column

### Smooth progress of the New Basel Capital Accord implementation project

The *New Basel Capital Accord* implementation project was initiated in 2007. As at the end of the reporting period, the primary core technical framework of the planned project was basically completed.

### Three core systems for credit risk management already completed, reaching the technology level of advanced internal ratings-based approach

The corporate customer rating system achieved mature operation. The corporate customer credit risk ratings project, jointly developed with Moody's KMV, was officially launched in June 2007. All corporate customers, excluding financial institutions, were covered by the system, which is working effectively in operation.

The corporate debt rating system was fully launched. The corporate debt ratings and default risk exposure measurement system, jointly developed with Moody's, was officially launched on all fronts at the end of 2011, following tests conducted in branches and the promotion bank-wide afterwards.

Development of the retail rating system came to a successful conclusion. In accordance with the requirements of advanced internal rating approach of the *New Basel Capital Accord*, the Bank developed its retail ratings system together with FICO, covering all risk exposures associated to retail operations, including retail banking, auto finance and credit card business.

### Internal model approach for market risk project to be fully launched by the end of year

Pursuant to the overall plan of the internal model approach for market risk project, the Bank conducted its system development step by step. In the first half of 2012, the Bank successfully put system phase I in operation, and completed the development and testing for system phase II, which will be put in place in the second half of 2012.

### Operational risk management system to be launched on trial and widely applied by the end of the year

According to the arrangement for implementing *New Basel Capital Accord* already submitted to the CBRC, the Bank, based on the defined operational risk management IT system plan, carried on system development, operation and system application with focuses in 2012. In the first half of 2012, the Bank has already finished develop the analysis of system requirements and the development of core functionalities, which will move on to the stage of operation on trial and will be applied widely from the end of 2012 to the beginning of 2013.

### RWA, ICAAP and regulatory compliance projects kicked off

The regulatory compliance project under the *New Basel Capital Accord* has completed Phase I self-assessment with Phase II self-assessment well under way. By the end of 2012, the Bank would be ready to apply for assessment on its preparedness for the implementation of the advanced capital measurement approach.

The NRWA project under the *New Basel Capital Accord* has entered the phase for system development, as the analysis of business and IT requirements has already been basically completed.

The Internal Capital Adequacy Assessment (ICAAP) project under the *New Basel Capital Accord* has completed the tasks including reviewing the current risk control regime and interviewing the relevant personnel, identifying and assessing material risks, and designing the capital plan reporting template and capital planning template, as well as the technological scheme on economic capital, among others.

Generally speaking, core system construction and progress of the projects in line with the *New Basel Capital Accord* basically conform to the CBRC framework requirements on commercial banks for implementing the *New Basel Capital Accord*, full implementation of which would play an important role in further improving the risk control and precise/refined management of the Bank.

### **Treasury Business Risk Management**

During the reporting period, the Bank continued to prudentially conduct its negotiable securities investment business and provided customers with value-added hedging services.

- Renminbi denominated bond investment. The Bank followed its annual credit granting policy, focusing on premium enterprises within the relevant sectors as its key investment targets.
- Foreign currency denominated bond investment. In view of the re-worsening of the European sovereign debt crisis following a short-lived calm period and the risk of a double dip of both European and American economies, the Bank adopted proactive measures to optimize its asset structure in line with its risk management guidelines made at the beginning of the year.
- Risk management and fund value preservation and appreciation services to the customers. The Bank proactively provided customers with risk management and fund value preservation and appreciation services. In parallel with the provision of hedging services for value preservation and appreciation, the Bank also reinforced its customer applicability analysis to effectively prevent credit risks.

### **Loan Monitoring and Post-Lending Management**

In the first half of 2012, the Group strengthened its loan monitoring and post-lending management system, promoted loan-granting system, early warning system, risk mitigation system and loan collection system, intensified its efforts in quality control and branch performance assessment management, and promoted “substantially adequate” transformation in credit management. The following efforts have been made in credit management:

- The Bank promoted the establishment of the loan-granting system and deepened the operational risk management.
- The Bank promoted the establishment of its early warning system and risk mitigation system so as to timely identify and mitigate credit risks.
- The Bank advanced the establishment of the loan collection system to ensure recollecting loans in full and on time.
- The Bank promoted the credit management of LGFV loans and the mitigation of relevant risks.
- The Bank conducted on-site inspection and rectification and made further efforts to promote the risk culture based on compliance.
- The Bank emphasized on assessment based on performance indicators and on-site inspection so as to enhance management of asset quality.
- The Bank improved data quality and data analysis, pushed forward informationalization and enhanced IT-based credit management.
- The Bank improved systems promoted their implementation and improved assessment management.
- The Bank intensified guidance and training and built up its management team.
- The Bank enhanced the exchange of information and enhanced the consolidation supervision.



## Credit Risk Analysis

### Loan Distribution

As at the end of the reporting period, the Group's total loan balance was RMB1,535.352 billion, an increase of RMB101.315 billion or 7.07% over the end of the previous year.

The Group continuously optimized the geographical structure of credit assets, and loans to different regions grew coordinately. The Group's loans were mainly extended to the most developed regions in coastal areas in Eastern China, including the Yangtze River Delta, the Bohai Rim and the Pearl River Delta. As at the end of the reporting period, the Group's loan balance to these three regions accounted for 66.33% of total loans. During the reporting period, the largest increment of loans was in the Yangtze River Delta, up by RMB31.540 billion or 8.40%, exceeding the average growth rate by 1.33 percentage points.

During the reporting period, the Group proactively implemented government policies aiming at boosting domestic demand and appropriately gave more support to quality projects in Central and Western regions, where as a result the percentage of loans in the total loan balance increased continuously. The loans to Central and Western regions grew up by RMB17.658 billion and RMB12.924 billion, or 9.43% and 7.31%, which were 2.37 percentage points and 0.24 percentage point higher than the average growth rate respectively.

### Concentration of Loans by Region

#### The Group

|                                   | 30 June 2012     |                | 31 December 2011 |                |
|-----------------------------------|------------------|----------------|------------------|----------------|
|                                   | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Yangtze River Delta               | 407,175          | 26.52          | 375,635          | 26.19          |
| Bohai Rim <sup>(Note)</sup>       | 404,221          | 26.33          | 379,024          | 26.43          |
| Pearl River Delta and West Strait | 206,894          | 13.48          | 196,103          | 13.68          |
| Central region                    | 204,859          | 13.34          | 187,201          | 13.05          |
| Western region                    | 189,803          | 12.36          | 176,879          | 12.33          |
| Northeastern region               | 48,796           | 3.18           | 46,425           | 3.24           |
| Overseas                          | 73,604           | 4.79           | 72,770           | 5.08           |
| <b>Total loans</b>                | <b>1,535,352</b> | <b>100.00</b>  | <b>1,434,037</b> | <b>100.00</b>  |

Note: Including head office.

#### The Bank

|                                   | 30 June 2012     |                | 31 December 2011 |                |
|-----------------------------------|------------------|----------------|------------------|----------------|
|                                   | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Yangtze River Delta               | 405,127          | 27.79          | 373,731          | 27.54          |
| Bohai Rim <sup>(Note)</sup>       | 403,323          | 27.67          | 378,142          | 27.86          |
| Pearl River Delta and West Strait | 205,918          | 14.13          | 194,949          | 14.36          |
| Central region                    | 204,859          | 14.05          | 187,201          | 13.79          |
| Western region                    | 189,803          | 13.02          | 176,879          | 13.03          |
| Northeastern region               | 48,796           | 3.34           | 46,425           | 3.42           |
| <b>Total loans</b>                | <b>1,457,826</b> | <b>100.00</b>  | <b>1,357,327</b> | <b>100.00</b>  |

Note: Including head office.

*Concentration of Loans by Product Type*

As at the end of the reporting period, the Group's corporate loan balance (excluding discounted bills) registered a stable growth, amounting to RMB1,165.479 billion, up by RMB49.090 billion or 4.40% over the end of the previous year; personal loans grew at a fast pace, accounting for 19.09% of the total loan balance, up by RMB24.853 billion or 9.27% over the end of the previous year, 2.2 percentage points above the average growth rate; and the balance of discounted bills reached RMB76.823 billion, up by RMB27.372 billion or 55.35% over the end of the previous year, while the proportion was basically stable compared with that at the end of the previous year.

**The Group**

|                    | 30 June 2012     |                | 31 December 2011 |                |
|--------------------|------------------|----------------|------------------|----------------|
|                    | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Corporate loans    | 1,165,479        | 75.91          | 1,116,389        | 78.49          |
| Personal loans     | 293,050          | 19.09          | 268,197          | 17.11          |
| Discounted bills   | 76,823           | 5.00           | 49,451           | 4.40           |
| <b>Total loans</b> | <b>1,535,352</b> | <b>100.00</b>  | <b>1,434,037</b> | <b>100.00</b>  |

Unit: RMB million

**The Bank**

|                    | 30 June 2012     |                | 31 December 2011 |                |
|--------------------|------------------|----------------|------------------|----------------|
|                    | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Corporate loans    | 1,106,644        | 75.91          | 1,058,128        | 77.96          |
| Personal loans     | 278,552          | 19.11          | 253,867          | 18.7           |
| Discounted bills   | 72,630           | 4.98           | 45,332           | 3.34           |
| <b>Total loans</b> | <b>1,457,826</b> | <b>100.00</b>  | <b>1,357,327</b> | <b>100.00</b>  |

Unit: RMB million

*Structure of Personal Loans*

During the reporting period, the Group's retail business expanded rapidly. The retail loan balance reached RMB293.050 billion, up by RMB24.853 billion or 9.27% over the end of the previous year. In breakdown, the balance of credit card loans reached RMB41.658 billion, up by 29.64% over the end of the previous year, 20.38 percentage points above the average growth rate; personal consumer and non-consumer loans grew remarkably as the loan balance reached RMB70.808 billion, up by 23.84% over the end of the previous year, 14.58 percentage points above the average growth rate; and the housing mortgage loans grew steadily, with a slight increase.

**The Group**

|                             | 30 June 2012   |                | 31 December 2011 |                |
|-----------------------------|----------------|----------------|------------------|----------------|
|                             | Balance        | Proportion (%) | Balance          | Proportion (%) |
| Housing mortgage loans      | 180,584        | 61.62          | 178,888          | 66.7           |
| Credit card loans           | 41,658         | 14.22          | 32,133           | 11.98          |
| Others                      | 70,808         | 24.16          | 57,176           | 21.32          |
| <b>Total personal loans</b> | <b>293,050</b> | <b>100.00</b>  | <b>268,197</b>   | <b>100.00</b>  |

Unit: RMB million

## The Bank

*Unit: RMB million*

|                             | 30 June 2012   |                | 31 December 2011 |                |
|-----------------------------|----------------|----------------|------------------|----------------|
|                             | Balance        | Proportion (%) | Balance          | Proportion (%) |
| Housing mortgage loans      | 171,659        | 61.63          | 169,763          | 66.87          |
| Credit card loans           | 41,425         | 14.87          | 31,903           | 12.57          |
| Others                      | 65,468         | 23.5           | 52,201           | 20.56          |
| <b>Total personal loans</b> | <b>278,552</b> | <b>100.00</b>  | <b>253,867</b>   | <b>100.00</b>  |

### Concentration of Loans by Sector

During the reporting period, in light of complicated economic and financial environment both at home and abroad, the Group intensified its efforts in adjusting sector structure, giving priority to real economy and supply chain finance in directing loans while tightening risk control on over-capacity sectors and sectors more fragile to the macro-economic control policies. The Group strictly controlled the total volume of loans issued when it prudently engaged in real estate sector lending. New loans to real estate sector were concentrated in the top 100 national property developers and premium regional property developers with rich property development experience and strong regional advantages while the Group insisted on project collaterals and closed fund management.

As at the end of the reporting period, the Group's corporate loan balance reached RMB1,165.479 billion, up by RMB49.090 billion or 4.40% over the end of the previous year. Loan balances of the four sectors including manufacturing, wholesale/retail, real estate and transportation, warehousing and postal service sector were RMB324.967 billion, RMB194.593 billion, RMB135.533 billion and RMB133.259 billion respectively, accounting for 67.64% collectively. In terms of increase structure, new loans to manufacturing sector grew at the fastest speed, up by RMB23.152 billion or 7.67% over the end of the previous year; wholesale/retail sector came the second, up by RMB17.472 billion or 9.86% over the end of the previous year; real estate sector came the third, up by RMB13.422 billion or 10.99% over the end of the previous year.

The Group effectively controlled the credit resources to sectors that featured long maturities, weak price negotiating power, relatively low comprehensive returns and strong government background. As at the end of the reporting period, the loan balances of the three sectors, namely production and supply of power, gas and water, water conservancy, environment and public utilities management, and public and social organizations declined by RMB10.703 billion, RMB7.784 billion and RMB5.201 billion, respectively, or down by 13.38%, 11.09% and 24.60% respectively over the end of the previous year.

## The Group

*Unit: RMB million*

|  | 30 June 2012     |                | 31 December 2011 |                |
|--|------------------|----------------|------------------|----------------|
|  | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Manufacturing  | 324,967          | 27.88          | 301,815          | 27.03          |
| Transportation, warehousing and postal service                 | 133,259          | 11.43          | 125,457          | 11.24          |
| Production and supply of power, gas, water                     | 69,267           | 5.94           | 79,970           | 7.16           |
| Wholesale and retail   | 194,593          | 16.70          | 177,121          | 15.87          |
| Real estate  | 135,533          | 11.63          | 122,111          | 10.94          |
| Water conservancy, environment and public utilities management | 62,397           | 5.36           | 70,181           | 6.29           |
| Leasing and commercial services                                | 53,748           | 4.61           | 50,495           | 4.52           |
| Construction   | 62,965           | 5.40           | 58,734           | 5.26           |
| Public and social organizations                                | 15,937           | 1.37           | 21,138           | 1.89           |
| Others   | 112,813          | 9.68           | 109,367          | 9.80           |
| <b>Total corporate loans</b>                                   | <b>1,165,479</b> | <b>100.00</b>  | <b>1,116,389</b> | <b>100.00</b>  |

Note: Due to the standardization of statistical method in the first half of 2012, the balance of loans granted to the real estate sector, public and social organizations as at the end of 2011 was restated.

**The Bank**

*Unit: RMB million*

|  | 30 June 2012     |                | 31 December 2011 |                |
|--|------------------|----------------|------------------|----------------|
|  | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Manufacturing  | 319,392          | 28.86          | 295,684          | 27.94          |
| Transportation, warehousing and postal service                 | 131,213          | 11.86          | 123,333          | 11.66          |
| Production and supply of power, gas, water                     | 68,854           | 6.22           | 79,584           | 7.52           |
| Wholesale and retail   | 187,134          | 16.91          | 171,650          | 16.22          |
| Real estate  | 123,935          | 11.20          | 111,028          | 10.5           |
| Water conservancy, environment and public utilities management | 62,397           | 5.64           | 70,181           | 6.63           |
| Leasing and commercial services                                | 53,580           | 4.84           | 50,376           | 4.76           |
| Construction   | 62,695           | 5.67           | 58,535           | 5.53           |
| Public and social organizations                                | 15,937           | 1.44           | 21,063           | 1.99           |
| Others   | 81,507           | 7.36           | 76,694           | 7.25           |
| <b>Total corporate loans</b>                                   | <b>1,106,644</b> | <b>100.00</b>  | <b>1,058,128</b> | <b>100.00</b>  |

Note: Due to the standardization of statistical method in the first half of 2012, the balance of loans granted to the real estate sector, public and social organizations as at the end of 2011 was restated.

*Breakdown of Loans by Type of Guarantee*

In response to the complicated and volatile macro-economic environment, the Group continuously optimized the structure of guarantees and strengthened its loan risk mitigation during the reporting period. The proportion of unsecured loans maintained the downward trend, while the proportions of collateral loans and pledged loans both maintained the upward trend. As at the end of the reporting period, the balance of collateral and pledged loans reached RMB770.675 billion, up by RMB58.957 billion or 8.28% over the end of the previous year, and the proportion reached 50.19%, 0.56 percentage point higher over the end of the previous year; the balance of unsecured and guarantee loans was RMB687.854 billion, accounting for 44.81% of total loans, down by 2.11 percentage points over the end of the previous year, of which the balance of unsecured loans was down by RMB15.05 billion over the end of the previous year.

**The Group**

*Unit: RMB million*

| Type of Guarantee  | 30 June 2012     |                | 31 December 2011 |                |
|--------------------|------------------|----------------|------------------|----------------|
|                    | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Unsecured loans    | 314,565          | 20.49          | 329,615          | 22.98          |
| Guarantee loans    | 373,289          | 24.32          | 343,253          | 23.94          |
| Collateral loans   | 562,431          | 36.63          | 523,632          | 36.51          |
| Pledged loans      | 208,244          | 13.56          | 188,086          | 13.12          |
| Subtotal           | 1,458,529        | 95.00          | 1,384,586        | 96.55          |
| Discounted bills   | 76,823           | 5.00           | 49,451           | 3.45           |
| <b>Total loans</b> | <b>1,535,352</b> | <b>100.00</b>  | <b>1,434,037</b> | <b>100.00</b>  |

## The Bank

*Unit: RMB million*

| Type of Guarantee  | 30 June 2012     |                | 31 December 2011 |                |
|--------------------|------------------|----------------|------------------|----------------|
|                    | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Unsecured loans    | 305,406          | 20.95          | 318,333          | 23.45          |
| Guarantee loans    | 351,850          | 24.14          | 325,259          | 23.96          |
| Collateral loans   | 527,348          | 36.17          | 487,902          | 35.95          |
| Pledged loans      | 200,592          | 13.76          | 180,501          | 13.30          |
| Subtotal           | 1,385,196        | 95.02          | 1,311,995        | 96.66          |
| Discounted bills   | 72,630           | 4.98           | 45,332           | 3.34           |
| <b>Total loans</b> | <b>1,457,826</b> | <b>100.00</b>  | <b>1,357,327</b> | <b>100.00</b>  |

### Concentration of Borrowers of Corporate Loans

The Group emphasized on risk control on concentration of borrowers of corporate loans. During the reporting period, the Group fulfilled the applicable regulatory requirements on concentration of borrowers. Since the Group defines a single borrower as a specified legal entity, one borrower can be the related party of another.

## The Group

| Major regulatory indicator                             | Regulatory standard | 30 June 2012 | 31 December 2011 | 31 December 2010 |
|--|---------------------|--------------|------------------|------------------|
| Percentage of loans to the largest single customer (%) | ≤10                 | 2.84         | 3.78             | 5.21             |
| Percentage of loans to the top 10 customers (%)        | ≤50                 | 18.63        | 22.12            | 30.01            |

Notes: (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital

(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital

## The Group

*Unit: RMB million*

| Sector  | 30 June 2012  |                               |                                     |
|---|---------------|-------------------------------|-------------------------------------|
|   | Amount        | Percentage in total loans (%) | Percentage in regulated capital (%) |
| Borrower A Real estate                                    | 7,000         | 0.46                          | 2.84                                |
| Borrower B Transportation, warehousing and postal service | 7,000         | 0.46                          | 2.84                                |
| Borrower C Public and social organizations                | 6,941         | 0.45                          | 2.82                                |
| Borrower D Manufacturing                                  | 5,030         | 0.33                          | 2.04                                |
| Borrower E Transportation, warehousing and postal service | 4,604         | 0.30                          | 1.87                                |
| Borrower F Transportation, warehousing and postal service | 4,196         | 0.27                          | 1.70                                |
| Borrower G Transportation, warehousing and postal service | 3,460         | 0.23                          | 1.40                                |
| Borrower H Public and social organizations                | 2,657         | 0.17                          | 1.08                                |
| Borrower I Transportation, warehousing and postal service | 2,592         | 0.17                          | 1.05                                |
| Borrower J Transportation, warehousing and postal service | 2,428         | 0.16                          | 0.99                                |
| <b>Total loans</b>  | <b>45,908</b> | <b>3.00</b>                   | <b>18.63</b>                        |

As at the end of the reporting period, the total loan balance to the top 10 corporate customers amounted to RMB45.908 billion, accounting for 3% of the total loan balance and 18.63% of the net capital, down by 3.49 percentage points over the end of the previous year.

## Loan Quality Analysis

*Five-Class Loan Classification*

The Bank measures and manages the quality of credit assets pursuant to the Guidelines on the Classification of Loan Risks promulgated by CBRC, which requires Chinese commercial banks to categorize their credit assets into five classes, i.e. normal, special mention, sub-standard, doubtful and loss, of which the last three classes are treated as non-performing loans (NPLs).

During the reporting period, the Bank continued to enhance the centralized management of different loan classes and improved the credit asset risk classification management system. While adhering to the core criteria of “safety of loan collection”, different classes of loans were treated with different risk management measures after taking into full consideration various factors that may impact the quality of credit assets.

The Bank’s procedures for loan risk classification includes the following steps: business departments conduct post-lending inspection first, then credit granting departments of branches propose preliminary opinions, followed by an initial classification by credit management departments of branches, and then the person in charge of risk management in branches reviews the results; finally the head office makes the final classification. To those loans with material changes in risk profiles, the Bank conducts the dynamic adjustment to the classification.

During the reporting period, the Bank continued to collaborate with external auditors, completed sample review of credit quality and risk classification (focusing on LGFV and SME loans), and further enhanced the truthfulness and accuracy of loan class classification.

**The Group**

|                                 | 30 June 2012     |                | 31 December 2011 |                |
|---------------------------------|------------------|----------------|------------------|----------------|
|                                 | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Normal                          | 1,515,253        | 98.69          | 1,410,760        | 98.37          |
| Special mention                 | 10,706           | 0.70           | 14,736           | 1.03           |
| Sub-standard                    | 4,774            | 0.31           | 3,740            | 0.26           |
| Doubtful                        | 3,622            | 0.24           | 3,827            | 0.27           |
| Loss                            | 997              | 0.06           | 974              | 0.07           |
| <b>Total Loans of customers</b> | <b>1,535,352</b> | <b>100.00</b>  | <b>1,434,037</b> | <b>100.00</b>  |
| Performing loans                | 1,525,959        | 99.39          | 1,425,496        | 99.40          |
| Non-performing loans            | 9,393            | 0.61           | 8,541            | 0.60           |

Note: Performing loans include normal loans and special mention loans; and non-performing loans include sub-standard loans, doubtful loans and loss loans.

**The Bank**

|                                 | 30 June 2012     |                | 31 December 2011 |                |
|---------------------------------|------------------|----------------|------------------|----------------|
|                                 | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Normal                          | 1,439,306        | 98.73          | 1,335,852        | 98.42          |
| Special mention                 | 9,527            | 0.65           | 13,502           | 0.99           |
| Sub-standard                    | 4,707            | 0.32           | 3,486            | 0.26           |
| Doubtful                        | 3,303            | 0.23           | 3,529            | 0.26           |
| Loss                            | 983              | 0.07           | 958              | 0.07           |
| <b>Total Loans of customers</b> | <b>1,457,826</b> | <b>100.00</b>  | <b>1,357,327</b> | <b>100.00</b>  |
| Performing loans                | 1,448,833        | 99.38          | 1,349,354        | 99.41          |
| Non-performing loans            | 8,993            | 0.62           | 7,973            | 0.59           |

Note: Performing loans include normal loans and special mention loans; and non-performing loans include sub-standard loans, doubtful loans and loss loans.

During the reporting period, facing grim economic situation at home and abroad, difficult business operations, and surging credit risks in key areas in medium and small enterprises and the real estate sector, and guided by the principle of “accelerating transformation, strengthening management and enhancing market competitiveness”, the Group strengthened its management, promoted its loan issuance system, early warning system, risk mitigation system and loan collection system, promoted “materially adequate” transformation in credit management, and intensified its efforts to establish a bank-wide total risk management system, or the “matrix risk management system.”

As at the end of the reporting period, the balance of normal loans of the Group increased by RMB104.493 billion over the end of the previous year, accounting for 98.69% of the total loans, up by 0.32 percentage point over the end of the previous year. The balance of special mention loans decreased by RMB4.030 billion over the end of the previous year, and the proportion went down by 0.33 percentage point over the end of the previous year to 0.70%.

As at the end of the reporting period, the Group’s loan quality remained stable at a superior level among other banks. The NPL balance, according to the regulatory risk classification standard, was RMB9.393 billion, slightly up by 852 million over the end of the previous year, while the NPL ratio was 0.61%, slightly up by 0.01 percentage point over the end of the previous year. In terms of the composition of NPLs, the balance of sub-standard loans went up by RMB1.034 billion over the end of the previous year, representing an increase of 0.05 percentage point in total loans, which was mainly due to the growing credit risk from medium and small private enterprises in the Yangtze River Delta and Pearl River Delta regions, subject to the impact of the macro economy and monetary policy. The balances and proportions of doubtful and loss loans both decreased as compared with that of the end of the previous year, largely due to the greater efforts of the Group in loan collection and disposal. During the reporting period, the Group had written off only RMB38.82 million of NPLs, with no large-sum writing offs.

During the reporting period, the Group witnessed a slight increase in both NPL balance and NPL ratio, in line with the current macro-economic environment featuring slowdown in economic growth. In the first half of 2012, facing the huge pressure imposed by the increase of NPLs, the Group took a series of measures with appropriate anticipation and good preparation, and effectively ensured a steady change of loan quality. As a result, the growth of NPLs was put under control as anticipated.

#### Migration of Loans

The table below sets out the migration of the Bank’s loans across the five classes during the indicated periods.

#### The Bank

|   | 30 June 2012 | 31 December 2011 | 31 December 2010 |
|---|--------------|------------------|------------------|
| Migration ratio from normal loans (%)                             | 0.32         | 1.06             | 0.83             |
| Migration ratio from special mention loans (%)                    | 4.74         | 6.37             | 5.09             |
| Migration ratio from sub-standard loans (%)                       | 0.59         | 8.22             | 28.65            |
| Migration ratio from doubtful loans (%)                           | 3.36         | 2.27             | 7.32             |
| Migration ratio from performing loans to non-performing loans (%) | 0.14         | 0.21             | 0.10             |

As at the end of the reporting period, the Bank’s migration ratio from performing loans, after being annualized, slightly went up compared with those as at the end of the previous year. This was mainly caused by factors such as the slowdown of macro-economic growth, weak domestic and foreign demands, and monetary policies. The increased credit risks of borrowers resulted in higher migration ratio from performing loans to NPLs.



## Loans Overdue

## The Group

*Unit: RMB million*

|                                    | 30 June 2012     |                | 31 December 2011 |                |
|------------------------------------|------------------|----------------|------------------|----------------|
|                                    | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Loans repayable on demand          | 1,518,929        | 98.93          | 1,423,305        | 99.25          |
| Loans overdue:                     |                  |                |                  |                |
| 1-90 days                          | 9,031            | 0.59           | 5,131            | 0.36           |
| 91-180 days                        | 2,050            | 0.13           | 528              | 0.04           |
| 181 days or above                  | 5,342            | 0.35           | 5,073            | 0.35           |
| <b>Subtotal</b>                    | <b>16,423</b>    | <b>1.07</b>    | <b>10,732</b>    | <b>0.75</b>    |
| <b>Total loans of customers</b>    | <b>1,535,352</b> | <b>100.00</b>  | <b>1,434,037</b> | <b>100.00</b>  |
| Loans overdue for 91 days or above | 7,392            | 0.48           | 5,601            | 0.39           |
| Restructured loans                 | 3,617            | 0.24           | 3,184            | 0.22           |

- Notes: (1) Loans overdue refer to loans with principals or interests overdue for one day or above.  
(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

## The Bank

*Unit: RMB million*

|                                    | 30 June 2012     |                | 31 December 2011 |                |
|------------------------------------|------------------|----------------|------------------|----------------|
|                                    | Balance          | Proportion (%) | Balance          | Proportion (%) |
| Loans repayable on demand          | 1,442,148        | 98.92          | 1,347,890        | 99.3           |
| Loans overdue:                     |                  |                |                  |                |
| 1-90 days                          | 8,629            | 0.59           | 4,195            | 0.31           |
| 91-180 days                        | 2,025            | 0.14           | 509              | 0.04           |
| 181 days or above                  | 5,024            | 0.35           | 4,733            | 0.35           |
| <b>Subtotal</b>                    | <b>15,678</b>    | <b>1.08</b>    | <b>9,437</b>     | <b>0.70</b>    |
| <b>Total loans of customers</b>    | <b>1,457,826</b> | <b>100.00</b>  | <b>1,357,327</b> | <b>100.00</b>  |
| Loans overdue for 91 days or above | 7,049            | 0.49           | 5,242            | 0.39           |
| Restructured loans                 | 2,886            | 0.20           | 2,413            | 0.18           |

- Notes: (1) Loans overdue refer to loans with principals or interests overdue for one day or above.  
(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

During the reporting period, the amount of loans overdue in the Group was higher than that in 2011 due to the impact of economic environment. As at the end of the reporting period, the percent of loans overdue was up by 0.32 percentage point over the end of the previous year. Among them, short-term and temporary overdue loans within 3 months accounted for 55%. Loans overdue were mainly caused by the extended period of revolving cash from borrowers, more difficulties in obtaining financing from banks or the banks' decreased loan scale, resulting in the tense or even broken capital chain of borrowers. Meanwhile, through continuously monitoring principals and interests of loans overdue, circulating monthly principals and interests of loans overdue of branches, and urging branches to accelerate the collection of loans overdue, the Group maintained a stable collection of ratio of matured loans, which was above 99%.

Breakdown of NPL by Product Type

The Group

*Unit: RMB million*

|                  | 30 June 2012 |                |               | 31 December 2011 |                |               |
|------------------|--------------|----------------|---------------|------------------|----------------|---------------|
|                  | Balance      | Proportion (%) | NPL ratio (%) | Balance          | Proportion (%) | NPL ratio (%) |
| Corporate loans  | 8,292        | 88.28          | 0.71          | 7,666            | 89.76          | 0.69          |
| Personal loans   | 1,101        | 11.72          | 0.38          | 875              | 10.24          | 0.33          |
| Discounted bills | –            | –              | –             | –                | –              | –             |
| <b>Total</b>     | <b>9,393</b> | <b>100.00</b>  | <b>0.61</b>   | <b>8,541</b>     | <b>100.00</b>  | <b>0.60</b>   |

The Bank

*Unit: RMB million*

|                  | 30 June 2012 |                |               | 31 December 2011 |                |               |
|------------------|--------------|----------------|---------------|------------------|----------------|---------------|
|                  | Balance      | Proportion (%) | NPL ratio (%) | Balance          | Proportion (%) | NPL ratio (%) |
| Corporate loans  | 7,901        | 87.86          | 0.71          | 7,110            | 89.18          | 0.67          |
| Personal loans   | 1,092        | 12.14          | 0.39          | 863              | 10.82          | 0.34          |
| Discounted bills | –            | –              | –             | –                | –              | –             |
| <b>Total</b>     | <b>8,993</b> | <b>100.00</b>  | <b>0.62</b>   | <b>7,973</b>     | <b>100.00</b>  | <b>0.59</b>   |

As at the end of the reporting period, the Group witnessed slight increases in both of the corporate NPLs and personal NPLs, with an increase of RMB626 million in corporate NPLs and RMB226 million in personal NPLs, or 0.02 percentage point and 0.05 percentage point respectively. The Group has maintained no NPL in bills discounted.

Breakdown of Personal NPLs

The Group

*Unit: RMB million*

|                        | 30 June 2012 |                |               | 31 December 2011 |                |               |
|------------------------|--------------|----------------|---------------|------------------|----------------|---------------|
|                        | Balance      | Proportion (%) | NPL ratio (%) | Balance          | Proportion (%) | NPL ratio (%) |
| Credit card loans      | 663          | 60.22          | 1.59          | 518              | 59.2           | 1.61          |
| Housing mortgage loans | 196          | 17.80          | 0.11          | 184              | 21.03          | 0.10          |
| Others                 | 242          | 21.98          | 0.34          | 173              | 19.77          | 0.30          |
| <b>Total</b>           | <b>1,101</b> | <b>100.00</b>  | <b>0.38</b>   | <b>875</b>       | <b>100.00</b>  | <b>0.33</b>   |

The Bank

*Unit: RMB million*

|                        | 30 June 2012 |                |               | 31 December 2011 |                |               |
|------------------------|--------------|----------------|---------------|------------------|----------------|---------------|
|                        | Balance      | Proportion (%) | NPL ratio (%) | Balance          | Proportion (%) | NPL ratio (%) |
| Credit card loans      | 663          | 60.71          | 1.60          | 518              | 60.02          | 1.62          |
| Housing mortgage loans | 190          | 17.40          | 0.11          | 175              | 20.28          | 0.10          |
| Others                 | 239          | 21.89          | 0.37          | 170              | 19.70          | 0.33          |
| <b>Total</b>           | <b>1,092</b> | <b>100.00</b>  | <b>0.39</b>   | <b>863</b>       | <b>100.00</b>  | <b>0.34</b>   |

As at the end of the reporting period, the Group's personal loans maintained a good quality. NPLs were mainly from credit card business, consistent with the feature of high risk and high yield of the business. Housing mortgage loans performed well, as the NPL ratio was far lower than the average level of the retail loan business.

#### Breakdown of NPLs by Geographic Location

##### The Group

*Unit: RMB million*

|                                   | 30 June 2012 |                |               | 31 December 2011 |                |               |
|-----------------------------------|--------------|----------------|---------------|------------------|----------------|---------------|
|                                   | Balance      | Proportion (%) | NPL ratio (%) | Balance          | Proportion (%) | NPL ratio (%) |
| Yangtze River Delta               | 2,495        | 26.56          | 0.61          | 2,191            | 25.65          | 0.58          |
| Bohai Rim                         | 2,334        | 24.85          | 0.58          | 2,208            | 25.85          | 0.58          |
| Pearl River Delta and West Strait | 2,483        | 26.43          | 1.20          | 2,125            | 24.88          | 1.08          |
| Central region                    | 661          | 7.04           | 0.32          | 542              | 6.35           | 0.29          |
| Western region                    | 648          | 6.90           | 0.34          | 493              | 5.77           | 0.28          |
| Northeastern region               | 466          | 4.96           | 0.95          | 481              | 5.63           | 1.04          |
| Overseas                          | 306          | 3.26           | 0.42          | 501              | 5.87           | 0.69          |
| <b>Total</b>                      | <b>9,393</b> | <b>100.00</b>  | <b>0.61</b>   | <b>8,541</b>     | <b>100.00</b>  | <b>0.60</b>   |

##### The Bank

*Unit: RMB million*

|                                   | 30 June 2012 |                |               | 31 December 2011 |                |               |
|-----------------------------------|--------------|----------------|---------------|------------------|----------------|---------------|
|                                   | Balance      | Proportion (%) | NPL ratio (%) | Balance          | Proportion (%) | NPL ratio (%) |
| Yangtze River Delta               | 2,477        | 27.54          | 0.61          | 2,169            | 27.20          | 0.58          |
| Bohai Rim                         | 2,290        | 25.46          | 0.57          | 2,208            | 27.69          | 0.58          |
| Pearl River Delta and West Strait | 2,451        | 27.26          | 1.19          | 2,079            | 26.08          | 1.07          |
| Central region                    | 661          | 7.35           | 0.32          | 542              | 6.80           | 0.29          |
| Western region                    | 648          | 7.21           | 0.34          | 493              | 6.18           | 0.28          |
| Northeastern region               | 466          | 5.18           | 0.95          | 482              | 6.05           | 1.04          |
| <b>Total</b>                      | <b>8,993</b> | <b>100.00</b>  | <b>0.62</b>   | <b>7,973</b>     | <b>100.00</b>  | <b>0.59</b>   |

During the reporting period, impacted by factors such as the slowdown of macro-economic growth, weak domestic and foreign demand, and monetary policies, some small and medium enterprises depending on private economy, export processing and domestic and foreign trade in the Yangtze River Delta and Pearl River Delta suffered from business stagnation, tense capital chain and bank financing difficulties, resulting in loan quality deterioration in these areas. The newly-increased NPLs of the Group were mainly found in these areas. However, thanks to effective measures of risk mitigation, the Group managed to avoid drastic fluctuations in the NPL balance and NPL ratio.

As at the end of the reporting period, NPL balance in the Yangtze River Delta and Pearl River Delta increased by RMB358 million and RMB304 million respectively, up by 0.12 percentage point and 0.03 percentage point over the end of the previous year. Impacted by these areas, there was also an increase in NPLs in Central and Western regions and Bohai Rim. Compared with the end of the previous year, the Group maintained a better performance in overseas NPLs, with dual decline in NPL balance and ratio. On the whole, the NPL ratios in Central and Western regions, Bohai Rim and overseas were all below the average level.

Breakdown of Corporate NPLs by Sector

The Group

*Unit: RMB million*

|  | 30 June 2012 |                |               | 31 December 2011 |                |               |
|--|--------------|----------------|---------------|------------------|----------------|---------------|
|  | Balance      | Proportion (%) | NPL ratio (%) | Balance          | Proportion (%) | NPL ratio (%) |
| Manufacturing  | 3,132        | 37.77          | 0.96          | 2,294            | 29.92          | 0.76          |
| Transportation, warehousing and postal service                 | 1,022        | 12.33          | 0.77          | 1,095            | 14.28          | 0.87          |
| Production and supply of power, gas and water                  | 219          | 2.64           | 0.32          | 219              | 2.85           | 0.27          |
| Wholesale and retail   | 2,060        | 24.84          | 1.06          | 1,393            | 18.17          | 0.79          |
| Real estate  | 691          | 8.33           | 0.51          | 889              | 11.6           | 1.00          |
| Leasing and commercial services                                | 417          | 5.03           | 0.78          | 328              | 4.28           | 0.65          |
| Water conservancy, environment and public utilities management | 15           | 0.18           | 0.02          | 485              | 6.33           | 0.69          |
| Construction   | 159          | 1.92           | 0.25          | 130              | 1.70           | 0.22          |
| Public and social organizations                                | –            | –              | –             | –                | –              | –             |
| Others   | 577          | 6.96           | 0.51          | 833              | 10.87          | 0.76          |
| <b>Total</b>   | <b>8,292</b> | <b>100.00</b>  | <b>0.71</b>   | <b>7,666</b>     | <b>100.00</b>  | <b>0.69</b>   |

The Bank

*Unit: RMB million*

|  | 30 June 2012 |                |               | 31 December 2011 |                |               |
|--|--------------|----------------|---------------|------------------|----------------|---------------|
|  | Balance      | Proportion (%) | NPL ratio (%) | Balance          | Proportion (%) | NPL ratio (%) |
| Manufacturing  | 3,030        | 38.35          | 0.95          | 2,216            | 31.17          | 0.75          |
| Transportation, warehousing and postal service                 | 1,018        | 12.88          | 0.78          | 1,092            | 15.36          | 0.89          |
| Production and supply of power, gas and water                  | 219          | 2.77           | 0.32          | 219              | 3.08           | 0.28          |
| Wholesale and retail   | 2,024        | 25.62          | 1.08          | 1,368            | 19.24          | 0.80          |
| Real estate  | 658          | 8.33           | 0.53          | 843              | 11.86          | 1.08          |
| Leasing and commercial services                                | 417          | 5.28           | 0.78          | 328              | 4.61           | 0.65          |
| Water conservancy, environment and public utilities management | 15           | 0.19           | 0.02          | 485              | 6.82           | 0.69          |
| Construction   | 159          | 2.01           | 0.25          | 130              | 1.83           | 0.22          |
| Public and social organizations                                | –            | –              | –             | –                | –              | –             |
| Others   | 361          | 4.57           | 0.44          | 429              | 6.03           | 0.56          |
| <b>Total</b>   | <b>7,901</b> | <b>100.00</b>  | <b>0.71</b>   | <b>7,110</b>     | <b>100.00</b>  | <b>0.67</b>   |

During the reporting period, despite factors such as the slowdown of macro-economic growth, weak domestic and foreign demand, and monetary policies as well as the pressures of quality deterioration, the Group basically maintained its loan business stable, with a slight increase in NPL balance and NPL ratio. As at the end of the reporting period, the balance of NPLs in manufacturing and wholesale/retail sectors increased by RMB838 million and 667 million respectively, up by 0.20 and 0.27 percentage point respectively, correlated positively with the highest percentage of loan balance in these sectors. There were considerable improvements in loan quality in water conservancy, environment and public utilities as well as real estate development, transportation, warehousing and postal services, as NPL balance went down by RMB470 million, RMB198 million and RMB73 million, or 0.67, 0.49 and 0.11 percentage point respectively. Particularly, NPL ratio in real estate development sector was below the average level of the Group for the first time.

## Analysis of Provision for Loan Impairment

*Changes in Provision for Loan Impairment*

The Group sets aside adequate provisions for loan impairment in a timely manner according to the principle of prudence and truthfulness. Provisions for loan impairment consisted of two parts, namely, individually accessed provisions and collectively accessed provisions.

**The Group**

|  | <b>As of<br/>30 June 2012</b> | <i>Unit: RMB million</i><br>As of<br>31 December 2011 |
|--|-------------------------------|---|
| <b>Beginning balance</b>                                       | <b>23,258</b>                 | 18,219  |
| Accruals during the year                                       | 2,447                         | 5,734   |
| Reversal of impairment allowances                              | (101)                         | (141)   |
| Transfer out   | 5                             | (37)  |
| Write-offs   | (39)                          | (683)   |
| Recoveries of loans and advances written off in previous years | 90                            | 166   |
| <b>Ending balance</b>  | <b>25,660</b>                 | 23,258  |

- Notes: (1) Equivalent to the net loan impairment recognized in the consolidated income statement of the Group.  
 (2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Group recognized as interest income.  
 (3) Including the provision for loan impairment released from loans converted to debt assets.

**The Bank**

|  | <b>As of<br/>30 June 2012</b> | <i>Unit: RMB million</i><br>As of<br>31 December 2011 |
|--|-------------------------------|---|
| <b>Beginning balance</b>                                       | <b>22,818</b>                 | 17,660  |
| Accruals during the year                                       | 2,437                         | 5,747   |
| Reversal of impairment allowances                              | (98)                          | (131)   |
| Transfer out   | 2                             | (14)  |
| Write-offs   | -                             | (586)   |
| Recoveries of loans and advances written off in previous years | 82                            | 142   |
| <b>Ending balance</b>  | <b>25,241</b>                 | 22,818  |

- Notes: (1) Equivalent to the net loan impairment recognized in the consolidated income statement of the Bank.  
 (2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Bank recognized it as interest income.  
 (3) Including the impairment allowance released from loans converted to debt assets.

As at the end of the reporting period, the Group's balance of provision for loan impairment increased to RMB25.660 billion from RMB23.258 billion as at the end of the previous year, an increase of RMB2.402 billion. As at the end of the reporting period, the Group's provision coverage ratio and the ratio of provision to total loans were 273.18% and 1.67% respectively, up by 0.87 percentage point and 0.05 percentage point respectively over the end of the previous year, indicating that the Group is more resilient to loan risks.

## **Management of Market Risks**

The main market risks confronting the Bank are interest rate risk and exchange rate risk. The Bank has established a market risk management system that covers risk identification, measurement, monitoring and control, and manages market risk by exercising product access approval and risk limits management, thereby controlling potential market risk losses below the tolerable level and increasing risk-adjusted returns.

During the reporting period, in response to the volatile markets at home and abroad, the Bank further optimized its market risk authorization and risk limits systems, and reasonably adjusted risk limits in line with policy changes. Through appropriate risk control and proactive management of market risk, the Bank ensured the sound development of its business on the basis of a controllable risk-bearing level.

### **Interest Rate Risk Management**

Interest rate risk of the Bank mainly rises from the impacts on yields due to re-pricing of assets and liabilities interest rates and maturity mismatch between assets and liabilities and the impacts of changes in market interest rates on fair value of financial instruments.

The interest rate risk confronted by the Bank mainly includes balance sheet interest rate risk and the interest rate risk of investment portfolio in treasury and capital market business. With regard to balance sheet interest rate risk, the Bank carried out gap analysis to assess risks and accordingly adjusted the loan interest rate re-pricing cycle to optimize corresponding maturities of corporate deposits. In respect of the interest rate risk of financial instruments in treasury and capital market business, the Bank resorted to duration analysis, sensitivity analysis, stress test and scenario simulation for risk measurement and control, and set risk limits including interest rate sensitivity, duration and exposure, etc. The Bank also carried out effective monitoring, management and reporting on the implementation of risk limits based on advanced market risk management systems and independent internal control at the middle office platform.

### **Interest Rate Risk Analysis**

During the reporting period, lending rates of the financial institutions were on the downward track as a whole due to the impacts of the complex and volatile economic and financial situations both at home and abroad plus the decreasing market interest rates in China. PBC accelerated the market-oriented interest rate reform and put forward more stringent requirements for commercial banks in interest rate risk management. To get well prepared for the up-coming market-oriented interest rate reform, the Bank centralized its interest rate risks through its funds transfer pricing (FTP) mechanism for unified risk management and carried out timely adjustments to the FTP prices to optimize its assets and liabilities structure and promote a sound business development. Meanwhile, thanks to its accurate forecast of macro-economic movement, the Bank proactively adopted loan re-pricing cycle management, thereby promoting continuous extension of the re-pricing cycle of both new loans and stock loans, and effectively mitigated negative impacts of expanded floating range of lending and deposit rates on the Bank. With reference to the credit scale factor and changes in market liquidity, and on the basis of effective control over the risk of maturity mismatch between assets and liabilities, the Bank proactively intensified its interest rate pricing management, effectively improved pricing of credit assets and reasonably controlled the cost of liabilities. All the above measures helped the Bank maximize its economic returns.

**The Group**

*Unit: RMB million*

| Item              | Non-interest bearing | Less than 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years |
|-------------------|----------------------|--------------------|--------------------|--------------|--------------|
| Total assets      | 52,779               | 1,756,006          | 937,157            | 113,463      | 56,960       |
| Total liabilities | 59,854               | 1,835,471          | 606,331            | 172,976      | 49,253       |
| Interest rate gap | (7,075)              | (79,465)           | 330,826            | (59,513)     | 7,707        |

**The Bank**

*Unit: RMB million*

| Item              | Non-interest bearing | Less than 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years |
|-------------------|----------------------|--------------------|--------------------|--------------|--------------|
| Total assets      | 55,113               | 1,648,635          | 924,515            | 109,358      | 56,955       |
| Total liabilities | 51,599               | 1,754,928          | 583,818            | 171,659      | 45,621       |
| Interest rate gap | 3,514                | (106,293)          | 340,697            | (62,301)     | 11,334       |

**Exchange Rate Risk Management**

The Bank measures exchange rate risk mainly through the analysis of foreign exchange exposure which consists of trading and non-trading exposures. Trading exposure mainly results from the position in foreign exchange trading, while non-trading exposure mainly results from foreign currency capital and foreign currency profit. The Bank manages exchange rate risk by conducting foreign exchange spot and forward trading and matching foreign currency denominated assets with corresponding foreign currency denominated liabilities and makes appropriate use of derivatives (mainly foreign exchange swap) to manage foreign currency assets and liabilities portfolios.

**Exchange Rate Risk Analysis**

The exchange rate risk of the Bank was mainly resulted from the fluctuations of Renminbi exchange rate against US dollar. Since the beginning of 2012, Renminbi versus US dollar exchange rate featured both upward and downward fluctuations against the backdrop of the slowdown of the Chinese economic growth and weakening international trade. Thanks to its close eye on external market changes and internal fund situation, the Bank was able to coordinate the development of foreign currency deposits and loans business while rationally controlling overall risk exposure and reducing exchange rate risk to a tolerable level through flexible adjustment of its internal interest rates, proactive control of exchange rate risk in foreign exchange trading, timely adaptation to risk limits of foreign exchange settlement and sales, and more vigorous bank-wide management of positions prone to exchange exposures.

**The Group**

*Unit: RMB million*

| Item                           | USD            | HKD           | Other currencies | Total         |
|--------------------------------|----------------|---------------|------------------|---------------|
| Net on-balance sheet position  | 21,415         | 3,015         | (15,857)         | 8,573         |
| Net off-balance sheet position | (22,912)       | 9,886         | 15,234           | 2,208         |
| <b>Total</b>                   | <b>(1,497)</b> | <b>12,901</b> | <b>(623)</b>     | <b>10,781</b> |

**The Bank**

*Unit: RMB million*

| Item                           | USD            | HKD          | Other currencies | Total          |
|--------------------------------|----------------|--------------|------------------|----------------|
| Net position on-balance sheet  | 6,619          | (3,451)      | (6,367)          | (3,199)        |
| Net position off-balance sheet | (8,858)        | 3,239        | 5,742            | 123            |
| <b>Total</b>                   | <b>(2,239)</b> | <b>(212)</b> | <b>(625)</b>     | <b>(3,076)</b> |



## **Management of Liquidity Risk**

Liquidity risk refers to the risk that the Bank is unable to timely obtain or timely obtain adequate capital at reasonable costs to meet customers' need for withdrawing matured liabilities or the Bank's own need for growing its asset business. The Bank's liquidity risk mainly derives from the maturity mismatch between assets and liabilities, early or concentrated withdrawal of cash by customers and fund supply for business activities such as lending, trading, and investment.

### **Liquidity Risk Management**

The objective of liquidity management of the Bank is to identify, measure and monitor liquidity risk, control liquidity risk within the tolerable level, and thereby ensuring a sound operation of all business areas of the Bank through establishing an effective liquidity risk management mechanism based on the set targets for asset-liability management and requirements of the liquidity risk management guidelines.

The Bank pursues a unified liquidity risk management model. The head office is responsible for formulating liquidity risk management policies and strategies of the Group and legal entities, and managing liquidity risks at the legal entity level in a centralized manner. Domestic branches, in accordance with the requirements of the head office, are responsible for fund management within their respective jurisdictions and mandates. Overseas subsidiaries are responsible for developing their own strategies and procedures for liquidity risk management within the Group's master policy framework of liquidity risk management in accordance with the requirements of regulatory authorities.

### **Liquidity Risk Analysis**

During the reporting period, the Central Bank implemented the prudent monetary policy with timely pre-adjustment and fine tuning, as a result of which, market liquidity were gradually eased in the overall sense. Due to the impact of various factors, however, some periodical liquidity shortages appeared. As a response to such policy and market changes, the Bank adopted forward-looking and pertinent policies for liquidity risk management. In parallel with full use of money market tools such as inter-bank lending and borrowing, the Bank continued to diversify the allocation of current assets such as deposits and placements with banks and non-bank financial institutions and repurchase of inter-bank discount of drafts. As such, while managing liquidity risk at a controllable level, the Bank leveraged on market opportunity for portfolio restructuring and thereby pursuing the maximization of returns on fund operation.

The Bank actively practised the three-tier liquidity reserve management system, enhanced scenario analysis and stress test of liquidity risk, and constantly improved the liquidity risk emergency response plans. By keeping a close eye on impacts of external policy developments, its own asset-liability structural changes, and the impact of innovative products and new businesses on its liquidity profile, the Bank dynamically adjusted its portfolio liquidity management strategies, rationalized the arrangement of liquidity instruments and maturity structures, maintained smooth financing channels including the money market, and continuously built up its capability in liquidity risk prevention, control and management. In addition, the Bank accelerated the construction of the liquidity risk management information system, which helped the Bank further improve its approaches and technologies for liquidity risk management.

**The Group**

*Unit: RMB million*

| Payable on demand | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | No time limit | Total   |
|-------------------|-----------------|--------------------|--------------|--------------|---------------|---------|
| (1,012,373)       | 130,332         | 221,162            | 221,508      | 276,522      | 355,329       | 192,480 |

**The Bank**

*Unit: RMB million*

| Payable on demand | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | No time limit | Total   |
|-------------------|-----------------|--------------------|--------------|--------------|---------------|---------|
| (987,135)         | 137,403         | 213,173            | 198,714      | 264,560      | 360,236       | 186,951 |

## Internal Control and Operational Risk Management

### Internal Control

During the reporting period, the Bank fully implemented relevant regulatory requirements such as the *Basic Standards for Enterprise Internal Control* and the supplementary guidance thereof jointly released by five state ministries including the MOF, etc. Specifically, the Bank accelerated the construction of a professionalized, standardized and computerized system for internal control, continuously optimized the internal control environment, improved methods and means for risk identification and evaluation, strengthened measures for risk control and management, expanded information exchanges and communication channels, enhanced the mechanism for internal control and supervision. As a result, the Bank enjoyed significant improvement in its internal control and management.

- Continuous optimization of internal control environment. Thanks to the implementation of internal systems and policies such as the *Guidelines for Internal Control and Compliance Work of CITIC Bank*, as well as amendments to the Articles of Association and the *Internal Audit Rules of CITIC Bank*, the Bank kept improving its institutional development for corporate governance and internal control. Programs such as the “Woodpecker Compliance Initiative” and the “Branches with Excellent Compliance” continued to help the Bank develop an internal control and compliance culture. The Bank took its 25th anniversary as an opportunity to enrich its corporate culture, enhance awareness of compliance, inspire the sense of identity and cohesion among employees bank-wide and thereby consolidating its environment for internal control and management.
- Continuous refinement of means and approaches for risk identification and evaluation. The Bank established a dynamic internal control reviewing mechanism whereby business lines, management procedures, work steps and responsibilities were clearly defined, the uniform internal control reviewing tools were applied, areas prone to risk and risk control points were identified via benchmarking of internal and external rules and regulations, and quantitative risk assessment plus qualitative control assessment were carried out in combination with the five elements of internal control. All these conducts provided the basis for balancing business development and risk control.
- Continuous enhancement of internal control. The Bank paced up its efforts to develop a comprehensive risk management system or a matrix risk management system, initiated the RWA project, the ICAAP project and the *New Basel Capital Accord* regulatory compliance project, kept updating and improving its internal control and management tools and methodologies, set up a quantitative indicators system for the comprehensive risk management and enhanced information system safety.

- Continuous expansion of channels for information exchange and communication. The Bank took the initiative to construct various information exchange platforms and adopted all possible means to address problems encountered in daily operation and internal control implementation. The development and improvement of comprehensive risk management reporting channels, the integration and development of an internal control and management platform system enabled the Bank to improve its information communication and sharing.
- Continuous enhancement of internal control and supervision. By reorganizing the internal audit committees under the management level at the head office and branches into internal control committees, the Bank effectively coordinated internal control, compliance and audit, and gradually built up its capability of self-check and examination on businesses at the middle office. The compliance and audit department at the head office were split into audit department and compliance department to improve the independence of audit supervision and further enhance the three-dimensional supplementing supervision systems at the front office and the middle office.

### **Internal Audit**

During the reporting period, the Bank pushed the reform of the internal audit system on all fronts, reinforced audit of business areas that were prone to irregularities and high in risk exposures, and made full use of information technology to upgrade audit efficiency and effectiveness, providing an effective safeguard to realize the Bank's objective of strategic transformation.

- Reform of the internal audit system for higher audit independence. The Bank restructured its audit and compliance framework by setting up regional audit centers that report directly to the head office, so that a preliminary internal control supervision mechanism that integrates audit, compliance, internal control and operational risk was established. As a result, the internal audit at the Bank enjoys higher independence, better audit resources and clearer goal of professional development.
- More vigorous supervision and inspection to support sound business development. The Bank audited potential risks in supply chain, local L/C agency payment, auto finance and information technology, conducted continuous audit to prevent irregularities at the branch level, and prioritized audit in new business areas such as M & A loans, transaction banking and factoring, which was conducive to compliant business operation.
- Optimum off-site audit techniques and approaches for higher audit efficiency bank-wide. During the reporting period, the Bank researched and developed 42 off-site audit models. Application of these models and optimization of relevant system functionalities effectively reduced the scope of doubtful data, improved the pertinence of audit and provided a strong support to on-site audit while continuously expanding audit coverage.

### **Compliance Management**

During the reporting period, the Bank earnestly implemented the CBRC's requirements for rectification of "non-compliant operations", promoted reform of its compliance management system on all fronts, provided compliance support to its business transformation and product innovation and kept enriching compliance management measures and tools, thereby providing effective support to compliant operation and sound business development of the whole Bank.

- Through restructuring its audit and compliance system, the Bank reconstructed a compliance management system featuring "unified management and layered coordination" and carried out the stratified internal control and compliance management mechanism, which drove forward the "Three-Steps-in-Three-Years" plan to develop a professionalized, standardized and computerized internal control and compliance management system.

- Through making great efforts, the Bank was able to provide more professional and timely compliance review services to its business transformation and product innovation and thus supporting the reengineering of its organizational structure and business flows.
- Through conducting various innovative work, the internal control and compliance at all levels was enhanced throughout the Bank. The “Branches with Excellent Compliance” initiative effectively boosted internal control and compliance at the grass-roots level. The “Woodpecker Compliance Initiative” helped with continuous optimization of the Bank’s institutional development. The solicitation of articles and essays on compliance improved the awareness of compliance in business operation. The establishment of database for internal and external rules and regulations on compliance laid a foundation for the gradual formation of a dynamic management mechanism.
- When implementing the NDRC and the CBRC’s requirements for rectification of “non-compliant operations”, the Bank conducted self-examination and self-correction from three dimensions, including sources, procedures and behavior, so as to better regulate its service fee management, thus building up a sound image by proactively abiding by regulatory requirements and effectively performing social responsibilities.

### Operational Risk

During the reporting period, the Bank promoted professionalized, standardized, and computerized process of operational risk management, focusing on system development, online operation and compliance preparation for operational risk management.

- Improvement of the institutional framework for operational risk management. The Bank completed regulations such as *Management Rules on Reporting of Internal Control, Compliance and Operational risk and Rules on Management of Operational risk Incidents and Loss Data Collection*, and improved rules and regulations for main business areas, thereby providing institutional guarantee for mitigation of operational risk.
- Promotion of the application of operational risk management tools. As per the requirements of comprehensive risk management reporting, the Bank set up risk reporting channels between business lines and between the parent company and its subsidiaries, submitted operational risk management reports on a regular basis, completed the head office level concentration and verification on data of losses resulted from operational risk, and explored to set bank-wide operational risk monitoring indicators, thereby consolidating the foundation for quantitative control and management of operational risk.
- Steady construction of operational risk management system. The operational risk management system of the Bank entered phase I for core functionalities development. As at the end of the reporting period, the core functionalities development was basically completed and the business testing started.
- Vigorous prevention and control of irregularities bank-wide. The Bank developed and implemented the *Implementation Outline for Prevention and Control of Irregularities in 2012* which explicitly provides prohibitive requirements regarding reinforcing management of key aspects prone to operational risk, and actively made specialized efforts to prevent and crack down upon illegal fund raising and private financing.
- Intensive training on operational risk control. The Bank organized specialized trainings on operational risk management system development and application of relevant management tools, communicated the concept of operational risk management and further reinforced standardized management of operational risk.

## Anti-Money Laundering

During the reporting period, in line with the *Law of the People's Republic of China on Anti-Money Laundering* and relevant regulatory requirements, the Bank diligently fulfilled its anti-money laundering obligations with proactive actions and achieved satisfactory results.

- The Bank executed serious implementation of regulatory requirements and strictly conducted anti-money laundering policies in customer identity identification, maintenance of customer identity information and transaction records and management of classified customer risks. And the Bank kept improving internal control systems for anti-money laundering, and effectively prevented money laundering risks.
- The Bank conducted a comprehensive, accurate and complete implementation of requirements on anti-money laundering monitoring, judgment, recording, analysis and reporting. Various effective means were adopted to report suspicious large-sum payments. Meanwhile, the Bank further improved its working mechanism, enhanced its supervision over all business lines and paid close attention to the money flow and usage of suspicious transaction funds from money laundering and terrorist financing.
- The Bank enhanced the intensive training of staff on anti-money laundering, organized various trainings in diversified forms on internal control systems, customer identification systems and relevant regulatory requirements for anti-money laundering so as to further enhance on-post skills of the staff against money laundering and their capability to screen suspicious transactions.

## Reputational Risk Management

In the face of severe external public opinions, the Bank carried out reputational risk management in an orderly manner and made remarkable progress in institutional building, system improvement, personnel training and public opinions handling.

During the reporting period, the Bank amended and released the *Management Measures on Reputational Risk Management of China CITIC Bank Corporation Limited (version 2.0)* to include all departments in head office, branches and subsidiaries in the management system of reputational risks and further improved its reputational risk management process. The Bank made efforts to enhance drillings for responding to public opinions by conducting drillings in some branches with the assistance of experts, which further strengthened its capability of responding to public opinions. In addition, the Bank included reputational risk management in the implementation of *New Basel Capital Accord* in an effort to make its reputational risk management mechanism approach to the internationally advanced standard.

## | Investment of Funds Raised

The Bank made its initial public offering on 27 April 2007, issuing 2.302 billion A shares and 5.618 billion H shares and raising approximately RMB44.836 billion proceeds (after deducting listing fees).

The Bank successfully completed its A shares and H shares rights issue on 7 July 2011 and 3 August 2011 respectively, with the RMB25.786 billion proceeds raised, which was used to further replenish its capital.

As at the end of the reporting period, the Bank had used the full proceeds raised to replenish its capital in order to upgrade its capital adequacy ratio and its risk resistance in accordance with the reply approval from both the CBRC and the CSRC.

The Bank has no material investment made with non-raised funds.

## | Outlook

In the second half of 2012, the world economy will continue to confront enormous uncertainties. The fathomless European debt crisis and rising debt risk in the United States and Japan will parallel with the slowdown of economic growth in emerging economies. Domestically, accompanying with simultaneous deceleration of the troika of investment, consumption and foreign trade that used to drive economic growth and the prominent structural problems, banks are facing extremely grim external economic situations. In respect of the industry regulation, the release of *Measures for Capital Management of Commercial Banks* and the significant acceleration speed-up of market-oriented interest rate reform bring banks great challenges in their business operation and management. As a response to pressures at home and abroad, the Bank will persevere with its guiding philosophy of “accelerating transformation, better management and promoting market competitiveness”, identify urgent issues in its current operation, study and develop various measures to enhance and promote sales and marketing, strictly control the growth of high-cost liabilities, continue to improve the loan pricing mechanism, manage credit risks in real estate, LGFV and small business loans with sharp vigilance and stringent measures, tighten prevention and control of irregularities related to operational risk and promote the healthy and rapid development of all business areas.

# Changes

## in Capital Shares and Shareholding of Substantial Shareholders

### | Changes in Share Capital

Table on Changes in Share Capital

Unit: share

|  | Before the change     |                | Changes (+,-) | After the change      |                |
|--|-----------------------|----------------|---------------|-----------------------|----------------|
|  | Number of shares held | Percentage (%) |               | Number of shares held | Percentage (%) |
| <b>Shares subject to restrictions on sale</b>                    | <b>2,138,179,203</b>  | <b>4.57</b>    |               | <b>2,138,179,203</b>  | <b>4.57</b>    |
| 1. Shares held by the state                                      | 0                     |                |               | 0                     |                |
| 2. Shares held by state-owned legal persons                      | 213,835,341           | 0.46           |               | 213,835,341           | 0.46           |
| 3. Shares held by other domestic investors                       | 0                     |                |               | 0                     |                |
| Including: Shares held by domestic non-state-owned legal persons | 0                     |                |               | 0                     |                |
| Shares held by domestic natural persons                          | 0                     |                |               | 0                     |                |
| 4. Shares held by foreign investors                              | 1,924,343,862         | 4.11           |               | 1,924,343,862         | 4.11           |
| Including: Shares held by overseas legal persons                 | 1,924,343,862         | 4.11           |               | 1,924,343,862         | 4.11           |
| Shares held by overseas natural persons                          | 0                     |                |               | 0                     |                |
| <b>Shares not subject to restrictions on sale</b>                | <b>44,649,147,831</b> | <b>95.43</b>   |               | <b>44,649,147,831</b> | <b>95.43</b>   |
| 1. Renminbi denominated ordinary shares                          | 31,691,328,716        | 67.73          |               | 31,691,328,716        | 67.73          |
| 2. Domestically-listed foreign shares                            | 0                     |                |               | 0                     |                |
| 3. Overseas-listed foreign shares                                | 12,957,819,115        | 27.70          |               | 12,957,819,115        | 27.70          |
| 4. Others  | 0                     | 0              |               | 0                     |                |
| <b>Total shares</b>  | <b>46,787,327,034</b> | <b>100.00</b>  |               | <b>46,787,327,034</b> | <b>100.00</b>  |

### | Information on Shareholders

#### Number of Shareholders and Shareholdings of the Top 10 Shareholders

Total number of shareholders as at 30 June 2012: 399,678 accounts

Including: 357,946 A-share accounts and 41,732 H-share accounts



## Shareholdings of the Top 10 Shareholders

*Unit: share*

| No. | Name of shareholder   | Nature of shareholder | Class of shares                 | Total number of shares held | Shareholding percentage (%) | Number of shares held subject to restrictions on sale | Increase/decrease in shares during the reporting period | Shares pledged or frozen |
|-----|---|-----------------------|---------------------------------|-----------------------------|-----------------------------|---|---|--------------------------|
| 1   | CITIC Group   | State-owned           | A-share                         | 28,938,928,294              | 61.85                       | 0   | 0   | 0                        |
| 2   | Hong Kong Securities Clearing Company Nominee Limited   | Foreign               | H-share                         | 7,367,658,656               | 15.75                       | 0   | 3,273,038   | Unknown                  |
| 3   | BBVA  | Foreign               | H-share                         | 7,018,099,055               | 15.00                       | 1,924,343,862   | 0   | 0                        |
| 4   | NSSF  | State-owned           | A-share, H-share <sup>(1)</sup> | 338,513,209                 | 0.72                        | 213,835,341   | 0   | Unknown                  |
| 5   | China Construction Bank   | State-owned           | H-share                         | 168,599,268                 | 0.36                        | 0   | 0   | Unknown                  |
| 6   | Mizuho Corporate Bank   | Foreign               | H-share                         | 81,910,800                  | 0.18                        | 0   | 0   | Unknown                  |
| 7   | China State Shipbuilding Corporation Limited  | State-owned           | A-share                         | 35,172,000                  | 0.08                        | 0   | 0   | Unknown                  |
| 8   | China Life Insurance Co., Ltd – Dividends – Dividends to Individuals-005L-FH002 Shanghai      | Other                 | A-share                         | 34,529,412                  | 0.08                        | 0   | -15,093,081   | Unknown                  |
| 9   | China Life Insurance Co., Ltd. – Traditional – Ordinary Insurance Products-005L-CT001Shanghai | Other                 | A-share                         | 33,030,713                  | 0.07                        | 0   | -888,005  | Unknown                  |
| 10  | Industry and Commerce Bank of China Limited   | State-owned           | A-share                         | 31,034,400                  | 0.07                        | 0   | 0   | Unknown                  |
| 11  | Dongfeng Automobile Group Corporation Limited   | State-owned           | A-share                         | 31,034,400                  | 0.07                        | 0   | 0   | Unknown                  |
| 12  | Sinochem Group  | State-owned           | A-share                         | 31,034,400                  | 0.07                        | 0   | 0   | Unknown                  |
| 13  | Hebei Construction and Investment (Group) Co., Ltd.   | State-owned           | A-share                         | 31,034,400                  | 0.07                        | 0   | 0   | Unknown                  |

Note: (1) The NSSF holds both A shares and H shares in the Bank totaling 338,513,209 shares, including 213,835,341 A shares transferred from CITIC Group in 2009, 68,259,000 H shares held in the capacity of H-share cornerstone investor at the time of the Bank's initial public offering, and 42,767,068 A shares and 13,651,800 H shares subscribed during the A shares and H shares rights issue of the Bank in 2011.

The five H-share cornerstone investors, namely, Mizuho Corporate Bank, NSSE, PICC Property & Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Co., Ltd., undertook to give notice in writing to the Bank before selling any of their H shares subscribed pursuant to the cornerstone placing agreements after expiration of the lock-up period. (The number of H-share shareholders was calculated with reference to the Bank's shareholder register maintained at the H-share registrar.)

## Shareholdings of the Top 10 Non-Restricted Shareholders

Unit: Share

| No. | name of shareholder  | Non-restricted shares held | Class of shares |
|-----|--|----------------------------|-----------------|
| 1   | CITIC Group  | 28,938,928,294             | A-share         |
| 2   | Hong Kong Securities Clearing Company Nominee Limited  | 7,367,658,656              | H-share         |
| 3   | BBVA   | 5,093,755,193              | H-share         |
| 4   | China Construction Bank  | 168,599,268                | H-share         |
| 5   | NSSF   | 124,677,868                | A-share         |
|     |  |                            | H-share         |
| 6   | Mizuho Corporate Bank  | 81,910,800                 | H-share         |
| 7   | China State Shipbuilding Corporation Limited   | 35,172,000                 | A-share         |
| 8   | China Life Insurance Co., Ltd. – Dividends –<br>Dividends to Individuals-005L-FH002                | 34,529,412                 | A-share         |
| 9   | China Life Insurance Co., Ltd. – Traditional –<br>Ordinary Insurance Products-005L-CT001, Shanghai | 33,030,713                 | A-share         |
| 10  | Industry and Commerce Bank of China Limited  | 31,034,400                 | A-share         |
| 10  | Dongfeng Automobile Group Corporation Limited  | 31,034,400                 | A-share         |
| 10  | Sinochem Group   | 31,034,400                 | A-share         |
| 10  | Hebei Construction and Investment Group Co., Ltd.  | 31,034,400                 | A-share         |

Note on connected relations or concerted actions of the above shareholders: As at the end of the reporting period, the Bank was not aware of any connected relations or concerted actions between the above shareholders.

## Shareholdings of the Top 10 Restricted Shareholders

Unit: Share

| Name of shareholder | Number of shares subject to restrictions on sale at the beginning of the reporting period | Number of shares relieved from sale restrictions during the reporting period | Increase in shares subject to restrictions on sale during the reporting period | Number of shares subject to restrictions on sale at the end of the reporting period | Reasons of restriction | Eligible-for-trading date |
|---------------------|---|--|--|---|------------------------|---------------------------|
| BBVA                | 1,924,343,862   | —  | —  | 1,924,343,862   | Note (1)               | 2 April 2013              |
| NSSF                | 213,835,341   | —  | —  | 213,835,341   | Note (2)               | 28 April 2013             |
| <b>Total</b>        | <b>2,138,179,203</b>  | <b>—</b>   | <b>—</b>   | <b>2,138,179,203</b>  | <b>—</b>               | <b>—</b>                  |

Note: (1) According to the *Share and Option Purchase Agreement* (as amended) entered into between BBVA and CITIC Group on 22 November 2006, BBVA can exercise all the share option in one go under this agreement. The lock-up period of the shares acquired from exercising the share option will be three years following the completion date of the share transfer. BBVA exercised the share option to buy 1,924,343,862 shares of the Bank's H shares from CITIC Group on 3 December 2009 and the transfer was completed on 1 April 2010. Therefore, the lock-up period for those shares acquired is from 1 April 2010 to 1 April 2013.

(2) According to the *Implementation Rules on Transfer of Partial State-Owned Shares on the Domestic Stock Exchange to Enrich the National Council for Social Security Fund* (Cai Qi [2009] No.94) jointly issued by MOF, SASAC, CSRC and NSSF on 19 June 2009, CITIC Group transferred 213,835,341 qualified shares of the Bank to the NSSF, accounting for 0.55% of the share capital of the Bank. This share transfer was completed in December 2009. According to the above measures, the lock-up period for those transferred shares shall be extended for another three years in addition to the original mandatory lock-up period applicable to the former state-owned shareholders. As such, the lock-up period for the above mentioned shares will expire on 28 April 2013.

## Dates when Restricted Shares Become Eligible for Trading

| Eligible for trading | Increase in tradable shares upon expiry of lock-up period | Balance of shares subject to restrictions on sale | Balance of shares not subject to restrictions on sale | Note                              |
|----------------------|---|---|---|-----------------------------------|
| 2 April 2013         | 1,924,343,862   | 213,835,341                                       | 38,819,508,713  | Unlocking of H-share held by BBVA |
| 28 April 2013        | 213,835,341   | 0   | 39,033,344,054  | Unlocking of A-share held by NSSF |

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

As at 30 June 2012, interests and short positions in the shares and underlying shares of the Bank held by substantial shareholders and other persons as recorded in the register that the Bank has maintained pursuant to Section 336 of the *Securities and Futures Ordinance* are as follows:

| Name                                      | Number of shares held         | Shareholding percentage of the issued share capital of the same class (%) | Class of shares |
|---|-------------------------------|---|-----------------|
| BBVA                                      | 10,942,096,691 <sup>(L)</sup> | 73.52 <sup>(L)</sup>  | H-share         |
|   | 3,809,655,853 <sup>(S)</sup>  | 25.60 <sup>(S)</sup>  |                 |
| BBVA                                      | 24,329,608,919 <sup>(L)</sup> | 91.36 <sup>(L)</sup>  | A-share         |
| CITIC Group                               | 7,032,455,195 <sup>(L)</sup>  | 47.25 <sup>(L)</sup>  | H-share         |
| CITIC Group                               | 28,938,928,294 <sup>(L)</sup> | 90.70 <sup>(L)</sup>  | A-share         |
| CITIC Limited                             | 28,938,928,294 <sup>(L)</sup> | 90.70 <sup>(L)</sup>  | A-share         |
| Lehman Brothers Asia Holdings Ltd         | 732,821,000 <sup>(L)</sup>    | 6.32 <sup>(L)</sup>   | H-share         |
|   | 732,821,000 <sup>(S)</sup>    | 6.32 <sup>(S)</sup>   |                 |
| Lehman Brothers Asia Ltd                  | 732,821,000 <sup>(L)</sup>    | 6.32 <sup>(L)</sup>   | H-share         |
|   | 732,821,000 <sup>(S)</sup>    | 6.32 <sup>(S)</sup>   |                 |
| Lehman Brothers Pacific Holdings Pte Ltd. | 732,821,000 <sup>(L)</sup>    | 6.32 <sup>(L)</sup>   | H-share         |
|   | 732,821,000 <sup>(S)</sup>    | 6.32 <sup>(S)</sup>   |                 |
| JP Morgan Chase & Co.                     | 892,920,477 <sup>(L)</sup>    | 5.99 <sup>(L)</sup>   | H-share         |
|   | 22,344,000 <sup>(S)</sup>     | 0.15 <sup>(S)</sup>   |                 |
|   | 183,015,382 <sup>(P)</sup>    | 1.23 <sup>(P)</sup>   |                 |

Note: (L) — long position, (S) — short position, (P) — lending pool.

Except for the information disclosed above, as at 30 June 2012, no other interests or short positions of any other person or company in the shares or underlying shares of the Bank that was required to be disclosed in accordance with Sections II and III in Part XV of the *Securities and Futures Ordinance* was recorded in the register maintained pursuant to Section 336 of the *Securities and Futures Ordinance*.

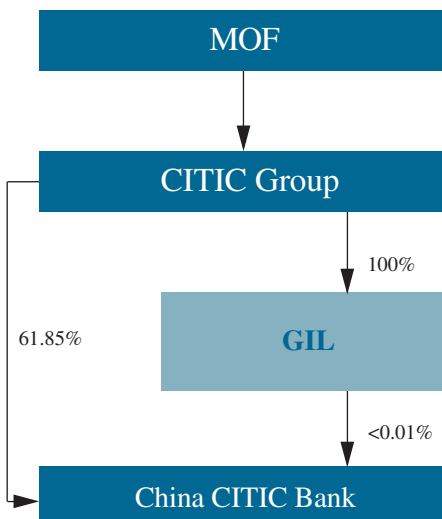
## Controlling Shareholder and *De Facto* Controller of the Bank

CITIC Group is the controlling shareholder and *De Facto* controller of the Bank. There was no change in the controlling shareholder or *De Facto* controller of the Bank within the reporting period. As at the end of the reporting period, CITIC Group held 28,938,928,294 A shares of the Bank directly, accounting for 61.85% of the total issued share capital of the Bank, as well as 710 H shares of the Bank indirectly through GIL, representing less than 0.01% of the Bank's total issued share capital. In total, CITIC Group held 61.85% of the Bank's total issued shares.

CITIC Group is China's leading state-owned multinational conglomerate, focusing its investment in financial services, information technology, energy and heavy industries, with business operations in Hong Kong, the United States, Canada and Australia. Initiated by Mr. Deng Xiaoping, Chief Architect of China's reform and opening-up, and approved by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, former Vice President of China, as the first window corporation in China's reform and opening up. Both CITIC Group's registered office and place of business are located in Beijing. After several rounds of capital changes, CITIC Group had a registered capital of RMB183.7 billion with Mr. Chang Zhenming as its legal representative as at the end of the reporting period.

On 27 December 2011, as part of its restructuring, CITIC Group contributed the majority of its existing operating net assets and aligned with Beijing CITIC Enterprise Management Co., Ltd., a wholly-owned subsidiary of CITIC Group, to establish CITIC Limited, with CITIC Group holding 99.9% of the equity interest and Beijing CITIC Enterprise Management Co., Ltd. holding 0.1% of the equity interest respectively. At the same time, CITIC Group was restructured into a wholly state-owned company as a whole and was renamed CITIC Group Corporation, which inherited all the businesses and assets from the former CITIC Group. To complete the afore-mentioned capital contribution, CITIC Group transferred all the shares it held in the Bank to CITIC Limited as capital contribution, as a result of which CITIC Limited will hold 28,938,928,294 A shares in the Bank, accounting for 61.85% of the Bank's total share capital and hold 710 H shares in the Bank through GIL, its wholly-owned subsidiary, thus holding a total of 28,938,929,004 shares in the Bank, accounting for 61.85% of the Bank's total share capital. As at 29 August 2012, the above share transfer has been approved by the State Council, the MOF, the CBRC and Hong Kong Monetary Authority, but the waiver of the takeover bid for shares held in the Bank is still subject to the approval of the CSRC. After the completion of the above share transfer, CITIC Group will maintain its status as *De Facto* controller of the Bank.

The following chart illustrates the shareholding structure and controlling relationship between the Bank and its *De Facto* controller as at the end of the reporting period:



# Directors,

## Supervisors, Senior Management and Staff

### | Basic Information of Directors, Supervisors and Senior Management of the Bank (as at 29 August 2012)

#### Board of Directors

| Name                 | Title                              | Name                           | Title                              |
|----------------------|------------------------------------|--------------------------------|------------------------------------|
| Tian Guoli           | Chairman, Non-executive director   | Chen Xiaoxian                  | Executive director, President      |
| Dou Jianzhong        | Non-executive director             | Ju Weimin                      | Non-executive director             |
| Guo Ketong           | Non-executive director             | Cao Tong                       | Executive director, Vice-president |
| Ángel Cano Fernández | Non-executive director             | José Andrés Barreiro Hernandez | Non-executive director             |
| Bai Chong-En         | Independent non-executive director | Xie Rong                       | Independent non-executive director |
| Wang Xiangfei        | Independent non-executive director | Li Zheping                     | Independent non-executive director |
| Xing Tiancai         | Independent non-executive director |                                |                                    |

#### Board of Supervisors

| Name         | Title   | Name         | Title               |
|--------------|---|--------------|---------------------|
| Zheng Xuexue | Supervisor, temporarily performing the duties of chairman of Board of Supervisors | Zhuang Yumin | External supervisor |
| Luo Xiaoyuan | External supervisor   | Li Gang      | Employee supervisor |
| Deng Yuewen  | Employee supervisor   |              |                     |

#### Senior Management

| Name          | Title   | Name         | Title  |
|---------------|---|--------------|--|
| Chen Xiaoxian | Executive director, President   | Cao Tong     | Executive director, Vice-president                     |
| Sun Deshun    | Vice-president  | Ou Yang Qian | Vice-president   |
| Su Guoxin     | Vice-president  | Cao Guoqiang | Vice-president   |
| Zhang Qiang   | Vice-president  | Cao Bin      | Secretary to the Committee for Disciplinary Inspection |
| Wang Lianfu   | Chairman of the Bank's trade union (Vice-president level), Chief Compliance Officer | Lin Zhengyue | Secretary to the Board of Directors                    |

### | Changes in Shares Held by Directors, Supervisors and Senior Management

As at the end of the reporting period, except for Mrs. Chan Hui Dor Lam Doreen, director of the Bank who resigned as director of the Bank in August 2012, held 3,569,625 H shares in the Bank, which remained unchanged during the reporting period, none of the other directors, supervisors or senior management members of the Bank held any shares in the Bank.

### | Appointment and Dismissal of Directors, Supervisors and Senior Management

- Dr. Cao Tong was nominated executive director candidate at the 25th meeting of the Bank's second Board of Directors held in November 2011. In December 2011, at the third extraordinary general meeting of the Bank in 2011, Dr. Cao Tong was elected executive director of the Bank. In February 2012, Dr. Cao Tong assumed office upon CBRC's approval of his qualifications for the office. Meanwhile, Dr. Cao Tong took his positions as member of the Strategic Development Committee and member of the Risk Management Committee under the Board of Directors according to the resolution adopted at the 28th meeting of the second Board of Directors of the Bank.

- As deliberated and approved at the third extraordinary general meeting in 2011 of the Bank in December 2011, Dr. Xing Tiancai was elected independent non-executive director of the Bank and assumed office in February 2012 after his qualifications for the office were approved by the CBRC. Meanwhile, Dr. Xing Tiancai took his positions as member and chairman of the Audit and Related Party Transactions Control Committee under the Board of Directors and member of Nomination and Remuneration Committee under the Board of Directors according to the resolutions adopted at the 28th meeting of the second Board of Directors of the Bank and the first meeting of the Bank's third Board of Directors. Dr. Ai Hongde's resignation from his position as director of the Bank officially took effect upon the CBRC's approval of Dr. Xing Tiancai's qualifications for office.
- Mr. Lin Zhengyue was appointed to be the company secretary of the Bank as deliberated and approved at the 28th meeting of the second Board of Directors of the Bank.
- In May 2012, at the 2011 annual general meeting of the Bank, the third Board of Directors of the Bank was elected with the elected directors: Mr. Tian Guoli, Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Guo Ketong, Dr. Zhao Xiaofan, Dr. Cao Tong, Mrs. Chan Hui Dor Lam Doreen, Mr. Ángel Cano Fernández, Mr. José Andrés Barreiro Hernandez, Mr. Li Zheping, Dr. Xing Tiancai, Ms. Liu Shulan, Ms. Wu Xiaoqing, and Mr. Wang Lianzhang. The qualification for the office of Ms. Liu Shulan, Ms. Wu Xiaoqing and Mr. Wang Lianzhang are still subject to the CBRC's approval and they will assume the office upon such approval, prior to which Dr. Bai Chong-En, Dr. Xie Rong and Mr. Wang Xiangfei will continue to perform their duties as directors of the Bank.
- The third Board of Supervisors of the Bank was elected in May 2012, consisting of non-employee supervisors elected at the 2011 annual general meeting of the Bank and employee supervisors elected via democratic procedures in May 2012, and including Mr. Zheng Xuexue, Dr. Zhuang Yumin, Ms. Luo Xiaoyuan, Mr. Li Gang and Mr. Deng Yuewen.
- In May 2012, at the first meeting of the third Board of Directors of the Bank, the resolutions on engaging Dr. Chen Xiaoxian as president of the Bank, engaging Dr. Cao Tong, Mr. Sun Deshun, Dr. Ou Yang Qian, Mr. Su Guoxin, Mr. Cao Guoqiang and Mr. Zhang Qiang respectively as vice-president of the Bank and engaging Mr. Lin Zhengyue as secretary to the Board of Directors were deliberated and adopted.
- In August 2012, due to adjustment of his responsibilities, Mr. José Andrés Barreiro Hernandez resigned from the positions of director, member of the Audit and Related Party Transactions Control Committee and member of the Strategic Development Committee of the Bank. Mr. José Andrés Barreiro Hernandez's resignation will take effect on the date when his successor's qualification for the office is approved by the CBRC and officially begins to perform the duty of director.
- In August 2012, as approved at the second meeting of the third Board of Directors, Dr. Chen Xiaoxian was elected executive vice chairman of the Bank's Board of Directors, which will take effect on the date when his qualification for the office is approved by the CBRC.
- In August 2012, Dr. Chen Xiaoxian resigned from the position of the Bank's president due to adjustment of his position. As adopted at the second meeting of the third Board of Directors, the proposal on Dr. Chen Xiaoxian's resignation was approved. At the same meeting, the Board of Directors decided that Dr. Chen Xiaoxian continue to perform the duty of the Bank's president before the new engaged president's qualification to the office is approved by the CBRC.
- In August 2012, as approved at the second meeting of the third Board of Directors, Dr. Zhu Xiaohuang was elected president of the Bank and will begin to perform the duty of president on the date when his qualification to the office is approved by the CBRC. At the same meeting, the proposal on shareholder's nomination of Dr. Zhu Xiaohuang as candidate of the Bank's director was adopted and will be submitted to the Bank's second extraordinary general meeting in 2012 for deliberation.

- In August 2012, due to adjustment of his responsibilities, Dr. Zhao Xiaofan resigned from the positions of non-executive director and member of the Risk Management Committee of the Bank, and Mrs. Chan Hui Dor Lam Doreen resigned from the position of the Bank's non-executive director. Both resignation took effect on the date when their letters of resignation were submitted to the Board of Directors.
- In August 2012, as adopted at the second meeting of the third Board of Directors, the proposal on shareholder's nomination of Mr. Zhang Xiaowei as candidate of the Bank's director and the proposal on shareholder's nomination of Mr. Gonzalo Toraño Vallina as candidate of the Bank's director were adopted and will be submitted to the second extraordinary general meeting in 2012 for deliberation.

## **| Staff**

During the reporting period, the Bank continued to strengthen and improve the human resources management according to the principle of coordinating effective incentives and strict discipline. Great efforts were devoted to adjusting and developing management teams in sub-branches and departments in head office, optimizing of appraisal, appointment and removal systems, replenishing reserve human resources, and promoting management's exchange and rotation. The Bank prepared its human resources plan in a scientific way, set up the reasonable internal organization structure, improved the work related to recruitment and staffing, and continued to optimize the staff structure. The Bank further improved its remuneration, welfare and insurance systems by carrying out surveys, researches and analysis, refining the remuneration system, optimizing the remuneration structure, standardizing the welfare and insurance mechanisms, and enhancing the effectiveness of incentives. The intellectual training and professional exchanges were strengthened, so as to increase the information management level, enhance the service awareness and promote the business development.

As at the end of the reporting period, the Bank had 37,589 employees, including 28,490 entering into labor contracts with the Bank and 9,099 dispatched to the Bank or hired with letters of engagement by the Bank. The Bank had a total of 401 retirees. CIFH (including CBI) had 1,757 employees.



# Corporate Governance

During the reporting period, the Bank kept improving its corporate governance structure in line with its own practical situation and in strict compliance with relevant laws and regulations including but not limited to the *Company Law*, *Securities Law of the People's Republic of China* and *Commercial Banks Law*. The Bank has established a corporate governance structure consisting of Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Management, namely the structure of "three meetings and one management level", and defined the responsibilities of directors, supervisors and senior management according to rules and regulations including the Articles of Association, and the rules of procedures of the three meetings, so as to effectively integrate rights, duties and interests, establish scientific and efficient mechanisms for decision making, execution, and supervision, and ensure clear division of duties, mutual cooperation as well as effective check and balance between decision-making, execution and supervisory bodies.

During the reporting period, Board of Directors and Board of Supervisors of the Bank assessed the performance of directors in 2011 in accordance with the *Evaluation Measures on Duty Performance of Directors of Commercial Banks(Trial)* issued by the CBRC, *Measures of the Board of Directors of CITIC Bank for Performance Assessment of Directors and Senior Management*, and *Measures of the Board of Supervisors of CITIC Bank for Performance Assessment of Directors, Supervisors and Senior Management* and produced performance assessment reports thereof. All directors of the Bank were assessed to be competent in performing their duties in 2011.

## | Shareholders' General Meeting, Board of Directors and Board of Supervisors

During the reporting period, the Bank convened one annual general meeting, one extraordinary general meeting, eight meetings of Board of Directors and four meetings of Board of Supervisors in accordance with the Bank's Articles of Association, all of which were held in compliance with relevant laws and regulations and procedures specified in the Bank's Articles of Association.

### Shareholders' General Meeting

During the reporting period, the Bank convened two shareholders' general meetings including the 2011 annual general meeting and the first extraordinary general meeting in 2012. The meetings were convened in strict compliance with the listing rules of both SSE and SEHK. The Shareholders' General Meeting of the Bank resolved major matters of the Bank according to laws by considering and adopting the proposals in relation to issuance of subordinated bonds and financial bonds specialized for small and miniature enterprises, work report of the Board of Directors for 2011, work report of the Board of Supervisors for 2011, 2011 annual financial report, financial budget plan for 2012, profit distribution plan for 2011, plan for engagement of auditors and their remunerations for 2012, as well as proposals on the election of the third Board of Directors and their remunerations, election of non-employee supervisors of the third Board of Supervisors and their remunerations. In addition, the Shareholders' General Meeting amended the Bank's Articles of Association, the *Rules of Procedures of the Shareholders' General Meeting*, the *Rules of Procedures of the Board of Directors* and the *Rules of Procedures of the Board of Supervisors*, which safeguarded the legal rights and interests of all shareholders and ensured the lawful exercise of rights by shareholders, thus promoting the long-term, steady and sustainable development of the Bank.

### Board of Directors

As at the end of the reporting period, the Board of Directors consists of 15 members, including two executive directors; eight non-executive directors and five independent non-executive directors.

During the reporting period, the Board of Directors of the Bank convened eight meetings (including on-site voting and voting by correspondence), at which the Board of Directors considered and adopted the proposals in relation to work report of the Board of Directors for 2011, 2011 annual report of the Bank, remuneration plan for senior management for 2011, remuneration plan for employees for 2011, 2012 financial budget plan, first quarterly report in 2012, engagement of auditors and their remunerations, credit extension to related parties of CITIC Group, social responsibility report for 2011, report on assessment of internal control for 2011, election of members of the

third Board of Directors and their remunerations, institutional outlets development plan for 2012, etc. In addition, the Board of Directors revised and finalized the *Administrative Measures for Management of Reputational Risks*, *Administrative Measures for Management of Liquidity Risks*, *Outlines for Implementation of liquidity Risks Management*, and *Contingency Plan for Management of Liquidity Risks*, considered and amended the Articles of Association, *Rules of Procedures of Shareholders' General Meeting*, and *Rules of Procedures of the Board of Directors* and submitted the related proposals to the Shareholder's General Meeting for approval. Therefore, the Board of Directors effectively performed its duty. During the reporting period, members of the third Board of Directors and its specialized committees were successfully elected. At the first meeting of the third Board of Directors, the chairman of the third Board of Directors was elected. At the same time, chairmen and members of the Nomination and Remuneration Committee, Audit and Related Party Transactions Control Committee, Strategic Development Committee and Risk Management Committee under the third Board of Directors were also appointed.

### Board of Supervisors

As at the end of the reporting period, the Board of Supervisors of the Bank consists of five members, including two external supervisors, one shareholder representative supervisor and two employee supervisors.

During the reporting period, the Board of Supervisors of the Bank held four meetings, at which the supervisors considered and adopted the proposals in relation to the work report of the Board of Supervisors for 2011, 2011 annual report of the Bank, the first quarterly report of 2012, and report of the Board of Supervisors on annual performance assessment of directors for 2011, as well as the *Rules of Procedures of the Nomination Committee under the Board of Supervisors*, *Rules of Procedures of the Supervisory Committee under the Board of Supervisors*, considered and revised the Bank's Articles of the Association and relevant articles in *Rules of Procedures of the Board of Supervisors* and submitted the related proposals to the Shareholders' General Meeting for approval. All these further consolidated the institutional foundation of the Board of Supervisors. During the reporting period, members of the third Board of Supervisors of the Bank were successfully elected, and its Nomination Committee and the Supervisory Committee were established. Meanwhile, chairmen and members for each committee were appointed.

### Senior Management

As at the end of the reporting period, the Bank's senior management consists of ten members, including one president, eight vice presidents (including those at the vice president level), and one secretary to the Board of Directors. There is strict division of duties and separation of power between the Bank's senior management and the Board of Directors. Authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its mandate.

## | Information Disclosure

The Bank always attaches great importance to information disclosure and disclosed information in line with the principles of "higher", "stricter" and "more" as well as the regulatory requirements of the listing places, so as to treat the domestic and foreign investors equally and ensure the legal rights and interests of all shareholders. During the reporting period, the Bank continued to improve its information disclosure system. Through the revision of the *Rules on Periodic Report Compilation and Disclosure*, the Bank further enhanced its internal process control of periodic report compilation and disclosure and clarified related division of duties.

The Bank published more than 30 domestic and overseas announcements during the reporting period.

## | Management of Related Party Transactions

The Bank pays great attention to the management of related party transactions. During the reporting period, the Bank further developed and enhanced the system of related party transactions management, including management of related parties and reporting and disclosure of related party transactions, thereby ensuring the synergy effect of the integrated financial platform of CITIC Group and realizing the growth of shareholders' value under the prerequisite of lawfulness and compliance.

With regard to the related party transactions management system, the Bank adopted the administrative principle of "centralized management and division of duties" to strengthen the management mechanisms for credit extension and non-credit extension related party transactions. With each department performing its respective duties, the Bank ensured that the related party transactions were managed in an organized, standardized and efficient way.

With regard to the management of related parties, the Bank continued to refine its management of related parties following the principle of "classification management". During the reporting period, the Bank further updated the list of related parties covering both related natural persons and related legal persons based on the different definitions of related parties by domestic and oversea regulatory bodies and in light of the restructuring of CITIC Group (the controlling shareholder of the Bank), and other changes such as the election of new term of the Board of Directors, which laid a solid foundation for the lawfulness and compliance of the Bank's related party transactions business.

With regard to the disclosure of related party transactions, the Bank took a stricter hand in performing its reporting and disclosure obligations. During the first half of the year, the Bank published three special announcements regarding related party transactions, four board resolution announcements regarding the related party transactions, and two announcements of the resolutions of Shareholders' General meeting regarding related party transactions. The Bank also disclosed detailed information of related party transactions via periodic reports. Besides, the Board of Directors and the Audit and Related Party Transactions Control Committee reviewed the annual special report on related party transactions presented by the senior management and submitted the report to the Shareholders' General Meeting for consideration. As such, the Bank fully performed its obligations on reporting and disclosure of related party transactions, safeguarded the rights and interests of the minority shareholders and set up a positive image in the capital market.

## | Management of Investor Relations

Based on the principle of compliance, fairness and efficiency in investor relations management, the Bank keeps optimizing its management system, standardizing procedures and raising working standards in daily operation to make its management of investor relations more proactive and interactive and providing convenient and higher-quality services to investors.

During the reporting period, the Bank participated in a total of 40 external large-scale investors' forums and routine meetings with investors, organized one annual results releases, and conducted road shows in Shanghai, Hong Kong, Japan and the United States in connection with the release of the annual results. Senior management of the Bank participated in important investor activities such as road shows in China and abroad and results releases to have an in-depth exchange with institutional investors, and delivered positive information to the capital market in a continuous manner. The Bank also kept in touch with investors from all over the world timely and conveniently via phone calls, E-mails, investor relations websites, investor relations mail box and other electronic platforms. By mobilizing its internal departments, the Bank provided timely feedback to the valuable suggestions raised by shareholders and thereby winning high recognition from the shareholders.

# Significant Events

## | Issuance of Subordinated Bonds

Pursuant to the *Approval of the China Banking Regulatory Commission on the Issue of Subordinated Bonds by China CITIC Bank (Yin Jian Fu 2012 No.200)* and the *Decision of the People's Bank of China on Administrative Approval (Yin Shi Chang Xu Zhun Yu Zi 2012 No.38)*, the issuance of subordinated bonds of China CITIC Bank Corporation Limited for the year 2012 (hereinafter the "Subordinated Bonds") were successfully completed on 21 June 2012. The Subordinated Bonds, with a rating of AAA, a coupon rate of 5.15% and a maturity of 10+5 years (i.e., a maturity of 15 years, with conditional redemption option for the issuer at the end of the 10th year) had an aggregate amount of RMB20 billion. All funds raised through the issuance of the Subordinated Bonds will be used to replenish the supplementary capital and increase the capital adequacy ratio of the Bank in accordance with applicable laws and approvals from regulatory authorities.

## | Formulation of Cash Dividend Distribution Policy of the Bank and its Implementation

According to the *Notice on Matters in Relation to Further Implementation of Cash Dividend of Listed Companies* by the CSRC and the *Notice on Matters in relation to Further Improvement of Cash Dividend of Listed Companies* by CSRC Beijing Bureau, the Bank drafted the amendments to the Articles of Association to further improve the Bank's policies in relation to profit distribution. Firstly, the Bank further clarified that the profit after tax of parent company in the financial statements prepared in accordance with the PRC GAAP shall be the basis for profit distribution. Secondly, the Bank improved the profit distribution principle and clarified that the interim profit distribution could be conducted if the situation permits. Thirdly, in addition to the current two ways of dividend distribution, namely cash and share, the Bank added the combination of cash and share as another way of profit distribution. Fourthly, the Bank specified that cash dividend is the Bank's main way of dividend distribution and, except for specific circumstances, the profits distributed in cash shall not be less than 10% of the after-tax profits of parent company each year. Fifthly, the Bank specified the circumstance under which the share dividend distribution can be used. Sixthly, the Bank clarified that the proposal on adjustments to profit distribution policy shall be proposed by the Board of Directors in writing and shall be submitted to the shareholders' general meeting as special resolution after being reviewed by the independent directors. Seventhly, the Bank specified that if required by the securities regulatory authorities at the places where the Bank's shares are listed the Bank provides on-line voting for the shareholders' general meeting at which the proposals on profit distribution plan and amendments to profit distribution policies are considered. Above-mentioned amendments to the Articles of Association have already been approved at the second meeting of the third Board of Directors and are subject to the approval of the shareholders' general meeting.

As approved by the 2011 annual general meeting, the Bank paid an equivalent of RMB0.145 (pre-tax) per share in cash as the 2011 final dividends to its A-share shareholders as shown on the Bank's shareholder register as at 18 July 2012 and its H-share shareholders as shown on the Bank's shareholder register as at 11 June 2012, totaling approximately RMB6.784 billion. Except for the above-mentioned profit distribution, the Bank did not conduct any other dividends distribution, conversion of capital reserve into share capital or issuance of new share during the reporting period.

## | Interim Dividend

The Bank will not distribute any interim dividend for the six months ended 30 June 2012 (30 June 2011: RMB0.055 per share (before tax)).

## **| Purchase, Sale or Redemption of Shares of the Bank**

Save and except as disclosed in this report, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank during the reporting period.

## **| Material Acquisitions, Disposals or Restructurings of Assets**

Save and except as disclosed in this report, the Bank did not engage in any material acquisitions, disposals or restructurings of assets during the reporting period.

## **| Material Contracts and Their Performance**

During the reporting period, save and except as disclosed in this report, the Bank did not custody, contract or lease any material assets of other companies, nor did other companies custody, contract or lease any material assets of the Bank.

The guarantee business is one of the off-balance-sheet items in the ordinary course of business of the Bank. During the reporting period, the Bank did not make any material guarantees that need to be disclosed except for the financial guarantee services that are within the approved business scope of the Bank.

The Bank did not entrust others to handle its cash management matters.

## **| Appropriation of Funds by the Substantial Shareholder**

There was no appropriation of the Bank's funds by its substantial shareholder during the reporting period.

## **| Material Related Party Transactions**

The Bank entered into connected transactions with the related parties in its ordinary course of business upon normal commercial principles with no more favorable terms available to the related parties than those available to non-related parties for similar transactions. Please refer to Note 56 "Related Parties" to the Financial Statements in this report for detailed data of related party transactions.

### **Related Party Transactions Involving Disposal and Acquisition of Assets**

Save and except as disclosed in this report, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets during reporting period.

### **Related Party Transactions of Credit Extension**

The Bank attached great importance to the daily monitoring and management of related party transactions involving credit granting and ensured lawfulness and compliance of such business by enhancing relevant measures such as process-oriented management, risk elimination and post-lending management. As at the end of the reporting period, the balance of credit extended to related parties totaled RMB7.441 billion, of which the balance of credit to CITIC Group and its subsidiaries totaled RMB6.031 billion and that to BBVA and its subsidiaries totaled RMB1.410 billion. The above-mentioned credit extension business to related shareholders together with the risk exposure thereof were of sound underlying quality and the loans were all normal, and therefore would not have material impact on the normal operation of the Bank in terms of transaction volume, structure and quality.

When granting credit to related parties, the Bank only entered into such transactions on normal commercial terms with pricings available to related parties being no more favorable than those available to independent third parties of the same kind transactions. Meanwhile, the Bank fulfilled the requirements for approval and disclosure by the SSE and the CBRC. As at the end of the reporting period, there was no fund exchange or occupation in violation of the provisions of the *Notice of CSRC on Issues Concerning the Standardization of Fund Exchange between Listed Companies and Related Parties and External Guarantee Provided by Listed Companies (Zheng Jian Fa [2003] No. 56)* and the *Notice of CSRC on Standardization of the External Guarantee Activities of Listed Companies (Zheng Jian Fa [2005] No. 120)*. The related party loans granted by the Bank to its largest shareholder CITIC Group and its controlled companies had no adverse impact on the operation and financial position of the Bank.

### **Non-Credit Extension Continuing Related Party Transactions**

According to the framework agreements on continuing related party transactions, the Bank continued to conduct transactions with CITIC Group and its associates, BBVA and its associates, and CIFH and its subsidiaries within the corresponding annual caps of the year. According to the applicable provisions of Chapter 14A of the *Listing Rules and Chapter 10 of Rules of the Shanghai Stock Exchange for the Listing of Stocks*, we hereby provide details on the above-mentioned continuing related party transactions as follows:

#### **Non-Credit Extension Continuing Related Party Transactions with CITIC Group and its Associates:**

##### Third-Party Depository Services

According to the Third-Party Depository Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the third-party Depository services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market price and subject to periodic reviews. In 2012 the annual cap for the transactions under the Third-Party Depository Service Framework Agreement was set at RMB50 million, while the actual amount incurred as at the end of the reporting period did not exceed the annual cap of the year.

##### Investment Product Agency Sales Service

According to the Investment Product Agency Sales Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the agency sales services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market price and subject to periodic reviews. In 2012, the annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement was set at RMB1.3543 billion. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap of the year.



## *Significant Events*

### *Asset Custody Services*

According to the Asset Custody Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the asset custody services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The asset custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market price and subject to periodic reviews. In October 2011, the Bank adjusted the annual cap for the transactions under the Asset Custody Service Framework Agreement. The new annual cap for 2012 was set at RMB300 million, while the actual amount incurred as at the end of the reporting period did not exceed the annual cap of the year.

### *Loan Asset Transfer*

According to the Loan Asset Transfer Framework Agreement renewed between the Bank and CITIC Group in August 2010 and approved at the third extraordinary general meeting in 2010, the transactions to be conducted between the Bank and CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the national government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price or market price, the price shall be determined by the book value of the loan assets minus appropriate discounting to reflect the appropriate risks of the loan assets. In 2012, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was RMB48 billion, while the actual amount incurred as at the end of the reporting period did not exceed the annual cap of the year.

### *Financial Consulting and Asset Management Services*

According to the Financial Consulting and Asset Management Service Framework Agreement entered into between the Bank and CITIC Group in August 2010, the financial consulting and asset management services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon negotiations between the parties on equal footing on terms no more favorable than those available to independent third parties or be based on the market prices and rates applicable to independent counterparties for similar transactions. In 2012, the annual cap for the transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB117 million, while the actual amount incurred as at the end of the reporting period did not exceed the annual cap of the year.

### *Technology Services*

According to the Technology Service Framework Agreement entered into between the Bank and CITIC Group in August 2010, CITIC Group and its associates provided services to the Bank including management information system, development, integration, maintenance and support of the trading information system as well as outsourcing services. The service fees payable by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon negotiations between the parties on equal footing or be based on the market prices and rates applicable to independent counterparties for identical transactions. In 2012, the annual cap for the transactions under the Technology Service Framework Agreement was set at RMB82.6 million, while the actual amount incurred as at the end of the reporting period did not exceed the annual cap of the year.



### Capital Market Transactions

According to the Capital Market Transactions Master Agreement entered into between the Bank and CITIC Group in August 2010, the Bank, CITIC Group and its associates shall conduct capital market transactions according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties. In 2012, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (if occurred) of the transactions under the Capital Market Transactions Master Agreement was set at RMB1.3 billion each and that for the fair value of derivative financial instruments (recorded as assets or liabilities) was set at RMB4.2 billion each. As at the end of the reporting period the actual amounts incurred did not exceed the annual caps of the year.

### Call Center Outsourcing Services

According to the Framework Agreement on Call Center Outsourcing entered into between the Bank and CITIC Group in October 2011, CITIC Group and its associates shall provide call center outsourcing services to the Bank, including staff, venue, equipment and system, or more specifically, customer support, telephone banking, telephone marketing, payment collection call reminders, review and examination via calls, operation consulting, training, data and information service, marketing consulting, interactive marketing, etc. The service fees payable by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon negotiations between the parties on equal footing or be based on the market prices and rates applicable to independent counterparties for identical transactions. In 2012, the annual cap for transactions under the Framework Agreement on Call Center Outsourcing was set at RMB440 million. The actual amount incurred as at the end of the reporting period did not exceed the annual cap of the year.

### **Non-Credit Extension Continuing Related Party Transactions with BBVA and its Associates**

#### Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and BBVA in October 2011, the transactions to be conducted between the Bank and BBVA and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) statutory or guidance prices prescribed by the national government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discounting to reflect the appropriate risks of the loan assets. In 2012, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was set at USD150 million, while the actual amount incurred as at the end of the reporting period did not exceed the annual cap of the year.

## **Non-Credit Extension Continuing Related Party Transactions with CIFH and its Subsidiaries**

### Capital Market Transactions

According to the Capital Market Transactions Master Agreement entered into between the Bank and CIFH in August 2010, the Bank, CIFH and its affiliated companies shall conduct capital market transactions according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for the same transactions. In 2012, the annual cap under the framework agreement for realized gains, realized losses, unrealized gains and unrealized losses (if occurred) of the transactions under the Capital Market Transactions Master Agreement was set at RMB1 billion each and that for the fair value of the derivative financial instruments (whether recorded as assets or liabilities) was set at RMB3.5 billion each. The actual amount incurred as at the end of the reporting period did not exceed the annual cap of the year.

### Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and CIFH in October 2011, the transactions to be conducted between the Bank and CIFH and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) statutory or guidance prices prescribed by the national government where such prices are available; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price or market price, the price shall be determined by the book value of the financial assets minus appropriate discounting to reflect the appropriate risks of the loan assets. In 2012, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was set at USD300 million, while the actual amount incurred as at the end of the reporting period did not exceed the annual cap of the year.

## **| Material Litigation and Arbitration**

The Group was involved in several litigations and arbitrations during its daily operation, most of which were initiated by the Group to enforce loan repayment. In addition, there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, the Group was involved in 102 litigations and arbitrations each exceeding RMB30 million in disputed amount (the Group either as plaintiff/claimant or defendant/respondent) with an aggregate disputed amount of RMB6.421 billion. The Group was involved in 49 outstanding cases (regardless of the disputed amounts) in which the Group acted as defendant/respondent with an aggregate disputed amount of RMB276 million.

The management of the Bank is of the view that these legal actions do have any material impact on either operating results or financial position of the Bank.

## | Securities Investment

As at the end of the reporting period, the Group's shareholdings held in other listed companies are as follows:

Unit: RMB

| Stock code   | Stock name               | investment amount    | Initial Shareholding percentage | Book value at the end of the Reporting Period | Gain or loss during the Reporting Period | Book value at the beginning of the Reporting Period | Changes in shareholder's equity during the Reporting Period | Accounting item                     | Source of investment |
|--------------|--------------------------|----------------------|---------------------------------|---|--|---|---|-------------------------------------|----------------------|
| 00762        | China Unicom (HK)        | 7,020,000.00         | —                               | 3,182,954.95                                  | —  | 5,302,536.82  | (2,119,581.87)  | Available-for-sale financial assets | Cash purchase        |
| V            | Visa Inc.                | 7,509,605.39         | —                               | 39,396,962.30                                 | 26,838.70                                | 32,494,532.10                                       | 6,902,430.20  | Available-for-sale financial assets | Gift/bonus share     |
| MA           | Mastercard International | 201,629.69           | —                               | 2,061,909.08                                  | 813.29                                   | 1,780,763.20  | 281,145.88  | Available-for-sale financial assets | Bonus share          |
| <b>Total</b> |                          | <b>14,731,235.08</b> |                                 | <b>44,641,826.33</b>                          | <b>27,651.99</b>                         | <b>39,577,832.12</b>                                | <b>5,063,994.21</b>   |                                     |                      |

As at the end of the reporting period, shareholdings of the Group in non-listed financial enterprises are as follows:

Unit: RMB

| Name of company held                          | Initial investment amount | Number of shares held (share) | Shareholding percentage | Book value at the end of the Reporting Period | Gain or loss during the Reporting Period | Changes in shareholder's equity during the Reporting Period | Accounting item                     | Source of investment |
|---|---------------------------|-------------------------------|-------------------------|---|--|---|-------------------------------------|----------------------|
| China Union Pay Co. Ltd.                      | 70,000,000.00             | 87,500,000                    | 4.24%                   | 113,750,000.00                                | 3,062,500.00                             | —   | Available-for-sale financial assets | Cash purchase        |
| SWIFT   | 161,127.66                | 22                            | —                       | 471,246.92                                    | —  | —   | Available-for-sale financial assets | Bonus share          |
| Joint Electronic Teller Services              | 4,535,347.33              | 16 (Class B)                  | —                       | 4,199,641.63                                  | —  | —   | Available-for-sale financial assets | Bonus share          |
| Electronic Payment Services Company (HK) Ltd. | 14,263,759.80             | 2                             | —                       | 13,207,958.54                                 | —  | —   | Available-for-sale financial assets | Bonus share          |
| <b>Total</b>                                  | <b>88,960,234.79</b>      |                               |                         | <b>131,628,847.09</b>                         | <b>3,062,500.00</b>                      |   |                                     |                      |

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with a net value of RMB370 million as at the end of the reporting period.

## | Investigation, Punishment and Remedial Action of the Bank, Board of Directors, Directors, Senior Management, Shareholders of the Company and *De Facto* Controller

During the reporting period, none of the Bank, or its Board of Directors, Directors, senior management members, or shareholders or *de facto* controller was subject to any investigation by competent authorities, coercive measures of judicial and disciplinary inspection departments, transfer to judiciary authorities or recourse of criminal liabilities, investigation, administrative penalty, banning the entry to securities markets, criticism by notice circulation by the CSRC, identification as inappropriate candidate, material punishment by other administrative departments or public reprimand from any stock exchanges, or any punishment by other regulatory authorities which has material impact on the Bank's operation.

## | Undertakings by the Company or its Shareholders Holding 5% or More Shares in the Bank

No new undertaking was made during the reporting period. The undertakings within the reporting period remain the same as those disclosed in the 2011 annual report. The Bank is not aware of any shareholders with shareholding of 5% or above in the Bank breached any undertaking they made.

## | Interests and Short Positions of Directors, Supervisors and Senior Management in the Shares, Underlying Shares and Debentures of the Bank

As at the end of the reporting period, the interests and short positions of the directors, supervisors and senior management of the Bank in the shares, underlying shares and debentures of the Bank and any associated corporations (save as the "associated corporations" defined in Part XV of the Hong Kong Securities and Futures Ordinance) as recorded in the register required to be kept pursuant to section 352 of the Hong Kong Securities and Futures Ordinance or required to be notified to the Bank and the SEHK pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the *Listing Rules* are as follows:

| Name of Directors          | Name of associated corporation       | Nature of interests | Class/number of share interests held   | Percentage in the issued share capital | Execution period   |
|----------------------------|--------------------------------------|---------------------|--|--|--|
| Dou Jianzhong              | CIAM Group Limited                   | Personal interests  | 1,250,000 shares <sup>(L)</sup> options<br>1,250,000 shares <sup>(L)</sup> options | 0.56%                                  | 9 September 2010 – 8 September 2012<br>9 September 2011 – 8 September 2014 |
| Chan Hui Dor<br>Lam Doreen | China CITIC Bank Corporation Limited | Personal interests  | 3,569,625 shares <sup>(L)</sup> H shares   | 0.02%                                  | —  |

(L) refers to long position.

Save as disclosed above, no other directors, supervisors or senior management of the Bank hold any interests or short positions in the shares, underlying shares and debentures of the Bank or of any of its associated corporations during the reporting period.

## | Compliance with the Corporate Governance Code of the *Listing Rules*

The Bank complied with all code provisions as set out in the *Code on Corporate Governance Practices* (formerly set out in Appendix 14 to the *Listing Rules*) for the three months ended 31 March 2012 and all code provisions as well as most of the recommended best practices of the *Corporate Governance Code* (the new edition of the *Code on Corporate Governance Practices*, which is applicable to financial reports covering a period after 1 April 2012) as set out in Appendix 14 to the *Listing Rules* for the three months ended 30 June 2012, except for the following:

According to Code A.1.3 of the *Corporate Governance Code*, the board meeting notice shall be given at least 14 days before each regular board meeting, while a 10-day notice to directors and supervisors shall be given for regular Board meetings according to Article 167 of the Articles of Association of the Bank. The reason of Our afore-mentioned practice regarding the board meeting notice is that 10-day prior notice is deemed as sufficient according to laws in the People's Republic of China.

Given the changes in the external operation environment, regulatory requirements, and the business scope and scale of the Bank, there is no limit to the efforts for improvement of the Bank's internal control. As such, the Bank will follow the requirements of external regulators, the requirements for listed companies and the criteria of international leading banks to continuously optimize its internal control management.

## | Securities Transactions by Directors and Supervisors and Senior Management

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the *Listing Rules* to regulate the securities transactions conducted by directors and supervisors.

After special inquiries had been made with all directors and supervisors, the Bank confirmed all directors and supervisors have complied with the standards in relation to securities transactions by directors and supervisors set out in the *aforesaid code* throughout the first half of 2012.

## | Notes on Amendments to Business Plan

Save as disclosed herein, the Bank did not amend its business plan during the reporting period.

## | Warnings on the Forecast of Possible Losses or Substantial Year on Year Changes to Be Recorded in Cumulative Net Profit of the Bank from Beginning of the Year to the End of the Next Reporting Period and the Underlying Reasons

The Bank is not aware of any situation that would lead to the forecast of possible losses or substantial changes to be recorded in its cumulative net profit from beginning of the year to the end of the next reporting period or in comparison with same period in the first half of 2012.

## **| Review of Interim Results**

The Audit and Related Party Transactions Control Committee and the senior management of the Bank have jointly reviewed the accounting policies and practices adopted by the Bank, discussed matters related to internal control and financial report, and reviewed the Bank's 2012 interim results announcement and 2012 interim report, and were of the opinion that, save as disclosed herein, the preparation basis of this financial report was consistent with the accounting policies adopted for the preparation of the annual financial report of the Group for the year 2011.

## **| Obtaining a Copy of the Interim Report**

The Bank prepared its A-share interim report and H-share interim report in accordance with regulatory requirements of A-share and H-share, with the H-share interim report available in both Chinese and English. To obtain copies of the A-share interim report prepared in accordance with the PRC accounting standards, please write to the Bank's Board Office. To obtain copies of the H-share interim report prepared in accordance with IFRS, please write to the Bank's H-share registrar, Computershare Hong Kong Investor Services Limited. The A-share and H-share interim reports are also available on the following websites: [bank.ecitic.com](http://bank.ecitic.com), [www.sse.com.cn](http://www.sse.com.cn), and [www.hkexnews.hk](http://www.hkexnews.hk). If you have any queries about how to obtain copies of the interim reports and relevant documents, please call the Bank's hotline at 86-10-65558000 or 852-28628555.

# *Net Profit*

The Group realized a continuous growth in its economic returns. During the reporting period, the net profit attributable to shareholders was RMB 19.373 billion, up by 28.95% year on year, ranking among the top domestic medium-sized joint-stock banks.





# Independent Auditors' Review Report

**Independent review report to the Board of Directors of China CITIC Bank Corporation Limited**  
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

## Introduction

We have reviewed the interim financial report of China CITIC Bank Corporation Limited (the “Bank”) and its subsidiaries (collectively the “Group”) set out on pages 91 to 180 which comprises the consolidated and Bank statements of financial position as at 30 June 2012 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, promulgated by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG  
*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

29 August 2012

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012  
(Expressed in millions of Renminbi unless otherwise stated)

|  | Note | Six months ended 30 June |                   |
|--|------|--------------------------|-------------------|
|  |      | 2012<br>Unaudited        | 2011<br>Unaudited |
| Interest income  |      | 68,337                   | 47,616            |
| Interest expense   |      | (31,408)                 | (17,810)          |
| <b>Net interest income</b>   | 3    | <b>36,929</b>            | 29,806            |
| Fee and commission income  |      | 5,817                    | 4,212             |
| Fee and commission expense   |      | (412)                    | (314)             |
| <b>Net fee and commission income</b>   | 4    | <b>5,405</b>             | 3,898             |
| Net trading gain   | 5    | 1,540                    | 1,029             |
| Net gain from investment securities  | 6    | 115                      | 110               |
| Net hedging loss   | 7    | –                        | (1)               |
| Other operating income   |      | 254                      | 493               |
| <b>Operating income</b>  |      | <b>44,243</b>            | 35,335            |
| Operating expenses   | 8    | (15,858)                 | (13,159)          |
| <b>Operating profit before impairment</b>  |      | <b>28,385</b>            | 22,176            |
| Impairment losses on   |      |                          |                   |
| – Loans and advances to customers  |      | (2,447)                  | (1,916)           |
| – Others   |      | (77)                     | (13)              |
| <b>Total impairment losses</b>   | 9    | <b>(2,524)</b>           | (1,929)           |
| Revaluation gain on investment properties  |      | 35                       | 29                |
| Share of (losses)/profits of associates  |      | (20)                     | 50                |
| <b>Profit before tax</b>   |      | <b>25,876</b>            | 20,326            |
| Income tax   | 10   | (6,291)                  | (5,053)           |
| <b>Net profit</b>  |      | <b>19,585</b>            | 15,273            |
| <b>Other comprehensive income for the period</b>                                   |      |                          |                   |
| Available-for-sale financial assets  |      |                          |                   |
| – Net changes in fair value  |      | 1,090                    | 149               |
| – Net amount transferred to profit or loss   |      | (23)                     | 31                |
| Exchange difference on translating foreign operations                              |      | 67                       | (327)             |
| Other comprehensive income of associates   |      | 6                        | 24                |
| Others   |      | –                        | 6                 |
| <b>Total other comprehensive income/(loss)</b>                                     |      | <b>1,140</b>             | (117)             |
| Income tax effects relating to each component of other comprehensive income/(loss) |      | (242)                    | (37)              |
| <b>Other comprehensive income/(loss), net of tax</b>                               | 11   | <b>898</b>               | (154)             |
| <b>Total comprehensive income</b>  |      | <b>20,483</b>            | 15,119            |
| <b>Net profit attributable to:</b>   |      |                          |                   |
| Shareholders of the Bank   |      | 19,373                   | 15,024            |
| Non-controlling interests  |      | 212                      | 249               |
|  |      | <b>19,585</b>            | 15,273            |
| <b>Total comprehensive income attributable to:</b>                                 |      |                          |                   |
| Shareholders of the Bank   |      | 20,180                   | 14,941            |
| Non-controlling interests  |      | 303                      | 178               |
|  |      | <b>20,483</b>            | 15,119            |
| <b>Basic and diluted earnings per share (RMB)</b>                                  | 12   | <b>0.41</b>              | 0.37              |

The notes on pages 99 to 180 form part of the unaudited interim financial report.

## Consolidated Statement of Financial Position

As at 30 June 2012

(Expressed in millions of Renminbi unless otherwise stated)

|  | Note | 30 June<br>2012<br>Unaudited | 31 December<br>2011<br>Audited |
|--|------|------------------------------|--------------------------------|
| <b>Assets</b>  |      |                              |                                |
| Cash and balances with central bank                          | 13   | 379,044                      | 366,391                        |
| Deposits with banks and<br>non-bank financial institutions   | 14   | 294,529                      | 386,535                        |
| Placements with banks and<br>non-bank financial institutions | 15   | 149,836                      | 151,004                        |
| Trading financial assets                                     | 16   | 15,530                       | 8,190                          |
| Positive fair value of derivatives                           | 17   | 4,931                        | 4,683                          |
| Financial assets held under resale agreements                | 18   | 225,462                      | 162,211                        |
| Interest receivable  | 19   | 11,379                       | 10,051                         |
| Loans and advances to customers                              | 20   | 1,509,692                    | 1,410,779                      |
| Available-for-sale financial assets                          | 21   | 174,008                      | 134,518                        |
| Held-to-maturity investments                                 | 22   | 127,401                      | 108,468                        |
| Investments in associates                                    | 23   | 2,210                        | 2,212                          |
| Fixed assets   | 25   | 10,196                       | 10,116                         |
| Investment properties  | 26   | 308                          | 272                            |
| Goodwill   | 27   | 822                          | 818                            |
| Intangible assets  | 28   | 260                          | 254                            |
| Deferred tax assets  | 29   | 2,804                        | 2,971                          |
| Other assets   | 30   | 7,953                        | 6,408                          |
| <b>Total assets</b>  |      | <b>2,916,365</b>             | <b>2,765,881</b>               |
| <b>Liabilities</b>   |      |                              |                                |
| Deposits from banks and<br>non-bank financial institutions   | 32   | 427,259                      | 535,546                        |
| Placements from banks and<br>non-bank financial institutions | 33   | 4,050                        | 4,676                          |
| Trading financial liabilities                                |      | –                            | –                              |
| Negative fair value of derivatives                           | 17   | 3,512                        | 3,764                          |
| Financial assets sold under<br>repurchase agreements         | 34   | 5,084                        | 9,806                          |
| Deposits from customers                                      | 35   | 2,188,820                    | 1,968,051                      |
| Accrued staff costs  | 36   | 7,955                        | 8,861                          |
| Taxes payable  | 37   | 3,756                        | 4,015                          |
| Interest payable   | 38   | 17,269                       | 13,599                         |
| Provisions   | 39   | 36                           | 36                             |
| Debts securities issued                                      | 40   | 54,022                       | 33,730                         |
| Other liabilities  | 41   | 12,122                       | 5,016                          |
| <b>Total liabilities</b>                                     |      | <b>2,723,885</b>             | <b>2,587,100</b>               |

The notes on pages 99 to 180 form part of the unaudited interim financial report.

## Consolidated Statement of Financial Position (continued)

*As at 30 June 2012  
(Expressed in millions of Renminbi unless otherwise stated)*

|  | Note | <b>30 June<br/>2012<br/>Unaudited</b> | 31 December<br>2011<br>Audited |
|--|------|---------------------------------------|--------------------------------|
| <b>Equity</b>  |      |                                       |                                |
| Share capital  | 42   | 46,787                                | 46,787                         |
| Share premium and other reserve                                  | 43   | 49,491                                | 49,491                         |
| Investment revaluation reserve                                   | 44   | 970                                   | 214                            |
| Surplus reserve  | 45   | 8,691                                 | 8,691                          |
| General reserve  | 46   | 20,825                                | 20,825                         |
| Retained earnings  |      | 63,211                                | 50,622                         |
| Exchange difference  |      | (2,083)                               | (2,134)                        |
| <b>Total equity attributable<br/>to shareholders of the Bank</b> |      | <b>187,892</b>                        | 174,496                        |
| Non-controlling interests  |      | 4,588                                 | 4,285                          |
| <b>Total equity</b>  |      | <b>192,480</b>                        | 178,781                        |
| <b>Total liabilities and equity</b>                              |      | <b>2,916,365</b>                      | 2,765,881                      |

Approved and authorised for issue by the Board of Directors on 29 August 2012.

**Tian Guoli**  
*Chairman*

**Chen Xiaoxian**  
*President*

**Cao Guoqiang**  
*Vice President  
in charge of  
finance function*

**Wang Kang**  
*General Manager  
of Budget and  
Finance Department*

**Company stamp**

The notes on pages 99 to 180 form part of the unaudited interim financial report.

## Statement of Financial Position

As at 30 June 2012

(Expressed in millions of Renminbi unless otherwise stated)

|  | Note | 30 June<br>2012<br>Unaudited | 31 December<br>2011<br>Audited |
|--|------|------------------------------|--------------------------------|
| <b>Assets</b>  |      |                              |                                |
| Cash and balances with central bank                          | 13   | 377,556                      | 365,318                        |
| Deposits with banks and<br>non-bank financial institutions   | 14   | 292,112                      | 379,964                        |
| Placements with banks and<br>non-bank financial institutions | 15   | 125,591                      | 125,535                        |
| Trading financial assets                                     | 16   | 15,440                       | 7,899                          |
| Positive fair value of derivatives                           | 17   | 2,977                        | 3,002                          |
| Financial assets held under resale agreements                | 18   | 225,513                      | 162,261                        |
| Interest receivable  | 19   | 10,672                       | 9,449                          |
| Loans and advances to customers                              | 20   | 1,432,585                    | 1,334,509                      |
| Available-for-sale financial assets                          | 21   | 154,118                      | 116,839                        |
| Held-to-maturity investments                                 | 22   | 127,653                      | 108,720                        |
| Investment in subsidiaries                                   | 24   | 9,986                        | 9,986                          |
| Fixed assets   | 25   | 9,680                        | 9,619                          |
| Intangible assets  | 28   | 260                          | 254                            |
| Deferred tax assets  | 29   | 2,769                        | 2,890                          |
| Other assets   | 30   | 7,664                        | 5,743                          |
| <b>Total assets</b>  |      | <b>2,794,576</b>             | <b>2,641,988</b>               |
| <b>Liabilities</b>   |      |                              |                                |
| Deposits from banks and<br>non-bank financial institutions   | 32   | 436,360                      | 540,810                        |
| Placements from banks and<br>non-bank financial institutions | 33   | 797                          | 819                            |
| Trading financial liabilities                                |      | –                            | –                              |
| Negative fair value of derivatives                           | 17   | 2,498                        | 2,684                          |
| Financial assets sold under repurchase agreements            | 34   | 4,779                        | 9,806                          |
| Deposits from customers                                      | 35   | 2,085,349                    | 1,865,221                      |
| Accrued staff costs  | 36   | 7,734                        | 8,595                          |
| Taxes payable  | 37   | 3,447                        | 3,900                          |
| Interest payable   | 38   | 16,790                       | 13,111                         |
| Provisions   | 39   | 36                           | 36                             |
| Debt securities issued                                       | 40   | 38,469                       | 18,500                         |
| Other liabilities  | 41   | 11,366                       | 4,213                          |
| <b>Total liabilities</b>                                     |      | <b>2,607,625</b>             | <b>2,467,695</b>               |

The notes on pages 99 to 180 form part of the unaudited interim financial report.

## Statement of Financial Position (continued)

As at 30 June 2012  
(Expressed in millions of Renminbi unless otherwise stated)

|                                     | Note | 30 June<br>2012<br>Unaudited | 31 December<br>2011<br>Audited |
|-------------------------------------|------|------------------------------|--------------------------------|
| <b>Equity</b>                       |      |                              |                                |
| Share capital                       | 42   | 46,787                       | 46,787                         |
| Share premium and other reserve     | 43   | 51,619                       | 51,619                         |
| Investment revaluation reserve      | 44   | 1,012                        | 428                            |
| Surplus reserve                     | 45   | 8,691                        | 8,691                          |
| General reserve                     | 46   | 20,750                       | 20,750                         |
| Retained earnings                   |      | 58,092                       | 46,018                         |
| <b>Total equity</b>                 |      | <b>186,951</b>               | 174,293                        |
| <b>Total liabilities and equity</b> |      | <b>2,794,576</b>             | 2,641,988                      |

Approved and authorised for issue by the Board of Directors on 29 August 2012.

**Tian Guoli**  
Chairman

**Chen Xiaoxian**  
President

**Cao Guoqiang**  
Vice President  
in charge of  
finance function

**Wang Kang**  
General Manager  
of Budget and  
Finance Department

**Company stamp**

The notes on pages 99 to 180 form part of the unaudited interim financial report.

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 - unaudited  
(Expressed in millions of Renminbi unless otherwise stated)

| Note                              | Share capital | Share premium | Other reserve | Investment Revaluation Reserve | Surplus reserve | General reserve | Retained earnings | Exchange difference | Non-controlling interests | Total equity |
|-----------------------------------|---------------|---------------|---------------|--------------------------------|-----------------|-----------------|-------------------|---------------------|---------------------------|--------------|
| As at 1 January 2012              | 46,787        | 49,214        | 277           | 214                            | 8,691           | 20,825          | 50,622            | (2,134)             | 4,285                     | 178,781      |
| Movements during the period       |               |               |               |                                |                 |                 |                   |                     |                           |              |
| (I) Net profit                    | -             | -             | -             | -                              | -               | -               | 19,373            | -                   | 212                       | 19,585       |
| (II) Other comprehensive income   | 11            | -             | -             | 756                            | -               | -               | -                 | 51                  | 91                        | 898          |
| Total comprehensive income        |               | -             | -             | 756                            | -               | -               | 19,373            | 51                  | 303                       | 20,483       |
| (III) Profit appropriations       |               |               |               |                                |                 |                 |                   |                     |                           |              |
| 1. Appropriations to shareholders | 47            | -             | -             | -                              | -               | -               | (6,784)           | -                   | -                         | (6,784)      |
| As at 30 June 2012                | 46,787        | 49,214        | 277           | 970                            | 8,691           | 20,825          | 63,211            | (2,083)             | 4,588                     | 192,480      |

| Note                                 | Share capital | Share premium | Other reserve | Investment Revaluation Reserve | Surplus reserve | General reserve | Retained earnings | Exchange difference | Non-controlling interests | Total Equity |
|--------------------------------------|---------------|---------------|---------------|--------------------------------|-----------------|-----------------|-------------------|---------------------|---------------------------|--------------|
| As at 1 January 2011                 | 39,033        | 31,301        | 273           | (632)                          | 5,618           | 15,698          | 30,576            | (1,692)             | 4,363                     | 124,538      |
| Movements during the period          |               |               |               |                                |                 |                 |                   |                     |                           |              |
| (I) Net profit                       |               | -             | -             | -                              | -               | -               | 15,024            | -                   | 249                       | 15,273       |
| (II) Other comprehensive income      | 11            | -             | -             | 4                              | 130             | -               | -                 | (217)               | (71)                      | (154)        |
| Total comprehensive income           |               | -             | -             | 4                              | 130             | -               | 15,024            | (217)               | 178                       | 15,119       |
| (III) Profit appropriations          |               |               |               |                                |                 |                 |                   |                     |                           |              |
| 1. Appropriations to surplus reserve |               | -             | -             | -                              | 1,441           | -               | (1,441)           | -                   | -                         | -            |
| 2. Appropriations to general reserve |               | -             | -             | -                              | -               | 800             | (800)             | -                   | -                         | -            |
| As at 30 June 2011                   | 39,033        | 31,301        | 277           | (502)                          | 7,059           | 16,498          | 43,359            | (1,909)             | 4,541                     | 139,657      |

| Note   | Share capital | Share premium | Other reserve | Investment Revaluation reserve | Surplus reserve | General reserve | Retained earnings | Exchange difference | Non-controlling interests | Total equity |
|--|---------------|---------------|---------------|--------------------------------|-----------------|-----------------|-------------------|---------------------|---------------------------|--------------|
| As at 1 January 2011                             | 39,033        | 31,301        | 273           | (632)                          | 5,618           | 15,698          | 30,576            | (1,692)             | 4,363                     | 124,538      |
| Movements during the year                        |               |               |               |                                |                 |                 |                   |                     |                           |              |
| (I) Net profit                                   |               | -             | -             | -                              | -               | -               | 30,819            | -                   | 25                        | 30,844       |
| (II) Other comprehensive income                  |               | -             | -             | 4                              | 846             | -               | -                 | (442)               | (201)                     | 207          |
| Total comprehensive income                       |               | -             | -             | 4                              | 846             | -               | 30,819            | (442)               | (176)                     | 31,051       |
| (III) Contributions by equity shareholders       |               |               |               |                                |                 |                 |                   |                     |                           |              |
| 1. Rights issue                                  |               | 7,754         | 17,913        | -                              | -               | -               | -                 | -                   | -                         | 25,667       |
| 2. Non-controlling interests of a new subsidiary |               | -             | -             | -                              | -               | -               | -                 | -                   | 98                        | 98           |
| (IV) Profit appropriations                       |               |               |               |                                |                 |                 |                   |                     |                           |              |
| 1. Appropriations to surplus reserve             | 45            | -             | -             | -                              | 3,073           | -               | (3,073)           | -                   | -                         | -            |
| 2. Appropriations to general reserve             | 46            | -             | -             | -                              | -               | 5,127           | (5,127)           | -                   | -                         | -            |
| 3. Appropriations to shareholders                |               | -             | -             | -                              | -               | -               | (2,573)           | -                   | -                         | (2,573)      |
| As at 31 December 2011                           | 46,787        | 49,214        | 277           | 214                            | 8,691           | 20,825          | 50,622            | (2,134)             | 4,285                     | 178,781      |

The notes on pages 99 to 180 form part of the unaudited interim financial report.



## Consolidated Cash Flow Statement

For the six months ended 30 June 2012  
(Expressed in millions of Renminbi unless otherwise stated)

|   | Six months ended 30 June |                   |
|---|--------------------------|-------------------|
|   | 2012<br>Unaudited        | 2011<br>Unaudited |
| <b>Operating activities</b>   |                          |                   |
| Profit before tax   | 25,876                   | 20,326            |
| Adjustments for:  |                          |                   |
| — Revaluation gain on investments, derivatives and investment properties          | (370)                    | (113)             |
| — Investment gains  | (84)                     | (160)             |
| — Net loss/(gain) on disposal of fixed assets                                     | 3                        | (9)               |
| — Unrealised foreign exchange (gain)/loss   | (149)                    | 190               |
| — Impairment losses   | 2,524                    | 1,929             |
| — Depreciation and amortisation   | 770                      | 649               |
| — Interest expense on debt securities issued                                      | 639                      | 650               |
| — Dividend income from equity investment  | (11)                     | (2)               |
| — Income tax paid   | (6,364)                  | (5,062)           |
|   | <b>22,834</b>            | <b>18,398</b>     |
| <b>Changes in operating assets and liabilities:</b>                               |                          |                   |
| Increase in balances with central bank  | (31,378)                 | (55,586)          |
| Decrease/(increase) in deposits with banks<br>and non-bank financial institutions | 23,244                   | (6,976)           |
| Increase in placements with banks and<br>non-bank financial institutions          | (28,219)                 | (34,659)          |
| Increase in trading financial assets  | (7,743)                  | (211)             |
| (Increase)/decrease in financial assets held under resale agreements              | (63,252)                 | 13,580            |
| Increase in loans and advances to customers                                       | (100,905)                | (93,145)          |
| (Decrease)/increase in deposits from banks<br>and non-bank financial institutions | (108,263)                | 8,279             |
| Decrease in placements from banks<br>and non-bank financial institutions          | (625)                    | (1,327)           |
| Decrease in trading financial liabilities   | —                        | (2,250)           |
| (Decrease)/increase in financial assets sold<br>under repurchase agreements       | (4,725)                  | 10,600            |
| Increase in deposits from customers   | 220,173                  | 144,731           |
| (Increase)/decrease in other operating assets                                     | (613)                    | 1,979             |
| Increase in other operating liabilities   | 3,921                    | 4,078             |
| <b>Net cash flows (used in)/from operating activities</b>                         | <b>(75,551)</b>          | <b>7,491</b>      |

The notes on pages 99 to 180 form part of the unaudited interim financial report.

## Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2012  
(Expressed in millions of Renminbi unless otherwise stated)

|   | Note | Six months ended 30 June |                   |
|---|------|--------------------------|-------------------|
|   |      | 2012<br>Unaudited        | 2011<br>Unaudited |
| <b>Investing activities</b>   |      |                          |                   |
| Proceeds from disposal and redemption of investments                      |      | 253,677                  | 246,083           |
| Proceeds from disposal of fixed assets, land use rights, and other assets |      | 14                       | 26                |
| Cash received from equity investment income                               |      | 11                       | 41                |
| Payments on acquisition of investments                                    |      | (306,044)                | (256,857)         |
| Payments on acquisition of fixed assets, land use rights and other assets |      | (1,101)                  | (518)             |
| <b>Net cash flows used in investing activities</b>                        |      | <b>(53,443)</b>          | <b>(11,225)</b>   |
| <b>Financing activities</b>   |      |                          |                   |
| Cash received from debt securities issuance                               |      | 19,969                   | –                 |
| Interest paid on debt securities issued                                   |      | (1,018)                  | (1,190)           |
| Cash paid for redemption of debt securities                               |      | (1,579)                  | (4,000)           |
| Dividend paid to shareholder  |      | (222)                    | –                 |
| <b>Net cash flows from/(used in) financing activities</b>                 |      | <b>17,150</b>            | <b>(5,190)</b>    |
| <b>Net decrease in cash and cash equivalents</b>                          |      | <b>(111,844)</b>         | <b>(8,924)</b>    |
| Cash and cash equivalents as at 1 January                                 |      | 479,083                  | 173,910           |
| Effect of exchange rate changes on cash and cash equivalents              |      | 195                      | (926)             |
| Cash and cash equivalents as at 30 June                                   | 48   | 367,434                  | 164,060           |
| <b>Cash flows from operating activities include:</b>                      |      |                          |                   |
| Interest received   |      | 67,184                   | 46,886            |
| Interest paid, excluding interest expense on subordinated bonds issued    |      | (26,723)                 | (15,276)          |

The notes on pages 99 to 180 form part of the unaudited interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 1 Corporate information

China CITIC Bank Corporation Limited (the “Bank” or “CNCB”) is a joint stock company incorporated in the People’s Republic of China (the “PRC”) on 31 December 2006. Headquartered in Beijing, the Bank’s registered office is located at Block C, Fuhua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing, China.

For the purpose of the interim financial report, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to countries and regions other than Mainland China.

The principal activities of the Bank and its subsidiaries (collectively the “Group”) are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, finance leasing and other non-banking financial services.

As at 30 June 2012, the Group mainly operates in Mainland China with branches covering 28 provinces, autonomous regions and municipalities. In addition, the Bank’s subsidiaries have operations in Mainland China, Hong Kong and other overseas countries and regions.

CNCB (previously known as “CITIC Industrial Bank”) was a state-owned financial institution established on 20 April 1987 with the approval of the State Council of the PRC (“State Council”). CITIC Industrial Bank was wholly owned by China CITIC Group Company (“CITIC Group”), which was previously known as China International Trust and Investment Corporation and renamed as CITIC Group Corporation on 27 December 2011. CITIC Industrial Bank was renamed to China CITIC Bank on 2 August 2005.

China CITIC Bank was restructured into the Bank by the end of 2006. With the approval from the China Banking Regulatory Commission (“CBRC”), CITIC Group and CITIC International Finance Holdings Limited (“CIFH”), a fellow subsidiary of CITIC Group, as joint promoters established the Bank as a joint stock company in December 2006 and renamed as China CITIC Bank Corporation Limited.

The Bank obtained the business license No.1000001000600 on 31 December 2006, as approved by the State Administration for Industry and Commerce (“SAIC”) of the PRC, and renewed and obtained the financial service certificate Number. B0006H111000001 on 15 May 2007, as approved by the CBRC. On 26 April 2011, the business license Number was renewed to 100000000006002, as approved by the SAIC. The Bank is under the supervision of the banking regulatory bodies empowered by the State Council. The overseas financial operations of the Group are under the supervision of their respective local jurisdictions.

The Bank issued A shares and H shares through initial public offerings (the “Offerings”) in April 2007. Upon completion of the Offerings, the Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited on 27 April 2007.

In 2011, the Bank issued 7,754 million rights shares to both A shareholders and H shareholders with a par value of RMB 1 each (“Rights Issue”), and finished the registration changes of registered capital on 5 July 2012.

The interim financial report was approved by the Board of Directors of the Bank on 29 August 2012.

## 2 Basis of preparation

### (1) Compliance with International Financial Reporting Standards (“IFRSs”)

The interim financial report has been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim financial reporting* and with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim financial report contains selected explanatory notes, which provide explanations of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2011. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2011.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 2 Basis of preparation (continued)

#### (2) Use of estimates and assumptions

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

#### (3) Consolidation

The interim financial report comprises the Bank and its subsidiaries and the Group's interests in associates.

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

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

The Group has established a number of Special Purpose Entities ("SPEs") for investment and wealth management product issuance purposes. The Group evaluates the substance of its relationship with the SPEs as well as the SPEs' risks and rewards to determine whether the Group controls the SPEs. The following circumstances, which may indicate a relationship in which the Group controls a SPE are taken into account: (i) in substance, the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operations; (ii) in substance, the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE; (iii) in substance, the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or (iv) in substance, the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities. Where the evaluation result indicates that control exists, the Group will consolidate the SPE.

#### (4) Significant accounting policies

The International Accounting Standards Board ("IASB") has issued certain revised IFRSs, a number of amendments to and interpretations of IFRSs. Of these, the following developments are first effective for the current accounting period and relevant to the interim financial report of the Group:

- Amendments to IFRS 7, Financial instruments: *Disclosures – Transfers of financial assets*
- Amendments to IAS 12, Income taxes – *Deferred tax: Recovery of underlying assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

##### ***Amendments to IFRS 7 Financial instruments: disclosures***

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

(Expressed in millions of Renminbi unless otherwise stated)

### 2 Basis of preparation (continued)

#### (4) Significant accounting policies (continued)

##### *Amendments to IAS 12 Income taxes*

Under IAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to IAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Previously, where investment properties were held under leasehold interests, the group assumed that the property's value would be recovered through use and measured deferred tax accordingly. As a result of adopting the amendments to IAS 12, the group reviewed its investment property portfolio and concluded that the presumption in the amended IAS 12 is not rebutted in respect of its investment properties located in Hong Kong. Therefore, the deferred tax relating to these properties has been re-measured on the basis of recovering their carrying amounts entirely through sale. In respect of the group's investment properties located in Mainland China, the group determined that these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended IAS 12 is rebutted for these properties. As a result, the group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

This change in policy has been applied prospectively by not restating the balances at 1 January 2011 and 31 December 2011, as the impact on the comparatives is not material.

#### (5) Interim financial report and audited financial statements

The interim financial report has been reviewed by the Audit and Related Party Transactions Control Committee of the Bank, and was approved by the Board of Directors of the Bank on 29 August 2012. The interim financial report has also been reviewed by the Bank's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

The financial information for the year ended 31 December 2011 that is included in the interim financial report as previously reported information does not constitute the Group's audited financial statements for that year but is derived from those financial statements. The auditor has expressed unqualified audit opinion on those financial statements in the report dated 30 March 2012.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 3 Net interest income

|   | Six months ended 30 June |          |
|---|--------------------------|----------|
|   | 2012                     | 2011     |
| <b>Interest income arising from:</b>                      |                          |          |
| Deposits with central banks                               | 2,941                    | 2,022    |
| Deposits with banks and non-bank financial institutions   | 4,115                    | 1,024    |
| Placements with banks and non-bank financial institutions | 3,742                    | 1,040    |
| Financial assets held under resale agreements             | 2,561                    | 2,700    |
| Loans and advances to customers (note (i))                |                          |          |
| — corporate loans   | 39,280                   | 29,879   |
| — personal loans  | 8,659                    | 6,058    |
| — discounted bills  | 2,260                    | 1,373    |
| Investments in debt securities (note (ii))                | 4,778                    | 3,510    |
| Others  | 1                        | 10       |
|   | <b>68,337</b>            | 47,616   |
| <b>Interest expense arising from:</b>                     |                          |          |
| Deposits from banks and non-bank financial institutions   | (7,857)                  | (2,715)  |
| Placements from banks and non-bank financial institutions | (160)                    | (120)    |
| Debts securities issued                                   | (639)                    | (650)    |
| Financial assets sold under repurchase agreements         | (405)                    | (127)    |
| Deposits from customers                                   | (22,332)                 | (13,992) |
| Trading financial liabilities                             | (15)                     | (206)    |
|   | <b>(31,408)</b>          | (17,810) |
| <b>Net interest income</b>                                | <b>36,929</b>            | 29,806   |

Notes: (i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB 111 million for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB 83 million).

(ii) Interest income from investments in debt securities is mainly derived from unlisted investments.

(iii) Interest income includes interest income arising from financial assets designated at fair value through profit and loss of RMB 173 million (six months ended 30 June 2011: RMB 102 million); interest expense includes interest expense arising from financial liabilities designated at fair value through profit and loss of RMB 15 million (six months ended 30 June 2011: RMB 206 million).

### 4 Net fee and commission income

|   | Six months ended 30 June |       |
|---|--------------------------|-------|
|   | 2012                     | 2011  |
| <b>Fee and commission income</b>          |                          |       |
| Consultancy and advisory fees             | 1,506                    | 1,324 |
| Bank card fees                            | 1,624                    | 942   |
| Settlement fees                           | 1,446                    | 819   |
| Guarantee fees                            | 263                      | 392   |
| Agency fees and commission (note(i))      | 465                      | 319   |
| Commission for wealth management services | 280                      | 262   |
| Commission for custodian business         | 229                      | 150   |
| Others                                    | 4                        | 4     |
| <b>Total</b>                              | <b>5,817</b>             | 4,212 |
| <b>Fee and commission expense</b>         | <b>(412)</b>             | (314) |
| <b>Net fee and commission income</b>      | <b>5,405</b>             | 3,898 |

Note: (i) Agency fees and commission include fees and commission for underwriting bonds and investment funds, agency fees for insurance service and others, and fees from entrusted lending business.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 5 Net trading gain

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2012                     | 2011         |
| Trading profit:   |                          |              |
| — debt securities   | 208                      | 2            |
| — foreign currencies  | 757                      | 909          |
| — derivatives   | 574                      | 115          |
| — investment funds  | —                        | 1            |
| — financial instrument designated at fair value through profit and loss | 1                        | 2            |
| <b>Total</b>  | <b>1,540</b>             | <b>1,029</b> |

### 6 Net gain from investment securities

|  | Six months ended 30 June |            |
|--|--------------------------|------------|
|  | 2012                     | 2011       |
| Net gain from sale of available-for-sale financial assets                            | 79                       | 129        |
| Net revaluation gain/(loss) reclassified from other comprehensive income on disposal | 23                       | (31)       |
| Others   | 13                       | 12         |
| <b>Total</b>   | <b>115</b>               | <b>110</b> |

### 7 Net hedging loss

|                              | Six months ended 30 June |      |
|------------------------------|--------------------------|------|
|                              | 2012                     | 2011 |
| Net loss of fair value hedge | —                        | 1    |

### 8 Operating expenses

|  | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2012                     | 2011          |
| Staff costs  |                          |               |
| — salaries and bonuses                                 | 5,286                    | 4,487         |
| — welfare expenses                                     | 367                      | 289           |
| — social insurance                                     | 670                      | 514           |
| — housing fund   | 258                      | 247           |
| — housing allowance                                    | 120                      | 115           |
| — defined contribution retirement schemes              | 116                      | 92            |
| — supplementary retirement benefits                    | (1)                      | —             |
| — labor union expenses and employee education expenses | 221                      | 185           |
| — others   | 68                       | 107           |
| <b>Subtotal</b>  | <b>7,105</b>             | <b>6,036</b>  |
| Property and equipment expenses                        |                          |               |
| — rent and property management expenses                | 957                      | 794           |
| — depreciation   | 494                      | 449           |
| — amortisation expenses                                | 276                      | 200           |
| — electronic equipment operating expenses              | 156                      | 121           |
| — maintenance  | 154                      | 109           |
| — others   | 191                      | 213           |
| <b>Subtotal</b>  | <b>2,228</b>             | <b>1,886</b>  |
| Business tax and surcharges                            | 3,257                    | 2,432         |
| Other general and administrative expenses              | 3,268                    | 2,805         |
| <b>Total</b>   | <b>15,858</b>            | <b>13,159</b> |



## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 9 Impairment losses on assets

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2012                     | 2011         |
| Impairment losses charged on/(reversed from) |                          |              |
| — Loans and advances to customers            | 2,447                    | 1,916        |
| — Available-for-sale financial assets        | (9)                      | —            |
| — Held-to-maturity investments               | (4)                      | —            |
| — Off-balance sheet credit commitments       | 85                       | 51           |
| — Repossessed assets                         | (5)                      | (45)         |
| — Others                                     | 10                       | 7            |
| <b>Total</b>                                 | <b>2,524</b>             | <b>1,929</b> |

### 10 Income tax

#### (a) Recognised in the statement of comprehensive income

|                   | Six months ended 30 June |              |
|-------------------|--------------------------|--------------|
|                   | 2012                     | 2011         |
| Current tax       |                          |              |
| — Mainland China  | 6,241                    | 4,840        |
| — Hong Kong       | 110                      | 147          |
| — Overseas        | 14                       | —            |
| Deferred tax      | (74)                     | 66           |
| <b>Income tax</b> | <b>6,291</b>             | <b>5,053</b> |

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

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2012                     | 2011         |
| Profit before tax                                   | 25,876                   | 20,326       |
| Income tax calculated at statutory tax rate         | 6,469                    | 5,082        |
| Effect of different tax rates in other regions      | (70)                     | (82)         |
| Tax effect of non-deductible expenses (Note (i))    | 186                      | 270          |
| Tax effect of non-taxable income                    |                          |              |
| — Interest income arising from PRC government bonds | (266)                    | (179)        |
| — Others  | (28)                     | (38)         |
| <b>Income tax</b>                                   | <b>6,291</b>             | <b>5,053</b> |

Note: (i) The amounts primarily represent tax effect of entertainment expenses, advertisement expenses and marketing expenses in excess of the deductible amounts.

### 11 Other comprehensive income

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2012                     | 2011         |
| Other comprehensive income of available-for-sale financial assets                        |                          |              |
| — Net changes in fair value recognised during the period                                 | 1,090                    | 149          |
| — Net amount transferred to profit or loss   | (23)                     | 31           |
| Income tax relating to other comprehensive income of available-for-sale financial assets | (242)                    | (37)         |
| Other comprehensive income for available-for-sale financial assets, net of tax           | 825                      | 143          |
| Exchange differences on translation  | 67                       | (327)        |
| Shares of other comprehensive income of associates                                       | 6                        | 24           |
| Others   | —                        | 6            |
| <b>Net other comprehensive income/(loss) after tax during the period</b>                 | <b>898</b>               | <b>(154)</b> |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 12 Earnings per share

Earnings per share information for the six months ended 30 June 2012 and 2011 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the period. As described in Note 1, the Bank completed the Rights Issue in 2011. In the calculation of earnings per share, the weighted average number of shares outstanding during six months ended 30 June 2011 was calculated as if the bonus elements without consideration included in the Rights Issue had existed from the beginning of the comparative period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2012 and 2011.

|  | Six months ended 30 June |        |
|--|--------------------------|--------|
|  | 2012                     | 2011   |
| Net profit attributable to shareholders of the Bank  | 19,373                   | 15,024 |
| Weighted average number of shares in issue or deemed to be in issue as originally reported (in million shares) |                          | 39,033 |
| Basic and diluted earnings per share as originally reported (in RMB)   |                          | 0.38   |
| Weighted average number of shares after Rights Issue (in million shares) (a)                                   | 46,787                   | 40,908 |
| Basic and diluted earnings per share after Rights Issue (in RMB)   | 0.41                     | 0.37   |

#### (a) Weighted average number of shares after Rights Issue

|   | Six months ended 30 June |        |
|---|--------------------------|--------|
|   | 2012                     | 2011   |
| Issued ordinary shares before Rights Issue              | 46,787                   | 39,033 |
| Weighted average number of shares issued in Right Issue | —                        | 1,875  |
| Weighted average number of shares after Rights Issue    | 46,787                   | 40,908 |

### 13 Cash and balances with central banks

|  | The Group    |                  | The Bank     |                  |
|--|--------------|------------------|--------------|------------------|
|  | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Cash   | 5,785        | 4,972            | 5,618        | 4,808            |
| Balances with central banks                  |              |                  |              |                  |
| — Statutory deposit reserve funds (note (i)) | 328,252      | 297,991          | 327,178      | 297,247          |
| — Surplus deposit reserve funds (note (ii))  | 40,968       | 60,638           | 40,721       | 60,473           |
| — Fiscal deposits                            | 4,039        | 2,790            | 4,039        | 2,790            |
| Total  | 379,044      | 366,391          | 377,556      | 365,318          |

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

As at 30 June 2012, the statutory deposit reserve placed with the PBOC was calculated at 18% (31 December 2011: 19%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (31 December 2011: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

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

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

(ii) The surplus deposit reserve is maintained with the PBOC for the purposes of clearing.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

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

#### (a) Analysed by types and locations of counterparties

|  | Note | The Group    |                  | The Bank     |                  |
|--|------|--------------|------------------|--------------|------------------|
|  |      | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| In Mainland China                      |      |              |                  |              |                  |
| — Banks                                |      | 274,557      | 370,377          | 260,556      | 338,266          |
| — Non-bank financial institutions      |      | 2,251        | 126              | 16,315       | 32,617           |
| Subtotal                               |      | 276,808      | 370,503          | 276,871      | 370,883          |
| Outside Mainland China                 |      |              |                  |              |                  |
| — Banks                                |      | 15,766       | 14,925           | 15,241       | 9,081            |
| — Non-bank financial institutions      |      | 1,955        | 1,107            | —            | —                |
| Subtotal                               |      | 17,721       | 16,032           | 15,241       | 9,081            |
| Gross balance                          |      | 294,529      | 386,535          | 292,112      | 379,964          |
| Less: Allowances for impairment losses | 31   | —            | —                | —            | —                |
| Net balance                            |      | 294,529      | 386,535          | 292,112      | 379,964          |

#### (b) Analysed by remaining maturity

|  | Note | The Group    |                  | The Bank     |                  |
|--|------|--------------|------------------|--------------|------------------|
|  |      | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Demand deposits                        |      | 37,291       | 27,421           | 34,874       | 19,850           |
| Time deposits with remaining maturity  |      |              |                  |              |                  |
| — within one month                     |      | 189,799      | 284,783          | 189,799      | 284,783          |
| — between one month and one year       |      | 66,899       | 74,331           | 66,899       | 75,331           |
| — over one year                        |      | 540          | —                | 540          | —                |
| Gross balance                          |      | 294,529      | 386,535          | 292,112      | 379,964          |
| Less: Allowances for impairment losses | 31   | —            | —                | —            | —                |
| Net balance                            |      | 294,529      | 386,535          | 292,112      | 379,964          |

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

#### (a) Analysed by types and locations of counterparties

|  | Note | The Group    |                  | The Bank     |                  |
|--|------|--------------|------------------|--------------|------------------|
|  |      | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| In Mainland China                      |      |              |                  |              |                  |
| — Banks                                |      | 134,273      | 131,599          | 114,505      | 112,518          |
| — Non-bank financial institutions      |      | 10,273       | 10,456           | 10,273       | 10,456           |
| Subtotal                               |      | 144,546      | 142,055          | 124,778      | 122,974          |
| Outside Mainland China                 |      |              |                  |              |                  |
| — Banks                                |      | 5,298        | 8,957            | —            | 1,663            |
| — Non-bank financial institutions      |      | —            | —                | 821          | 906              |
| Subtotal                               |      | 5,298        | 8,957            | 821          | 2,569            |
| Gross balance                          |      | 149,844      | 151,012          | 125,599      | 125,543          |
| Less: Allowances for impairment losses | 31   | (8)          | (8)              | (8)          | (8)              |
| Net balance                            |      | 149,836      | 151,004          | 125,591      | 125,535          |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 15 Placements with banks and non-bank financial institutions (continued)

#### (b) Analysed by remaining maturity

|  | Note | The Group    |                  | The Bank     |                  |
|--|------|--------------|------------------|--------------|------------------|
|  |      | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Within one month                       |      | 39,656       | 68,900           | 27,319       | 58,332           |
| Between one month and one year         |      | 110,148      | 82,082           | 98,250       | 67,181           |
| Over one year                          |      | 40           | 30               | 30           | 30               |
| Gross balance                          |      | 149,844      | 151,012          | 125,599      | 125,543          |
| Less: Allowances for impairment losses | 31   | (8)          | (8)              | (8)          | (8)              |
| Net balance                            |      | 149,836      | 151,004          | 125,591      | 125,535          |

### 16 Trading financial assets

|   | Note  | The Group    |                  | The Bank     |                  |
|---|-------|--------------|------------------|--------------|------------------|
|   |       | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Held for trading purpose:   |       |              |                  |              |                  |
| — Debt trading financial assets                                   | (i)   | 15,440       | 7,899            | 15,440       | 7,899            |
| — Investment funds  | (ii)  | 2            | 2                | —            | —                |
| Financial assets designated at fair value through profit and loss | (iii) | 88           | 289              | —            | —                |
| Total   |       | 15,530       | 8,190            | 15,440       | 7,899            |

There was no significant limitation on the ability of the Group and the Bank to dispose of trading financial assets.

#### (i) Debt trading financial assets were measured at fair value and were issued by:

|   | The Group    |                  | The Bank     |                  |
|---|--------------|------------------|--------------|------------------|
|   | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| In Mainland China                           |              |                  |              |                  |
| — Government                                | 71           | 325              | 71           | 325              |
| — PBOC                                      | 7,856        | 1,726            | 7,856        | 1,726            |
| — Policy banks                              | 452          | 663              | 452          | 663              |
| — Banks and non-bank financial institutions | 969          | 389              | 969          | 389              |
| — Corporate entities                        | 5,776        | 4,796            | 5,776        | 4,796            |
| Subtotal                                    | 15,124       | 7,899            | 15,124       | 7,899            |
| Outside Mainland China                      |              |                  |              |                  |
| — Government                                | 316          | —                | 316          | —                |
| Subtotal                                    | 316          | —                | 316          | —                |
| Total                                       | 15,440       | 7,899            | 15,440       | 7,899            |
| Listed in Hong Kong                         | —            | —                | —            | —                |
| Listed outside Hong Kong                    | —            | —                | —            | —                |
| Unlisted                                    | 15,440       | 7,899            | 15,440       | 7,899            |
| Total                                       | 15,440       | 7,899            | 15,440       | 7,899            |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 16 Trading financial assets (continued)

(ii) Trading investment funds were measured at fair value and were issued by:

|                          | The Group       |                     | The Bank        |                     |
|--------------------------|-----------------|---------------------|-----------------|---------------------|
|                          | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Outside Mainland China   |                 |                     |                 |                     |
| — Corporate entities     | 2               | 2                   | —               | —                   |
| Total                    | 2               | 2                   | —               | —                   |
| Listed in Hong Kong      | —               | —                   | —               | —                   |
| Listed outside Hong Kong | —               | —                   | —               | —                   |
| Unlisted                 | 2               | 2                   | —               | —                   |
| Total                    | 2               | 2                   | —               | —                   |

(iii) Financial assets designated at fair value through profit and loss were issued by:

|   | The Group       |                     | The Bank        |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| In Mainland China                           |                 |                     |                 |                     |
| — Government                                | 15              | 15                  | —               | —                   |
| — Banks and non-bank financial institutions | 35              | 158                 | —               | —                   |
| — Corporate entities                        | 38              | 101                 | —               | —                   |
| Subtotal                                    | 88              | 274                 | —               | —                   |
| Outside Mainland China                      |                 |                     |                 |                     |
| — Banks and non-bank financial institutions | —               | 15                  | —               | —                   |
| Subtotal                                    | —               | 15                  | —               | —                   |
| Total                                       | 88              | 289                 | —               | —                   |
| Listed in Hong Kong                         | —               | —                   | —               | —                   |
| Listed outside Hong Kong                    | —               | 64                  | —               | —                   |
| Unlisted                                    | 88              | 225                 | —               | —                   |
| Total                                       | 88              | 289                 | —               | —                   |

### 17 Derivatives

Derivatives include forward and swap transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to produce risk management solutions to suit individual customer needs. These positions are actively managed through entering back to back deals with external parties to ensure the Group's net exposures remained are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage and hedge its own asset and liability portfolios and structural positions. Derivatives (except for derivatives which are designated as effective hedging instruments (Note 17(i))) are classified as held-for-trading for financial reporting purpose. The held-for-trading classification includes those derivatives used for sales and trading activities and those used for risk management purposes but which do not meet the qualifying criteria for hedge accounting.

The following tables provide an analysis of the notional amounts of derivatives and the corresponding fair values at the reporting date. The notional amounts of the derivatives indicate the volume of transactions outstanding at the reporting date; they do not represent amounts at risk.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 17 Derivatives (continued)

|                             | The Group      |              |              |                  |              |              |
|-----------------------------|----------------|--------------|--------------|------------------|--------------|--------------|
|                             | 30 June 2012   |              |              | 31 December 2011 |              |              |
|                             | Nominal amount | Assets       | Liabilities  | Nominal amount   | Assets       | Liabilities  |
| Hedging Instruments         |                |              |              |                  |              |              |
| — Interest rate derivatives | 4,673          | 473          | —            | 4,970            | 396          | —            |
| Non-Hedging Instruments     |                |              |              |                  |              |              |
| — Interest rate derivatives | 227,924        | 1,024        | 1,098        | 195,134          | 1,231        | 1,314        |
| — Currency derivatives      | 506,256        | 3,430        | 2,403        | 404,074          | 3,036        | 2,438        |
| — Credit derivatives        | 1,047          | 4            | 11           | 1,050            | 19           | 11           |
| — Equity derivatives        | —              | —            | —            | 15               | 1            | 1            |
| <b>Total</b>                | <b>739,900</b> | <b>4,931</b> | <b>3,512</b> | <b>605,243</b>   | <b>4,683</b> | <b>3,764</b> |

|                             | The Bank       |              |              |                  |              |              |
|-----------------------------|----------------|--------------|--------------|------------------|--------------|--------------|
|                             | 30 June 2012   |              |              | 31 December 2011 |              |              |
|                             | Nominal amount | Assets       | Liabilities  | Nominal amount   | Assets       | Liabilities  |
| Non-Hedging Instruments     |                |              |              |                  |              |              |
| — Interest rate derivatives | 186,377        | 862          | 875          | 157,630          | 960          | 999          |
| — Currency derivatives      | 311,784        | 2,111        | 1,612        | 246,430          | 2,023        | 1,674        |
| — Credit derivatives        | 1,047          | 4            | 11           | 1,050            | 19           | 11           |
| <b>Total</b>                | <b>499,208</b> | <b>2,977</b> | <b>2,498</b> | <b>405,110</b>   | <b>3,002</b> | <b>2,684</b> |

### Credit risk weighted amounts

|                           | The Group    |                  | The Bank     |                  |
|---------------------------|--------------|------------------|--------------|------------------|
|                           | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Interest rate derivatives | 764          | 803              | 330          | 440              |
| Currency derivatives      | 6,391        | 4,886            | 2,333        | 1,744            |
| Credit derivatives        | 26           | 29               | 26           | 29               |
| <b>Total</b>              | <b>7,181</b> | <b>5,718</b>     | <b>2,689</b> | <b>2,213</b>     |

The credit risk weighted amount of Mainland China business has been computed in accordance with the rules set by the CBRC, and depends on the status of the counterparties and the maturity characteristics of the instruments.

The credit risk weighted amount of Hong Kong business has been computed in accordance with *Banking (Capital) Rules* set by Hong Kong Monetary Authority (“HKMA”), and depends on the status of the counterparties and the maturity characteristics of the instruments.

#### (i) Fair value hedge

The subsidiaries of the Group utilize fair value hedge to avoid fair value changes of financial assets and financial liabilities caused by market interest rate fluctuation. Interest rate swap contracts are used for hedging interest risks arising from available-for-sale debt securities, certificates of deposit and subordinated bonds issued.

The fair value changes of hedging instruments mentioned above and net gain/(loss) from hedged items are recorded in profit and loss.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 18 Financial assets held under resale agreements

#### (a) Analysed by types and locations of counterparties

| Note                                   | The Group    |                  | The Bank     |                  |
|--|--------------|------------------|--------------|------------------|
|  | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| In Mainland China                      |              |                  |              |                  |
| — PBOC                                 | 4,050        | 24,410           | 4,050        | 24,410           |
| — Banks                                | 200,204      | 123,321          | 200,204      | 123,321          |
| — Non-bank financial institutions      | 21,208       | 14,300           | 21,208       | 14,300           |
| Subtotal                               | 225,462      | 162,031          | 225,462      | 162,031          |
| Outside Mainland China                 |              |                  |              |                  |
| — Banks                                | —            | 180              | —            | 180              |
| — Non-bank financial institutions      | —            | —                | 51           | 50               |
| Subtotal                               | —            | 180              | 51           | 230              |
| Gross balance                          | 225,462      | 162,211          | 225,513      | 162,261          |
| Less: Allowances for impairment losses | 31           | —                | —            | —                |
| Net balance                            | 225,462      | 162,211          | 225,513      | 162,261          |

#### (b) Analysed by remaining maturity

| Note                                   | The Group    |                  | The Bank     |                  |
|--|--------------|------------------|--------------|------------------|
|  | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Within one month                       | 122,237      | 143,590          | 122,237      | 143,590          |
| Between one month and one year         | 99,488       | 16,168           | 99,539       | 16,218           |
| More than one year                     | 3,737        | 2,453            | 3,737        | 2,453            |
| Gross balance                          | 225,462      | 162,211          | 225,513      | 162,261          |
| Less: Allowances for impairment losses | 31           | —                | —            | —                |
| Net balance                            | 225,462      | 162,211          | 225,513      | 162,261          |

### 19 Interest receivable

| Note                                  | The Group    |                  | The Bank     |                  |
|---------------------------------------|--------------|------------------|--------------|------------------|
|                                       | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Debt securities                       | 4,396        | 3,515            | 4,298        | 3,411            |
| Loans and advances to customers       | 3,785        | 3,566            | 3,531        | 3,287            |
| Others                                | 3,282        | 3,026            | 2,927        | 2,807            |
| Gross balance                         | 11,463       | 10,107           | 10,756       | 9,505            |
| Less: Allowance for impairment losses | 31           | (56)             | (84)         | (56)             |
| Net balance                           | 11,379       | 10,051           | 10,672       | 9,449            |



## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 20 Loans and advances to customers

#### (a) Analysed by nature

|                                    | Note | The Group        |                  | The Bank         |                  |
|------------------------------------|------|------------------|------------------|------------------|------------------|
|                                    |      | 30 June 2012     | 31 December 2011 | 30 June 2012     | 31 December 2011 |
| Corporate loans                    |      |                  |                  |                  |                  |
| — Loans                            |      | <b>1,164,115</b> | 1,114,685        | <b>1,106,644</b> | 1,058,128        |
| — Discounted bills                 |      | <b>76,823</b>    | 49,451           | <b>72,630</b>    | 45,332           |
| — Lease payments receivable        |      | <b>1,364</b>     | 1,704            | —                | —                |
| Subtotal                           |      | <b>1,242,302</b> | 1,165,840        | <b>1,179,274</b> | 1,103,460        |
| Personal loans                     |      |                  |                  |                  |                  |
| — Residential mortgages            |      | <b>180,584</b>   | 178,888          | <b>171,659</b>   | 169,763          |
| — Credit cards                     |      | <b>41,658</b>    | 32,133           | <b>41,425</b>    | 31,903           |
| — Others                           |      | <b>70,808</b>    | 57,176           | <b>65,468</b>    | 52,201           |
| Subtotal                           |      | <b>293,050</b>   | 268,197          | <b>278,552</b>   | 253,867          |
| Gross balance                      |      | <b>1,535,352</b> | 1,434,037        | <b>1,457,826</b> | 1,357,327        |
| Less:                              | 31   |                  |                  |                  |                  |
| — Individual impairment allowances |      | <b>(4,708)</b>   | (3,959)          | <b>(4,549)</b>   | (3,800)          |
| — Collective impairment allowances |      | <b>(20,952)</b>  | (19,299)         | <b>(20,692)</b>  | (19,018)         |
| Net balance                        |      | <b>1,509,692</b> | 1,410,779        | <b>1,432,585</b> | 1,334,509        |

#### (b) Analysed by assessment method of allowance for impairment losses

##### The Group

|  | 30 June 2012  |   |  |           | Gross impaired loans and advances as a % of gross total loans and advances |
|--|---|---|--|-----------|--|
|  | Loans and advances for which allowances are collectively assessed | Impaired loans and advances (note (i)) for which allowances are collectively assessed | for which allowances are individually assessed | Total     |  |
| Gross loans and advances                               | 1,525,959   | 1,122   | 8,271  | 1,535,352 | 0.61%  |
| Less: Impairment allowances against loans and advances | (20,025)  | (927)   | (4,708)  | (25,660)  |  |
| Net loans and advances                                 | 1,505,934   | 195   | 3,563  | 1,509,692 |  |

|  | 31 December 2011  |   |  |           | Gross impaired loans and advances as a % of gross total loans and advances |
|--|---|---|--|-----------|--|
|  | Loans and advances for which allowances are collectively assessed | Impaired loans and advances (note (i)) for which allowances are collectively assessed | for which allowances are individually assessed | Total     |  |
| Gross loans and advances                               | 1,425,496   | 877   | 7,664  | 1,434,037 | 0.60%  |
| Less: Impairment allowances against loans and advances | (18,547)  | (752)   | (3,959)  | (23,258)  |  |
| Net loans and advances                                 | 1,406,949   | 125   | 3,705  | 1,410,779 |  |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 20 Loans and advances to customers (continued)

#### (b) Analysed by assessment method of allowance for impairment losses (continued)

##### The Bank

|  | 30 June 2012  |   |  | Total     | Gross impaired loans and advances as a % of gross total loans and advances |
|--|---|---|--|-----------|--|
|  | Loans and advances for which allowances are collectively assessed | Impaired loans and advances (note (i)) for which allowances are collectively assessed | for which allowances are individually assessed |           |  |
| Gross loans and advances                               | 1,448,833   | 1,092   | 7,901  | 1,457,826 | 0.62%  |
| Less: Impairment allowances against loans and advances | (19,766)  | (926)   | (4,549)  | (25,241)  |  |
| Net loans and advances                                 | 1,429,067   | 166   | 3,352  | 1,432,585 |  |

|  | 31 December 2011  |   |  | Total     | Gross impaired loans and advances as a % of gross total loans and advances |
|--|---|---|--|-----------|--|
|  | Loans and advances for which allowances are collectively assessed | Impaired loans and advances (note (i)) for which allowances are collectively assessed | for which allowances are individually assessed |           |  |
| Gross loans and advances                               | 1,349,354   | 863   | 7,110  | 1,357,327 | 0.59%  |
| Less: Impairment allowances against loans and advances | (18,266)  | (752)   | (3,800)  | (22,818)  |  |
| Net loans and advances                                 | 1,331,088   | 111   | 3,310  | 1,334,509 |  |

- (i) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:
- individually, or
  - collectively; that is the portfolios of homogeneous loans and advances.
- (ii) As at 30 June 2012, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB 8,271 million (31 December 2011: RMB 7,664 million). The covered portion and uncovered portion of these loans and advances were RMB 2,603 million (31 December 2011: RMB 2,972 million) and RMB 5,668 million (31 December 2011: RMB 4,692 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 2,783 million (31 December 2011: RMB 3,353 million). The individual impairment allowances made against these loans and advances were RMB 4,708 million (31 December 2011: RMB 3,959 million).

As at 30 June 2012, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB 7,901 million (31 December 2011: RMB 7,110 million). The covered portion and uncovered portion of these loans and advances were RMB 2,337 million (31 December 2011: RMB 2,538 million) and RMB 5,564 million (31 December 2011: RMB 4,572 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 2,389 million (31 December 2011: RMB 2,675 million). The individual impairment allowances made against these loans and advances were RMB 4,549 million (31 December 2011: RMB 3,800 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 20 Loans and advances to customers (continued)

#### (c) Movements of allowances for impairment losses

##### The Group

|  | Six months ended 30 June 2012   |   |   | Total  |
|--|---|---|---|--------|
|  | Loans and advances<br>for which<br>allowances are<br>collectively<br>assessed | Impaired<br>loans and advances<br>for which<br>allowances are<br>collectively<br>assessed | Impaired<br>loans and advances<br>for which<br>allowances are<br>individually<br>assessed |        |
| As at 1 January  | 18,547  | 752   | 3,959   | 23,258 |
| Charge for the period                                      |   |   |   |        |
| — new impairment allowances<br>charged to profit or loss   | 1,477   | 178   | 1,364   | 3,019  |
| — impairment allowances<br>released to profit or loss      | —   | (22)  | (550)   | (572)  |
| Unwinding of discount                                      | —   | —   | (101)   | (101)  |
| Transfers in/(transfers out)                               | 1   | —   | 4   | 5      |
| Write-offs   | —   | (3)   | (36)  | (39)   |
| Recoveries of loans and advances<br>previously written off | —   | 22  | 68  | 90     |
| As at 30 June  | 20,025  | 927   | 4,708   | 25,660 |

|  | Year ended 31 December 2011   |   |   | Total   |
|--|---|---|---|---------|
|  | Loans and advances<br>for which<br>allowances are<br>collectively<br>assessed | Impaired<br>loans and advances<br>for which<br>allowances are<br>collectively<br>assessed | Impaired<br>loans and advances<br>for which<br>allowances are<br>individually<br>assessed |         |
| As at 1 January  | 12,822  | 670   | 4,727   | 18,219  |
| Charge for the year  |   |   |   |         |
| — new impairment allowances<br>charged to profit or loss   | 5,739   | 211   | 1,048   | 6,998   |
| — impairment allowances<br>released to profit or loss      | —   | (46)  | (1,218)   | (1,264) |
| Unwinding of discount                                      | —   | —   | (141)   | (141)   |
| Transfers in/(transfers out)                               | (14)  | —   | (23)  | (37)    |
| Write-offs   | —   | (129)   | (554)   | (683)   |
| Recoveries of loans and advances<br>previously written off | —   | 46  | 120   | 166     |
| As at 31 December  | 18,547  | 752   | 3,959   | 23,258  |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 20 Loans and advances to customers (continued)

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

##### The Bank

|  | Six months ended 30 June 2012   |   |   | Total  |
|--|---|---|---|--------|
|  | Loans and advances<br>for which<br>allowances are<br>collectively<br>assessed | Impaired<br>loans and advances<br>for which<br>allowances are<br>collectively<br>assessed | for which<br>allowances are<br>individually<br>assessed |        |
| As at 1 January  | 18,266  | 752   | 3,800   | 22,818 |
| Charge for the period                                      |   |   |   |        |
| — new impairment allowances<br>charged to profit or loss   | 1,500   | 174   | 1,310   | 2,984  |
| — impairment allowances<br>released to profit or loss      | —   | (19)  | (528)   | (547)  |
| Unwinding of discount                                      | —   | —   | (98)  | (98)   |
| Transfers in/(transfers out)                               | —   | —   | 2   | 2      |
| Recoveries of loans and advances<br>previously written off | —   | 19  | 63  | 82     |
| As at 30 June  | 19,766  | 926   | 4,549   | 25,241 |

|  | Year ended 31 December 2011   |   |   | Total   |
|--|---|---|---|---------|
|  | Loans and advances<br>for which<br>allowances are<br>collectively<br>assessed | Impaired<br>loans and advances<br>for which<br>allowances are<br>collectively<br>assessed | for which<br>allowances are<br>individually<br>assessed |         |
| As at 1 January  | 12,518  | 668   | 4,474   | 17,660  |
| Charge for the year  |   |   |   |         |
| — new impairment allowances<br>charged to profit or loss   | 5,748   | 206   | 943   | 6,897   |
| — impairment allowances<br>released to profit or loss      | —   | (40)  | (1,110)   | (1,150) |
| Unwinding of discount                                      | —   | —   | (131)   | (131)   |
| Transfers in/(transfers out)                               | —   | —   | (14)  | (14)    |
| Write-offs   | —   | (122)   | (464)   | (586)   |
| Recoveries of loans and advances<br>previously written off | —   | 40  | 102   | 142     |
| As at 31 December  | 18,266  | 752   | 3,800   | 22,818  |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 20 Loans and advances to customers (continued)

#### (d) Overdue loans analysed by overdue period

##### The Group

|                                    | 30 June 2012                |   |  |                          | Total         |
|------------------------------------|-----------------------------|---|--|--------------------------|---------------|
|                                    | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years |               |
| Unsecured loans                    | 2,221                       | 443                                       | 674                                      | 585                      | 3,923         |
| Guaranteed loans                   | 909                         | 668                                       | 183                                      | 1,191                    | 2,951         |
| Secured loans                      |                             |   |  |                          |               |
| — Loans secured by tangible assets | 5,614                       | 1,786                                     | 587                                      | 938                      | 8,925         |
| — Loans secured by monetary assets | 287                         | 180                                       | 128                                      | 29                       | 624           |
| <b>Total</b>                       | <b>9,031</b>                | <b>3,077</b>                              | <b>1,572</b>                             | <b>2,743</b>             | <b>16,423</b> |

|                                    | 31 December 2011            |   |  |                          | Total         |
|------------------------------------|-----------------------------|---|--|--------------------------|---------------|
|                                    | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years |               |
| Unsecured loans                    | 1,118                       | 343                                       | 510                                      | 490                      | 2,461         |
| Guaranteed loans                   | 447                         | 76  | 548                                      | 1,097                    | 2,168         |
| Secured loans                      |                             |   |  |                          |               |
| — Loans secured by tangible assets | 3,370                       | 602                                       | 807                                      | 957                      | 5,736         |
| — Loans secured by monetary assets | 196                         | 59  | 82                                       | 30                       | 367           |
| <b>Total</b>                       | <b>5,131</b>                | <b>1,080</b>                              | <b>1,947</b>                             | <b>2,574</b>             | <b>10,732</b> |

##### The Bank

|                                    | 30 June 2012                |   |  |                          | Total         |
|------------------------------------|-----------------------------|---|--|--------------------------|---------------|
|                                    | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years |               |
| Unsecured loans                    | 2,213                       | 441                                       | 674                                      | 553                      | 3,881         |
| Guaranteed loans                   | 890                         | 662                                       | 167                                      | 1,166                    | 2,885         |
| Secured loans                      |                             |   |  |                          |               |
| — Loans secured by tangible assets | 5,253                       | 1,763                                     | 496                                      | 937                      | 8,449         |
| — Loans secured by monetary assets | 273                         | 33  | 128                                      | 29                       | 463           |
| <b>Total</b>                       | <b>8,629</b>                | <b>2,899</b>                              | <b>1,465</b>                             | <b>2,685</b>             | <b>15,678</b> |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 20 Loans and advances to customers (continued)

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

##### The Bank (continued)

|                                    | 31 December 2011            |   |  |                          | Total        |
|------------------------------------|-----------------------------|---|--|--------------------------|--------------|
|                                    | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years |              |
| Unsecured loans                    | 1,105                       | 341                                       | 503                                      | 444                      | 2,393        |
| Guaranteed loans                   | 379                         | 52  | 514                                      | 1,068                    | 2,013        |
| Secured loans                      |                             |   |  |                          |              |
| — Loans secured by tangible assets | 2,686                       | 468                                       | 766                                      | 915                      | 4,835        |
| — Loans secured by monetary assets | 25                          | 59  | 82                                       | 30                       | 196          |
| <b>Total</b>                       | <b>4,195</b>                | <b>920</b>                                | <b>1,865</b>                             | <b>2,457</b>             | <b>9,437</b> |

Overdue loans represent loans and advances of which the principal or interest are overdue one day or more.

#### (e) Lease payments receivables

Lease payments receivables transactions are made by the Group's subsidiary, CIFH, which include net investment in machines and equipment leased to customers under finance leases and hire purchase contracts having the characteristics of finance leases. These contracts usually run for an initial period of 5 to 20 years, with an option for acquiring the leased asset at nominal value. The total minimum lease payments receivable under finance leases and hire purchase contracts and their present values are as follows:

|  | The Group                                   |                            |   |                            |
|--|---|----------------------------|---|----------------------------|
|  | 30 June 2012                                |                            | 31 December 2011                            |                            |
|  | Present value of minimum leases receivables | Minimum leases receivables | Present value of minimum leases receivables | Minimum leases receivables |
| Within 1 year (including 1 year)       | 211   | 248                        | 209   | 252                        |
| 1 year to 2 years (including 2 years)  | 152   | 178                        | 166   | 197                        |
| 2 years to 3 years (including 3 years) | 79  | 98                         | 96  | 120                        |
| Over 3 years                           | 922   | 1,085                      | 1,233                                       | 1,464                      |
|  | <b>1,364</b>                                | <b>1,609</b>               | <b>1,704</b>                                | <b>2,033</b>               |
| Less:                                  |   |                            |   |                            |
| — Individual impairment allowances     | (1)   |                            | (1)   |                            |
| — Collective impairment allowances     | —   |                            | —   |                            |
| <b>Net balance</b>                     | <b>1,363</b>                                |                            | <b>1,703</b>                                |                            |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 21 Available-for-sale financial assets

|                         | Note  | The Group      |                  | The Bank       |                  |
|-------------------------|-------|----------------|------------------|----------------|------------------|
|                         |       | 30 June 2012   | 31 December 2011 | 30 June 2012   | 31 December 2011 |
| Debt securities         | (i)   | <b>164,809</b> | 126,875          | <b>148,661</b> | 111,357          |
| Investment funds        | (ii)  | <b>5,695</b>   | 5,706            | <b>5,325</b>   | 5,353            |
| Certificates of deposit | (iii) | <b>3,327</b>   | 1,766            | —              | —                |
| Equity investments      | (iv)  | <b>177</b>     | 171              | <b>132</b>     | 129              |
| <b>Total</b>            |       | <b>174,008</b> | 134,518          | <b>154,118</b> | 116,839          |

#### (i) Debt securities issued by

|   | Note | The Group      |                  | The Bank       |                  |
|---|------|----------------|------------------|----------------|------------------|
|   |      | 30 June 2012   | 31 December 2011 | 30 June 2012   | 31 December 2011 |
| In Mainland China                           |      |                |                  |                |                  |
| — Government                                |      | <b>19,639</b>  | 17,306           | <b>18,939</b>  | 16,711           |
| — PBOC                                      |      | <b>10,287</b>  | 11,611           | <b>10,287</b>  | 11,611           |
| — Policy banks                              |      | <b>13,626</b>  | 14,415           | <b>13,626</b>  | 14,415           |
| — Banks and non-bank financial institutions |      | <b>40,425</b>  | 19,753           | <b>39,766</b>  | 19,471           |
| — Corporate entities                        |      | <b>64,754</b>  | 46,300           | <b>64,722</b>  | 46,300           |
| <b>Subtotal</b>                             |      | <b>148,731</b> | 109,385          | <b>147,340</b> | 108,508          |
| Outside Mainland China                      |      |                |                  |                |                  |
| — Government                                |      | <b>7,673</b>   | 5,605            | <b>575</b>     | 195              |
| — Banks and non-bank financial institutions |      | <b>6,822</b>   | 9,573            | <b>863</b>     | 2,813            |
| — Corporate entities                        |      | <b>1,877</b>   | 2,615            | <b>32</b>      | —                |
| <b>Subtotal</b>                             |      | <b>16,372</b>  | 17,793           | <b>1,470</b>   | 3,008            |
| <b>Gross balance</b>                        |      | <b>165,103</b> | 127,178          | <b>148,810</b> | 111,516          |
| Less: Allowance for impairment losses       | 31   | <b>(294)</b>   | (303)            | <b>(149)</b>   | (159)            |
| <b>Net balance</b>                          |      | <b>164,809</b> | 126,875          | <b>148,661</b> | 111,357          |
| Listed in Hong Kong                         |      | <b>4,101</b>   | 3,706            | <b>4,101</b>   | 3,706            |
| Listed outside Hong Kong                    |      | <b>920</b>     | 1,114            | <b>734</b>     | 973              |
| Unlisted                                    |      | <b>159,788</b> | 122,055          | <b>143,826</b> | 106,678          |
| <b>Total</b>                                |      | <b>164,809</b> | 126,875          | <b>148,661</b> | 111,357          |



## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 21 Available-for-sale financial assets (continued)

#### (ii) Investment funds issued by

|   | Note | The Group    |                  | The Bank     |                  |
|---|------|--------------|------------------|--------------|------------------|
|   |      | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Outside Mainland China                      |      |              |                  |              |                  |
| — Banks and non-bank financial institutions |      | 5,695        | 5,706            | 5,325        | 5,353            |
| Gross balance                               |      | 5,695        | 5,706            | 5,325        | 5,353            |
| Less: Allowance for impairment losses       | 31   | —            | —                | —            | —                |
| Net balance                                 |      | 5,695        | 5,706            | 5,325        | 5,353            |
| Listed in Hong Kong                         |      | —            | —                | —            | —                |
| Listed outside Hong Kong                    |      | —            | —                | —            | —                |
| Unlisted                                    |      | 5,695        | 5,706            | 5,325        | 5,353            |
| Total                                       |      | 5,695        | 5,706            | 5,325        | 5,353            |

#### (iii) Certificates of deposit issued by

|   | The Group    |                  | The Bank     |                  |
|---|--------------|------------------|--------------|------------------|
|   | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| In Mainland China                           |              |                  |              |                  |
| — Banks and non-bank financial institutions | 1,526        | 467              | —            | —                |
| Outside Mainland China                      |              |                  |              |                  |
| — Banks and non-bank financial institutions | 1,801        | 1,299            | —            | —                |
| Total                                       | 3,327        | 1,766            | —            | —                |
| Listed in Hong Kong                         | —            | —                | —            | —                |
| Listed outside Hong Kong                    | —            | —                | —            | —                |
| Unlisted                                    | 3,327        | 1,766            | —            | —                |
| Total                                       | 3,327        | 1,766            | —            | —                |

#### (iv) Equity investments issued by

|   | The Group    |                  | The Bank     |                  |
|---|--------------|------------------|--------------|------------------|
|   | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| In Mainland China                           |              |                  |              |                  |
| — Corporate entities                        | 117          | 119              | 114          | 114              |
| Outside Mainland China                      |              |                  |              |                  |
| — Banks and non-bank financial institutions | 18           | 15               | 18           | 15               |
| — Corporate entities                        | 42           | 37               | —            | —                |
| Total                                       | 177          | 171              | 132          | 129              |
| Listed in Hong Kong                         | 3            | 5                | —            | —                |
| Listed outside Hong Kong                    | 42           | 35               | 18           | 15               |
| Unlisted                                    | 132          | 131              | 114          | 114              |
| Total                                       | 177          | 171              | 132          | 129              |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 22 Held-to-maturity investments

Held-to-maturity investments are debt securities, issued by:

|   | Note | The Group      |                  | The Bank       |                  |
|---|------|----------------|------------------|----------------|------------------|
|   |      | 30 June 2012   | 31 December 2011 | 30 June 2012   | 31 December 2011 |
| In Mainland China                           |      |                |                  |                |                  |
| — Government                                |      | 32,368         | 38,871           | 32,368         | 38,871           |
| — PBOC                                      |      | 7,196          | 13,523           | 7,196          | 13,523           |
| — Policy banks                              |      | 9,522          | 24,631           | 9,522          | 24,631           |
| — Banks and non-bank financial institutions |      | 59,852         | 17,862           | 59,852         | 17,862           |
| — Corporate entities                        |      | 17,440         | 12,531           | 17,440         | 12,531           |
| Subtotal                                    |      | 126,378        | 107,418          | 126,378        | 107,418          |
| Outside Mainland China                      |      |                |                  |                |                  |
| — Government                                |      | 28             | 28               | 28             | 28               |
| — Banks and non-bank financial institutions |      | 661            | 664              | 976            | 979              |
| — Public sector entities                    |      | 48             | 75               | 48             | 75               |
| — Corporate entities                        |      | 420            | 420              | 357            | 357              |
| Subtotal                                    |      | 1,157          | 1,187            | 1,409          | 1,439            |
| <b>Gross balance</b>                        |      | <b>127,535</b> | 108,605          | <b>127,787</b> | 108,857          |
| Less: Allowance for impairment losses       | 31   | (134)          | (137)            | (134)          | (137)            |
| <b>Net balance</b>                          |      | <b>127,401</b> | 108,468          | <b>127,653</b> | 108,720          |
| Listed in Hong Kong                         |      | 119            | 119              | 119            | 119              |
| Listed outside Hong Kong                    |      | 546            | 544              | 798            | 796              |
| Unlisted                                    |      | 126,736        | 107,805          | 126,736        | 107,805          |
| <b>Net balance</b>                          |      | <b>127,401</b> | 108,468          | <b>127,653</b> | 108,720          |
| Fair value of held-to-maturity investments  |      | 126,859        | 108,244          | 127,108        | 108,494          |
| In which: Market value of listed securities |      | 700            | 692              | 949            | 942              |

For the six months ended 30 June 2012, the Group did not sell any held-to-maturity investments prior to their maturity dates, while for the six months ended 30 June 2011, the Group sold held-to-maturity investments with a gross carrying value of RMB 4,058 million prior to their maturity dates, among which RMB 3,098 million had a remaining maturity of less than three months. The disposal of the remaining RMB 960 million was related to foreign currency bonds for the purpose of avoiding potential credit risk. The amount of disposed held-to-maturity investments accounts for 3.14% of the portfolio before the disposal.

### 23 Investment in associates

(a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 30 June 2012 are as follows:

| Name of company  | Forms of business structure | Place of incorporation | Percentage of shares and voting right held by the Group | Principal activities                     | Nominal value of issued shares |
|--|-----------------------------|------------------------|---|--|--------------------------------|
| CITIC Capital Holding Limited ("CCHL")                 | Incorporated                | Hong Kong              | 27.5%   | Investment holding                       | HKD 49 million                 |
| CITIC International Assets Management Limited ("CIAM") | Incorporated                | Hong Kong              | 40%   | Investment holding and assets management | HKD 2,020 million              |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 23 Investment in associates (continued)

(b) Financial information of the above associates is as follows:

| Name of Enterprise | As at or for the six months ended 30 June 2012 |                   |                  |                  |          |
|--------------------|--|-------------------|------------------|------------------|----------|
|                    | Total assets                                   | Total liabilities | Total net assets | Operating income | Net loss |
| CCHL               | 9,672  | 4,966             | 4,706            | 169              | (34)     |
| CIAM               | 2,405  | 205               | 2,200            | 52               | (12)     |
| Total              | 12,077   | 5,171             | 6,906            | 221              | (46)     |

(c) Movement of the Group's investment in associates

|   | CCHL  | CIAM | Total |
|---|-------|------|-------|
| Initial investment cost   | 1,038 | 893  | 1,931 |
| As at 1 January 2012  | 1,383 | 829  | 2,212 |
| Investment income/(loss) and other comprehensive income/(loss) recognised under equity method | (12)  | (2)  | (14)  |
| Dividend received   | —     | —    | —     |
| Exchange difference   | 8     | 4    | 12    |
| As at 30 June 2012  | 1,379 | 831  | 2,210 |
|   | CCHL  | CIAM | Total |
| As at 1 January 2011  | 1,375 | 878  | 2,253 |
| Investment income/(loss) and other comprehensive income/(loss) recognised under equity method | 74    | 10   | 84    |
| Dividend received   | —     | (18) | (18)  |
| Exchange difference   | (66)  | (41) | (107) |
| As at 31 December 2011  | 1,383 | 829  | 2,212 |

### 24 Investment in subsidiaries

|  | Note  | The Bank     |                  |
|--|-------|--------------|------------------|
|  |       | 30 June 2012 | 31 December 2011 |
| Investment in subsidiaries   |       |              |                  |
| — CIFH   | (i)   | 9,797        | 9,797            |
| — China Investment and Finance Limited ("CIFL")                              | (ii)  | 87           | 87               |
| — Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank") | (iii) | 102          | 102              |
| Total  |       | 9,986        | 9,986            |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 24 Investment in subsidiaries (continued)

Major subsidiaries of the Group as at 30 June 2012 are as follows:

| Name of company                | Place of incorporation | Particulars of the issued and paid up capital | Principal activities                            | % of ownership directly held by the Bank | % of ownership held by subsidiaries of the Bank | The Group's effective interest |
|--------------------------------|------------------------|---|---|--|---|--------------------------------|
| CIFH (note (i))                | Hong Kong              | HKD 7,459 million                             | Commercial banking and other financial services | 70.32%                                   | —   | 70.32%                         |
| CIFL (note (ii))               | Hong Kong              | HKD 25 million                                | Lending services                                | 95%                                      | 5%  | 98.5%                          |
| Lin'an Rural Bank (note (iii)) | Mainland China         | RMB 200 million                               | Commercial banking                              | 51%                                      | —   | 51%                            |

Note: (i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope covers commercial banking and non-banking financial services. The Bank acquired 70.32% of CIFH's shares and voting right through business combination under common control on 23 October 2009. CITIC Bank International Limited ("CBI") is wholly owned by CIFH.

(ii) CIFL was founded in Hong Kong in 1984 with a registered capital of HKD 25 million. It also has a "Money Lending License" issued by the Hong Kong Company Registrar. Its business scope includes capital market investment, lending and a number of other related services. The Bank holds 95% of CIFL's shares and voting rights. The remaining 5% shares are held by CIFH, the Bank's subsidiary.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China, in 2011 with a registered capital of RMB 200 million. Its principal activities are commercial banking. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

### 25 Fixed assets

#### The Group

|                                  | Premises<br>(Note (ii)) | Construction<br>in progress | Computer<br>equipment<br>and others | Total   |
|----------------------------------|-------------------------|-----------------------------|-------------------------------------|---------|
| <b>Cost or deemed cost:</b>      |                         |                             |                                     |         |
| As at 1 January 2012             | 8,917                   | 892                         | 4,891                               | 14,700  |
| Additions                        | 313                     | 20                          | 245                                 | 578     |
| Disposals                        | —                       | —                           | (50)                                | (50)    |
| Exchange difference              | 2                       | —                           | 4                                   | 6       |
| As at 30 June 2012               | 9,232                   | 912                         | 5,090                               | 15,234  |
| <b>Accumulated depreciation:</b> |                         |                             |                                     |         |
| As at 1 January 2012             | (1,834)                 | —                           | (2,750)                             | (4,584) |
| Depreciation charges             | (165)                   | —                           | (329)                               | (494)   |
| Disposals                        | —                       | —                           | 43                                  | 43      |
| Exchange difference              | (1)                     | —                           | (2)                                 | (3)     |
| As at 30 June 2012               | (2,000)                 | —                           | (3,038)                             | (5,038) |
| <b>Net carrying value:</b>       |                         |                             |                                     |         |
| As at 1 January 2012 (Note (i))  | 7,083                   | 892                         | 2,141                               | 10,116  |
| As at 30 June 2012 (Note (i))    | 7,232                   | 912                         | 2,052                               | 10,196  |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 25 Fixed assets (continued)

#### The Group (continued)

|   | Premises<br>(Note (ii)) | Construction<br>in progress | Computer<br>equipment<br>and others | Total   |
|---|-------------------------|-----------------------------|-------------------------------------|---------|
| <b>Cost or deemed cost:</b>             |                         |                             |                                     |         |
| As at 1 January 2011                    | 8,847                   | 701                         | 4,246                               | 13,794  |
| Additions                               | 122                     | 193                         | 823                                 | 1,138   |
| Transfers from construction in progress | 2                       | (2)                         | —                                   | —       |
| Disposals                               | (34)                    | —                           | (144)                               | (178)   |
| Exchange difference                     | (20)                    | —                           | (34)                                | (54)    |
| As at 31 December 2011                  | 8,917                   | 892                         | 4,891                               | 14,700  |
| <b>Accumulated depreciation:</b>        |                         |                             |                                     |         |
| As at 1 January 2011                    | (1,528)                 | —                           | (2,292)                             | (3,820) |
| Depreciation charges                    | (318)                   | —                           | (597)                               | (915)   |
| Disposals                               | 7                       | —                           | 114                                 | 121     |
| Exchange difference                     | 5                       | —                           | 25                                  | 30      |
| As at 31 December 2011                  | (1,834)                 | —                           | (2,750)                             | (4,584) |
| <b>Net carrying value:</b>              |                         |                             |                                     |         |
| As at 1 January 2011                    | 7,319                   | 701                         | 1,954                               | 9,974   |
| As at 31 December 2011 (Note (i))       | 7,083                   | 892                         | 2,141                               | 10,116  |

#### The Bank

|                                  | Premises<br>(Note (ii)) | Construction<br>in progress | Computer<br>equipment<br>and others | Total   |
|----------------------------------|-------------------------|-----------------------------|-------------------------------------|---------|
| <b>Cost or deemed cost:</b>      |                         |                             |                                     |         |
| As at 1 January 2012             | 8,436                   | 891                         | 4,119                               | 13,446  |
| Additions                        | 313                     | 20                          | 186                                 | 519     |
| Disposals                        | —                       | —                           | (20)                                | (20)    |
| As at 30 June 2012               | 8,749                   | 911                         | 4,285                               | 13,945  |
| <b>Accumulated depreciation:</b> |                         |                             |                                     |         |
| As at 1 January 2012             | (1,634)                 | —                           | (2,193)                             | (3,827) |
| Depreciation charges             | (160)                   | —                           | (293)                               | (453)   |
| Disposals                        | —                       | —                           | 15                                  | 15      |
| As at 30 June 2012               | (1,794)                 | —                           | (2,471)                             | (4,265) |
| <b>Net carrying value:</b>       |                         |                             |                                     |         |
| As at 1 January 2012 (Note (i))  | 6,802                   | 891                         | 1,926                               | 9,619   |
| As at 30 June 2012 (Note (i))    | 6,955                   | 911                         | 1,814                               | 9,680   |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 25 Fixed assets (continued)

#### The Bank (continued)

|   | Premises<br>(Note (ii)) | Construction<br>in progress | Computer<br>equipment<br>and others | Total   |
|---|-------------------------|-----------------------------|-------------------------------------|---------|
| <b>Cost or deemed cost:</b>             |                         |                             |                                     |         |
| As at 1 January 2011                    | 8,348                   | 701                         | 3,561                               | 12,610  |
| Additions                               | 120                     | 192                         | 698                                 | 1,010   |
| Transfers from construction in progress | 2                       | (2)                         | —                                   | —       |
| Disposals                               | (34)                    | —                           | (140)                               | (174)   |
| As at 31 December 2011                  | 8,436                   | 891                         | 4,119                               | 13,446  |
| <b>Accumulated depreciation:</b>        |                         |                             |                                     |         |
| As at 1 January 2011                    | (1,333)                 | —                           | (1,769)                             | (3,102) |
| Depreciation charges                    | (308)                   | —                           | (534)                               | (842)   |
| Disposals                               | 7                       | —                           | 110                                 | 117     |
| As at 31 December 2011                  | (1,634)                 | —                           | (2,193)                             | (3,827) |
| <b>Net carrying value:</b>              |                         |                             |                                     |         |
| As at 1 January 2011                    | 7,015                   | 701                         | 1,792                               | 9,508   |
| As at 31 December 2011 (Note (i))       | 6,802                   | 891                         | 1,926                               | 9,619   |

Note: (i) As at 30 June 2012, the net book value of the Group's premises for which the ownership registration procedures had not been completed was approximately RMB 604 million (31 December 2011: RMB 615 million). The Group anticipated that there would be no significant issues or costs in completing such procedures.

(ii) Analysed by remaining term of leases

The net carrying value of premises at the reporting date is analysed by the remaining terms of the leases as follows:

|   | The Group       |                     | The Bank        |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Long term leases (over 50 years),<br>held in Hong Kong      | 69              | 69                  | —               | —                   |
| Medium term leases (10-50 years),<br>held in Hong Kong      | 183             | 187                 | —               | —                   |
| Medium term leases (10-50 years),<br>held in Mainland China | 6,955           | 6,802               | 6,955           | 6,802               |
| Permanent term lease, held in overseas                      | 25              | 25                  | —               | —                   |
| Total   | 7,232           | 7,083               | 6,955           | 6,802               |

### 26 Investment properties

|                                      | The Group                           |                                   |
|--------------------------------------|-------------------------------------|-----------------------------------|
|                                      | Six months<br>ended 30 June<br>2012 | Year ended<br>31 December<br>2011 |
| Fair value as at 1 January           | 272                                 | 248                               |
| Addition:                            |                                     |                                   |
| — Change in fair value               | 35                                  | 29                                |
| Decrease:                            |                                     |                                   |
| — Disposal                           | —                                   | —                                 |
| Exchange difference                  | 1                                   | (5)                               |
| Fair value as at 30 June/31 December | 308                                 | 272                               |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 26 Investment properties (continued)

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties locate and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 30 June 2012.

All investment properties of the Group were revalued at 30 June 2012 by an independent firm of surveyors, Prudential Surveyors International Ltd., on an open market value basis. The revaluation surplus or deficit have been credited or charged to the profit and loss respectively. Prudential Surveyors International Ltd. has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

#### (a) Analysed by remaining term of leases

The net carrying value of investment properties at the reporting date is analysed by the remaining terms of the leases as follows:

|  | The Group       |                     |
|--|-----------------|---------------------|
|  | 30 June<br>2012 | 31 December<br>2011 |
| Long term leases (over 50 years), held in Hong Kong      | 11              | 11                  |
| Medium term leases (10-50 years), held in Hong Kong      | 269             | 234                 |
| Medium term leases (10-50 years), held in Mainland China | 28              | 27                  |
| Total  | 308             | 272                 |

### 27 Goodwill

The Bank acquired 70.32% of CIFH's shares on 23 October 2009, which was accounted for as a business combination under common control and therefore no goodwill was recognised. The goodwill recognised in CIFH's financial statements arises from CIFH's business combination of subsidiaries under non-common control before the above business combination, and remains in the consolidated statement of financial position of the Group.

|                           | The Group                           |                                   |
|---------------------------|-------------------------------------|-----------------------------------|
|                           | Six months<br>ended 30 June<br>2012 | Year ended<br>31 December<br>2011 |
| As at 1 January           | 818                                 | 857                               |
| Exchange difference       | 4                                   | (39)                              |
| As at 30 June/31 December | 822                                 | 818                               |

Goodwill is allocated to the Group's identified cash-generating units (CGU) as follows:

|                   | The Group       |                     |
|-------------------|-----------------|---------------------|
|                   | 30 June<br>2012 | 31 December<br>2011 |
| Corporate banking | 822             | 818                 |

The Group considered that there was no indication of impairment of goodwill as at 30 June 2012 (as at 31 December 2011: nil)



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(Expressed in millions of Renminbi unless otherwise stated)

### 28 Intangible assets

#### The Group and the Bank

|                           | Software | Others | Total |
|---------------------------|----------|--------|-------|
| <b>Cost</b>               |          |        |       |
| As at 1 January 2012      | 486      | 28     | 514   |
| Additions                 | 45       | 3      | 48    |
| As at 30 June 2012        | 531      | 31     | 562   |
| <b>Amortization</b>       |          |        |       |
| As at 1 January 2012      | (251)    | (9)    | (260) |
| Charge for the period     | (42)     | —      | (42)  |
| As at 30 June 2012        | (293)    | (9)    | (302) |
| <b>Net carrying value</b> |          |        |       |
| As at 1 January 2012      | 235      | 19     | 254   |
| As at 30 June 2012        | 238      | 22     | 260   |

|                           | Software | Others | Total |
|---------------------------|----------|--------|-------|
| <b>Cost</b>               |          |        |       |
| As at 1 January 2011      | 392      | 14     | 406   |
| Additions                 | 94       | 14     | 108   |
| As at 31 December 2011    | 486      | 28     | 514   |
| <b>Amortization</b>       |          |        |       |
| As at 1 January 2011      | (181)    | (8)    | (189) |
| Charge for the year       | (70)     | (1)    | (71)  |
| As at 31 December 2011    | (251)    | (9)    | (260) |
| <b>Net carrying value</b> |          |        |       |
| As at 1 January 2011      | 211      | 6      | 217   |
| As at 31 December 2011    | 235      | 19     | 254   |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 29 Deferred tax assets

#### (a) Analysed by nature

|  | <b>The Group</b>                                     |  |  |  |
|--|--|--|--|--|
|  | 30 June 2012   |  | 31 December 2011                                     |  |
|  | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) |
| Deferred tax assets                                    |  |  |  |  |
| — Impairment allowances                                | 9,360  | 2,320                                    | 8,091  | 1,999                                    |
| — Fair value adjustments                               | (1,867)  | (468)                                    | (639)  | (182)                                    |
| — Employee retirement benefits<br>and salaries payable | 4,276  | 1,069                                    | 5,300  | 1,325                                    |
| — Others   | (483)  | (117)                                    | (702)  | (171)                                    |
| <b>Total</b>   | <b>11,286</b>  | <b>2,804</b>                             | <b>12,050</b>  | <b>2,971</b>                             |

|  | <b>The Bank</b>                                      |  |  |  |
|--|--|--|--|--|
|  | 30 June 2012   |  | 31 December 2011                                     |  |
|  | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) |
| Deferred tax assets                                    |  |  |  |  |
| — Impairment allowances                                | 9,124  | 2,281                                    | 7,816  | 1,954                                    |
| — Fair value adjustments                               | (1,888)  | (472)                                    | (904)  | (226)                                    |
| — Employee retirement benefits<br>and salaries payable | 4,276  | 1,069                                    | 5,300  | 1,325                                    |
| — Others   | (436)  | (109)                                    | (652)  | (163)                                    |
| <b>Total</b>   | <b>11,076</b>  | <b>2,769</b>                             | <b>11,560</b>  | <b>2,890</b>                             |

#### (b) Movement of deferred tax assets

##### The Group

|   | Impairment<br>allowances | Fair value<br>adjustment | Employee<br>retirement<br>benefits<br>and salaries<br>payable | Others       | Total<br>deferred tax<br>assets |
|---|--------------------------|--------------------------|---|--------------|---------------------------------|
| As at 1 January 2012                        | 1,999                    | (182)                    | 1,325   | (171)        | 2,971                           |
| Recognized in profit or loss                | 320                      | (44)                     | (256)   | 54           | 74                              |
| Recognized in other<br>comprehensive income | —                        | (242)                    | —   | —            | (242)                           |
| Exchange difference                         | 1                        | —                        | —   | —            | 1                               |
| <b>As at 30 June 2012</b>                   | <b>2,320</b>             | <b>(468)</b>             | <b>1,069</b>  | <b>(117)</b> | <b>2,804</b>                    |
| As at 1 January 2011                        | 1,275                    | 136                      | 1,103   | 51           | 2,565                           |
| Recognized in profit or loss                | 726                      | (36)                     | 222   | (222)        | 690                             |
| Recognized in other<br>comprehensive income | —                        | (280)                    | —   | —            | (280)                           |
| Exchange difference                         | (2)                      | (2)                      | —   | —            | (4)                             |
| <b>As at 31 December 2011</b>               | <b>1,999</b>             | <b>(182)</b>             | <b>1,325</b>  | <b>(171)</b> | <b>2,971</b>                    |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 29 Deferred tax assets (continued)

#### (b) Movement of deferred tax assets (continued)

##### The Bank

|  | Impairment Allowances | Fair value adjustment | Employee retirement benefits and salaries payable | Others | Total deferred tax assets |
|--|-----------------------|-----------------------|---|--------|---------------------------|
| As at 1 January 2012                     | 1,954                 | (226)                 | 1,325   | (163)  | 2,890                     |
| Recognized in profit or loss             | 327                   | (51)                  | (256)   | 54     | 74                        |
| Recognized in other comprehensive income | —                     | (195)                 | —   | —      | (195)                     |
| As at 30 June 2012                       | 2,281                 | (472)                 | 1,069   | (109)  | 2,769                     |
| As at 1 January 2011                     | 1,225                 | 95                    | 1,103   | 50     | 2,473                     |
| Recognized in profit or loss             | 729                   | (28)                  | 222   | (213)  | 710                       |
| Recognized in other comprehensive income | —                     | (293)                 | —   | —      | (293)                     |
| As at 31 December 2011                   | 1,954                 | (226)                 | 1,325   | (163)  | 2,890                     |

Note: (i) The Bank has no material unrecognised deferred tax assets or liabilities as at 30 June 2012 (31 December 2011: nil).

### 30 Other assets

|                        | Note | The Group    |                  | The Bank     |                  |
|------------------------|------|--------------|------------------|--------------|------------------|
|                        |      | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Leasehold improvements |      | 871          | 959              | 871          | 959              |
| Repossessed assets     | (i)  | 282          | 277              | 282          | 277              |
| Land use rights        |      | 633          | 615              | 633          | 615              |
| Prepaid rent           |      | 435          | 396              | 433          | 394              |
| Prepaid income tax     |      | —            | 2                | —            | —                |
| Others                 | (ii) | 5,732        | 4,159            | 5,445        | 3,498            |
| Total                  |      | 7,953        | 6,408            | 7,664        | 5,743            |

#### (i) Repossessed assets

|                                       | Note | The Group    |                  | The Bank     |                  |
|---------------------------------------|------|--------------|------------------|--------------|------------------|
|                                       |      | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Premises                              |      | 433          | 404              | 433          | 404              |
| Others                                |      | 22           | 34               | 22           | 34               |
| Gross balance                         |      | 455          | 438              | 455          | 438              |
| Less: Allowance for impairment losses | 31   | (173)        | (161)            | (173)        | (161)            |
| Net balance                           |      | 282          | 277              | 282          | 277              |

#### (ii) Others

|                                       | Note | The Group    |                  | The Bank     |                  |
|---------------------------------------|------|--------------|------------------|--------------|------------------|
|                                       |      | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Gross balance                         |      | 6,411        | 4,859            | 6,122        | 4,195            |
| Less: Allowance for impairment losses | 31   | (679)        | (700)            | (677)        | (697)            |
| Net balance                           |      | 5,732        | 4,159            | 5,445        | 3,498            |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 31 Movements of allowances for impairment losses

#### The Group

|   | Note   | Six months ended 30 June 2012 |                       |                         |                   |             | As at 30 June |
|---|--------|-------------------------------|-----------------------|-------------------------|-------------------|-------------|---------------|
|   |        | As at 1 January               | Charge for the period | Reversal for the period | Transfer in/(out) | Write-offs  |               |
| Deposit with banks and non-bank financial institutions    | 14     | —                             | —                     | —                       | —                 | —           | —             |
| Placements with banks and non-bank financial institutions | 15     | 8                             | —                     | —                       | —                 | —           | 8             |
| Financial assets held under resale agreements             | 18     | —                             | —                     | —                       | —                 | —           | —             |
| Interest receivable                                       | 19     | 56                            | 31                    | (3)                     | —                 | —           | 84            |
| Loans and advances to customers                           | 20     | 23,258                        | 3,019                 | (572)                   | (6)               | (39)        | 25,660        |
| Available-for-sale financial assets                       | 21     | 303                           | —                     | (9)                     | —                 | —           | 294           |
| Held-to-maturity investments                              | 22     | 137                           | —                     | (4)                     | 1                 | —           | 134           |
| Repossessed assets  | 30(i)  | 161                           | 33                    | (38)                    | 17                | —           | 173           |
| Other assets  | 30(ii) | 700                           | —                     | (18)                    | (3)               | —           | 679           |
| <b>Gross balance</b>                                      |        | <b>24,623</b>                 | <b>3,083</b>          | <b>(644)</b>            | <b>9</b>          | <b>(39)</b> | <b>27,032</b> |

|   | Note   | Year ended 31 December 2011 |                     |                       |                   |              | As at 31 December |
|---|--------|-----------------------------|---------------------|-----------------------|-------------------|--------------|-------------------|
|   |        | As at 1 January             | Charge for the year | Reversal for the year | Transfer in/(out) | Write-offs   |                   |
| Deposit with banks and non-bank financial institutions    | 14     | —                           | —                   | —                     | —                 | —            | —                 |
| Placements with banks and non-bank financial institutions | 15     | 8                           | —                   | —                     | —                 | —            | 8                 |
| Financial assets held under resale agreements             | 18     | —                           | —                   | —                     | —                 | —            | —                 |
| Interest receivable                                       | 19     | 30                          | 38                  | (7)                   | —                 | (5)          | 56                |
| Loans and advances to customers                           | 20     | 18,219                      | 6,998               | (1,264)               | (12)              | (683)        | 23,258            |
| Available-for-sale financial assets                       | 21     | 241                         | 148                 | —                     | (75)              | (11)         | 303               |
| Held-to-maturity investments                              | 22     | 109                         | 33                  | —                     | (5)               | —            | 137               |
| Repossessed assets  | 30(i)  | 280                         | 1                   | (63)                  | (25)              | (32)         | 161               |
| Other assets  | 30(ii) | 620                         | 114                 | (13)                  | (16)              | (5)          | 700               |
| <b>Gross balance</b>                                      |        | <b>19,507</b>               | <b>7,332</b>        | <b>(1,347)</b>        | <b>(133)</b>      | <b>(736)</b> | <b>24,623</b>     |

#### The Bank

|   | Note   | Six months ended 30 June 2012 |                       |                         |                   |            | As at 30 June |
|---|--------|-------------------------------|-----------------------|-------------------------|-------------------|------------|---------------|
|   |        | As at 1 January               | Charge for the period | Reversal for the period | Transfer in/(out) | Write-offs |               |
| Deposit with banks and non-bank financial institutions    | 14     | —                             | —                     | —                       | —                 | —          | —             |
| Placements with banks and non-bank financial institutions | 15     | 8                             | —                     | —                       | —                 | —          | 8             |
| Financial assets held under resale agreements             | 18     | —                             | —                     | —                       | —                 | —          | —             |
| Interest receivable                                       | 19     | 56                            | 31                    | (3)                     | —                 | —          | 84            |
| Loans and advances to customers                           | 20     | 22,818                        | 2,984                 | (547)                   | (14)              | —          | 25,241        |
| Available-for-sale financial assets                       | 21     | 159                           | —                     | (9)                     | (1)               | —          | 149           |
| Held-to-maturity investments                              | 22     | 137                           | —                     | (4)                     | 1                 | —          | 134           |
| Repossessed assets  | 30(i)  | 161                           | 33                    | (38)                    | 17                | —          | 173           |
| Other assets  | 30(ii) | 697                           | 1                     | (18)                    | (3)               | —          | 677           |
| <b>Gross balance</b>                                      |        | <b>24,036</b>                 | <b>3,049</b>          | <b>(619)</b>            | <b>—</b>          | <b>—</b>   | <b>26,466</b> |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

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

#### The Bank (continued)

|   | Note   | Year ended 31 December 2011 |                     |                       |                   |              | As at 31 December |
|---|--------|-----------------------------|---------------------|-----------------------|-------------------|--------------|-------------------|
|   |        | As at 1 January             | Charge for the year | Reversal for the year | Transfer in/(out) | Write-offs   |                   |
| Deposit with banks and non-bank financial institutions    | 14     | —                           | —                   | —                     | —                 | —            | —                 |
| Placements with banks and non-bank financial institutions | 15     | 8                           | —                   | —                     | —                 | —            | 8                 |
| Financial assets held under resale agreements             | 18     | —                           | —                   | —                     | —                 | —            | —                 |
| Interest receivable                                       | 19     | 30                          | 38                  | (7)                   | —                 | (5)          | 56                |
| Loans and advances to customers                           | 20     | 17,660                      | 6,897               | (1,150)               | (3)               | (586)        | 22,818            |
| Available-for-sale financial assets                       | 21     | 213                         | —                   | —                     | (54)              | —            | 159               |
| Held-to-maturity investments                              | 22     | 109                         | 33                  | —                     | (5)               | —            | 137               |
| Repossessed assets  | 30(i)  | 229                         | 1                   | (13)                  | (24)              | (32)         | 161               |
| Other assets  | 30(ii) | 615                         | 114                 | (13)                  | (17)              | (2)          | 697               |
| <b>Gross balance</b>                                      |        | <b>18,864</b>               | <b>7,083</b>        | <b>(1,183)</b>        | <b>(103)</b>      | <b>(625)</b> | <b>24,036</b>     |

Note: Transfer in/(out) includes the effect of exchange rate and disposals during the period. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet assets. Details are disclosed in Note 9.

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

#### Analysed by types and locations of counterparties

|                                   | The Group      |                  | The Bank       |                  |
|-----------------------------------|----------------|------------------|----------------|------------------|
|                                   | 30 June 2012   | 31 December 2011 | 30 June 2012   | 31 December 2011 |
| In Mainland China                 |                |                  |                |                  |
| — Banks                           | 294,171        | 413,583          | 294,323        | 413,599          |
| — Non-bank financial institutions | 125,498        | 121,396          | 125,498        | 122,396          |
| Subtotal                          | 419,669        | 534,979          | 419,821        | 535,995          |
| Outside Mainland China            |                |                  |                |                  |
| — Banks                           | 7,590          | 567              | 16,539         | 4,815            |
| Subtotal                          | 7,590          | 567              | 16,539         | 4,815            |
| <b>Total</b>                      | <b>427,259</b> | <b>535,546</b>   | <b>436,360</b> | <b>540,810</b>   |

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

#### Analysed by types and locations of counterparties

|                                   | The Group    |                  | The Bank     |                  |
|-----------------------------------|--------------|------------------|--------------|------------------|
|                                   | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| In Mainland China                 |              |                  |              |                  |
| — Banks                           | 4            | 634              | —            | —                |
| — Non-bank financial institutions | 797          | 819              | 797          | 819              |
| Subtotal                          | 801          | 1,453            | 797          | 819              |
| Outside Mainland China            |              |                  |              |                  |
| — Banks                           | 3,249        | 3,223            | —            | —                |
| Subtotal                          | 3,249        | 3,223            | —            | —                |
| <b>Total</b>                      | <b>4,050</b> | <b>4,676</b>     | <b>797</b>   | <b>819</b>       |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 34 Financial assets sold under repurchase agreements

#### (a) Analysed by types and locations of counterparties

|                                   | The Group       |                     | The Bank        |                     |
|-----------------------------------|-----------------|---------------------|-----------------|---------------------|
|                                   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| In Mainland China                 |                 |                     |                 |                     |
| — PBOC                            | 429             | 541                 | 429             | 541                 |
| — Non-bank financial institutions | 4,299           | 8,800               | 4,299           | 8,800               |
| Subtotal                          | 4,728           | 9,341               | 4,728           | 9,341               |
| Outside Mainland China            |                 |                     |                 |                     |
| — Banks                           | 356             | 50                  | 51              | 50                  |
| — Non-bank financial institutions | —               | 415                 | —               | 415                 |
| Subtotal                          | 356             | 465                 | 51              | 465                 |
| Total                             | 5,084           | 9,806               | 4,779           | 9,806               |

#### (b) Analysed by types of collaterals

|                  | The Group       |                     | The Bank        |                     |
|------------------|-----------------|---------------------|-----------------|---------------------|
|                  | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Debt securities  | 4,655           | 9,265               | 4,350           | 9,265               |
| Discounted bills | 429             | 541                 | 429             | 541                 |
| Total            | 5,084           | 9,806               | 4,779           | 9,806               |

### 35 Deposits from customers

#### Analysed by natures of deposits

|  | The Group       |                     | The Bank        |                     |
|--|-----------------|---------------------|-----------------|---------------------|
|  | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Demand deposits                            |                 |                     |                 |                     |
| — Corporate customers                      | 804,862         | 782,261             | 789,572         | 765,593             |
| — Personal customers                       | 101,920         | 91,762              | 87,489          | 79,753              |
| Subtotal                                   | 906,782         | 874,023             | 877,061         | 845,346             |
| Time and call deposits                     |                 |                     |                 |                     |
| — Corporate customers                      | 996,844         | 835,035             | 948,541         | 787,775             |
| — Personal customers                       | 275,466         | 254,202             | 250,019         | 227,309             |
| Subtotal                                   | 1,272,310       | 1,089,237           | 1,198,560       | 1,015,084           |
| Outward remittance and remittance payables | 9,728           | 4,791               | 9,728           | 4,791               |
| Total                                      | 2,188,820       | 1,968,051           | 2,085,349       | 1,865,221           |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 35 Deposits from customers (continued)

#### Analysed by natures of deposits (continued)

Deposits from customers included pledged deposits for:

|                   | The Group       |                     | The Bank        |                     |
|-------------------|-----------------|---------------------|-----------------|---------------------|
|                   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Bank acceptances  | 285,230         | 231,807             | 285,106         | 231,602             |
| Letters of credit | 38,341          | 47,665              | 37,854          | 47,356              |
| Guarantees        | 13,365          | 10,693              | 13,003          | 10,196              |
| Others            | 66,266          | 52,774              | 61,415          | 47,758              |
| <b>Total</b>      | <b>403,202</b>  | <b>342,939</b>      | <b>397,378</b>  | <b>336,912</b>      |

### 36 Accrued staff costs

#### The Group

|   | Note  | Six months ended 30 June 2012 |                           |                           |                  |
|---|-------|-------------------------------|---------------------------|---------------------------|------------------|
|   |       | As at<br>1 January            | Accrual for<br>the period | Payment for<br>the period | As at<br>30 June |
| Salaries and bonuses                                    |       | 8,282                         | 5,286                     | (6,341)                   | 7,227            |
| Welfare expenses  |       | —                             | 367                       | (367)                     | —                |
| Social insurance  | (i)   | 21                            | 670                       | (606)                     | 85               |
| Housing fund  |       | 20                            | 258                       | (256)                     | 22               |
| Housing allowance                                       |       | 28                            | 120                       | (117)                     | 31               |
| Defined contribution<br>retirement schemes              | (ii)  | 3                             | 116                       | (113)                     | 6                |
| Supplementary retirement benefits                       | (iii) | 41                            | (1)                       | (3)                       | 37               |
| Labor union expenses and<br>employee education expenses |       | 350                           | 221                       | (129)                     | 442              |
| Others  |       | 116                           | 68                        | (79)                      | 105              |
| <b>Total</b>  |       | <b>8,861</b>                  | <b>7,105</b>              | <b>(8,011)</b>            | <b>7,955</b>     |

|   | Note  | Year ended 31 December 2011 |                         |                         |                      |
|---|-------|-----------------------------|-------------------------|-------------------------|----------------------|
|   |       | As at<br>1 January          | Accrual for<br>the year | Payment for<br>the year | As at<br>31 December |
| Salaries and bonuses                                    |       | 7,358                       | 8,924                   | (8,000)                 | 8,282                |
| Welfare expenses  |       | —                           | 753                     | (753)                   | —                    |
| Social insurance  | (i)   | 19                          | 994                     | (992)                   | 21                   |
| Housing fund  |       | 16                          | 498                     | (494)                   | 20                   |
| Housing allowance                                       |       | 28                          | 229                     | (229)                   | 28                   |
| Defined contribution<br>retirement schemes              | (ii)  | —                           | 195                     | (192)                   | 3                    |
| Supplementary retirement benefits                       | (iii) | 39                          | 6                       | (4)                     | 41                   |
| Labor union expenses and<br>employee education expenses |       | 272                         | 367                     | (289)                   | 350                  |
| Others  |       | 121                         | 328                     | (333)                   | 116                  |
| <b>Total</b>  |       | <b>7,853</b>                | <b>12,294</b>           | <b>(11,286)</b>         | <b>8,861</b>         |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 36 Accrued staff costs (continued)

#### The Bank

|   | Note  | Six months ended 30 June 2012 |                           |                           | As at<br>30 June |
|---|-------|-------------------------------|---------------------------|---------------------------|------------------|
|   |       | As at<br>1 January            | Accrual for<br>the period | Payment for<br>the period |                  |
| Salaries and bonuses                                    |       | 8,020                         | 4,877                     | (5,888)                   | 7,009            |
| Welfare expenses  |       | —                             | 363                       | (363)                     | —                |
| Social insurance  | (i)   | 21                            | 662                       | (599)                     | 84               |
| Housing fund  |       | 20                            | 256                       | (254)                     | 22               |
| Housing allowance                                       |       | 28                            | 119                       | (116)                     | 31               |
| Defined contribution<br>retirement schemes              | (ii)  | 3                             | 113                       | (111)                     | 5                |
| Supplementary retirement benefits                       | (iii) | 41                            | (1)                       | (3)                       | 37               |
| Labor union expenses and<br>employee education expenses |       | 350                           | 219                       | (128)                     | 441              |
| Others  |       | 112                           | 36                        | (43)                      | 105              |
| <b>Total</b>  |       | <b>8,595</b>                  | <b>6,644</b>              | <b>(7,505)</b>            | <b>7,734</b>     |

|   | Note  | Year ended 31 December 2011 |                         |                         | As at<br>31 December |
|---|-------|-----------------------------|-------------------------|-------------------------|----------------------|
|   |       | As at<br>1 January          | Accrual for<br>the year | Payment for<br>the year |                      |
| Salaries and bonuses                                    |       | 7,127                       | 8,108                   | (7,215)                 | 8,020                |
| Welfare expenses  |       | —                           | 747                     | (747)                   | —                    |
| Social insurance  | (i)   | 19                          | 987                     | (985)                   | 21                   |
| Housing fund  |       | 16                          | 494                     | (490)                   | 20                   |
| Housing allowance                                       |       | 28                          | 227                     | (227)                   | 28                   |
| Defined contribution<br>retirement schemes              | (ii)  | —                           | 191                     | (188)                   | 3                    |
| Supplementary retirement benefits                       | (iii) | 39                          | 6                       | (4)                     | 41                   |
| Labor union expenses and<br>employee education expenses |       | 271                         | 365                     | (286)                   | 350                  |
| Others  |       | 118                         | 259                     | (265)                   | 112                  |
| <b>Total</b>  |       | <b>7,618</b>                | <b>11,384</b>           | <b>(10,407)</b>         | <b>8,595</b>         |

(i) **Social insurance**

Social insurance includes costs of statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowances of the employees to the statutory retirement plan under the administration of the government.

(ii) **Defined contribution retirement schemes**

In addition to the above statutory retirement plan, the Group's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group. The Scheme is managed by the CITIC Group. The Bank has made annuity contributions at 4% of its employee's gross wages. The Bank made annuity contribution amounting to RMB 113 million for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB 90 million).

The Group's employees based in Hong Kong join the Mandatory Provident Fund Scheme with certain contribution ratios pursuant to the relevant laws and regulations.



## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 36 Accrued staff costs (continued)

#### The Bank (continued)

##### (iii) Supplementary retirement benefits

The Group pays supplementary retirement benefits for its qualified employees in Mainland China. Both current staff and retired staff join this supplementary retirement benefits. The balance at the reporting date represents the present value of un-contributed fund.

Save for the above schemes in 36(i) to 36(iii), the Group has no other material obligation for payment of retirement benefits beyond the contributions.

### 37 Taxes payable

|                             | The Group       |                     | The Bank        |                     |
|-----------------------------|-----------------|---------------------|-----------------|---------------------|
|                             | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Income tax                  | 1,821           | 1,876               | 1,525           | 1,773               |
| Business tax and surcharges | 1,872           | 2,126               | 1,867           | 2,121               |
| Others                      | 63              | 13                  | 55              | 6                   |
| Total                       | 3,756           | 4,015               | 3,447           | 3,900               |

### 38 Interest payable

|                         | The Group       |                     | The Bank        |                     |
|-------------------------|-----------------|---------------------|-----------------|---------------------|
|                         | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Deposits from customers | 14,183          | 11,533              | 13,912          | 11,314              |
| Debt securities issued  | 147             | 623                 | 90              | 458                 |
| Others                  | 2,939           | 1,443               | 2,788           | 1,339               |
| Total                   | 17,269          | 13,599              | 16,790          | 13,111              |

### 39 Provisions

|                       | The Group and the Bank |                     |
|-----------------------|------------------------|---------------------|
|                       | 30 June<br>2012        | 31 December<br>2011 |
| Litigation provisions | 36                     | 36                  |

Movement of provisions:

|                              | Six months<br>ended<br>30 June 2012 | Year ended<br>31 December<br>2011 |
|------------------------------|-------------------------------------|-----------------------------------|
| As at 1 January              | 36                                  | 36                                |
| Charge for the period/year   | —                                   | —                                 |
| Reversal for the period/year | —                                   | —                                 |
| Transfer out                 | —                                   | —                                 |
| As at 30 June/31 December    | 36                                  | 36                                |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 40 Debt securities issued

|                                | Note  | The Group     |                  | The Bank      |                  |
|--------------------------------|-------|---------------|------------------|---------------|------------------|
|                                |       | 30 June 2012  | 31 December 2011 | 30 June 2012  | 31 December 2011 |
| Notes issued                   | (i)   | 316           | 322              | —             | —                |
| Certificates of deposit issued | (ii)  | 10,400        | 8,576            | —             | —                |
| Subordinated bonds issued:     |       |               |                  |               |                  |
| — by the Bank                  | (iii) | 38,469        | 18,500           | 38,469        | 18,500           |
| — by CIFH                      | (iv)  | 4,837         | 6,332            | —             | —                |
| <b>Total</b>                   |       | <b>54,022</b> | <b>33,730</b>    | <b>38,469</b> | <b>18,500</b>    |

- (i) The notes were issued by CBI, and measured at amortized cost.
- (ii) Certificates of deposit were issued by CBI and measured at amortized cost.
- (iii) The carrying value of the Bank's subordinated bonds issued as at 30 June 2012 and 31 December 2011 represents:

|   | Note | 30 June 2012  | 31 December 2011 |
|---|------|---------------|------------------|
| Subordinated fixed rate bonds maturing: |      |               |                  |
| — in May 2020                           | (a)  | 5,000         | 5,000            |
| — in June 2021                          | (b)  | 2,000         | 2,000            |
| — in May 2025                           | (c)  | 11,500        | 11,500           |
| — in June 2027                          | (d)  | 19,969        | —                |
| <b>Total</b>                            |      | <b>38,469</b> | <b>18,500</b>    |

- (a) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.00%. The Bank has an option to redeem the bonds on 28 May 2015. If they are not redeemed early, the interest rate of the bonds will remain 4.00% per annum for the next five years.
- (b) The interest rate per annum on the subordinated fixed rate bonds issued on 22 June 2006 is 4.12%. The Bank has an option to redeem the bonds on 22 June 2016. If they are not redeemed early, the interest rate of the bonds will increase to 7.12% per annum for the next five years.
- (c) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.30%. The Bank has an option to redeem the bonds on 28 May 2020. If they are not redeemed early, the interest rate of the bonds will remain 4.30% per annum for the next five years.
- (d) The interest rate per annum on the subordinated fixed rate bonds issued on 21 June 2012 is 5.15%. The Bank has an option to redeem the bonds on 21 June 2022. If they are not redeemed early, the interest rate of the bonds will remain 5.15% per annum for the next five years.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 40 Debt securities issued (continued)

- (iv) The carrying value of CIFH's subordinated bonds issued as at 30 June 2012 and 31 December 2011 represents:

|   | Note | 30 June<br>2012 | 31 December<br>2011 |
|---|------|-----------------|---------------------|
| Perpetual subordinated fixed rate notes                       | (a)  | —               | 1,582               |
| Subordinated floating rate notes<br>maturing in December 2017 | (b)  | 1,254           | 1,261               |
| Subordinated fixed rate notes<br>maturing in June 2020        | (c)  | 3,583           | 3,489               |
| <b>Total</b>  |      | <b>4,837</b>    | 6,332               |

- (a) On 31 May 2012, CBI exercised the call option and redeemed the subordinated notes at par value.
- (b) On 30 November 2007, CBI launched a USD 2 billion Medium Term Notes Programme ("the Programme"). Under the Programme, CBI, subject to compliance with all relevant laws, regulations and directives, may from time to time issue subordinated notes denominated in any currency agreed between CBI and the relevant dealers as defined.

Under the Programme, CBI issued subordinated floating rate notes with face value of USD 250 million on 11 December 2007. The interest rate per annum is the LIBOR for three-month US dollar deposits plus an interest margin of 1.75%. The notes are listed on the SGX-ST and mature on 12 December 2017.

- (c) Subordinated notes with an interest rate of 6.875% per annum and with face value of USD 500 million were issued on 24 June 2010 by CBI. The notes are listed on SGX-ST and mature on 24 June 2020.

### 41 Other liabilities

|   | The Group       |                     | The Bank        |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Settlement accounts                       | 1,344           | 1,169               | 1,319           | 1,169               |
| Dormant accounts                          | 170             | 169                 | 170             | 169                 |
| Payment and collection clearance accounts | 249             | 444                 | 249             | 444                 |
| Government bonds redemption payable       | 195             | 61                  | 195             | 61                  |
| Others                                    | 10,164          | 3,173               | 9,433           | 2,370               |
| <b>Total</b>                              | <b>12,122</b>   | 5,016               | <b>11,366</b>   | 4,213               |

### 42 Share capital

#### Structure of share capital

|              | The Group and the Bank |                     |
|--------------|------------------------|---------------------|
|              | 30 June<br>2012        | 31 December<br>2011 |
| A-Share      | 31,905                 | 31,905              |
| H-Share      | 14,882                 | 14,882              |
| <b>Total</b> | <b>46,787</b>          | 46,787              |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 42 Share capital (continued)

#### Movement of share capital

|                           | The Group and the Bank        |                             |
|---------------------------|-------------------------------|-----------------------------|
|                           | Six months ended 30 June 2012 | Year ended 31 December 2011 |
| As at 1 January           | 46,787                        | 39,033                      |
| Rights Issue              | —                             | 7,754                       |
| — A share                 | —                             | 5,274                       |
| — H share                 | —                             | 2,480                       |
| As at 30 June/31 December | 46,787                        | 46,787                      |

The Bank issued 5,274 million A shares and 2,480 million H shares with a par value of RMB 1 each in Rights Issue during 2011. KPMG Huazhen verified the share capital received and issued verification reports KPMG-A(2011)CR No.0013 and KPMG-A(2011)CR No.0017 on 7 July 2011 and 29 July 2011 respectively.

### 43 Share premium and other reserve

#### Structure of Reserve

|               | Note | The Group    |                  | The Bank     |                  |
|---------------|------|--------------|------------------|--------------|------------------|
|               |      | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Share premium | (i)  | 49,214       | 49,214           | 51,619       | 51,619           |
| Other reserve |      | 277          | 277              | —            | —                |
| Total         |      | 49,491       | 49,491           | 51,619       | 51,619           |

(i) Share premium arises from the share prices in excess of their par value.

Movements of share premium during the period/year were as follows:

|                                  | The Group                     |                             | The Bank                      |                             |
|----------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
|                                  | Six months ended 30 June 2012 | Year ended 31 December 2011 | Six months ended 30 June 2012 | Year ended 31 December 2011 |
| As at 1 January                  | 49,214                        | 31,301                      | 51,619                        | 33,706                      |
| Gross proceeds upon Rights Issue | —                             | 25,786                      | —                             | 25,786                      |
| Less: Par value                  | —                             | (7,754)                     | —                             | (7,754)                     |
| Issuing costs                    | —                             | (119)                       | —                             | (119)                       |
| As at 30 June/31 December        | 49,214                        | 49,214                      | 51,619                        | 51,619                      |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 44 Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and is dealt with in accordance with the Group accounting policies.

|   | The Group                     |                             | The Bank                      |                             |
|---|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
|   | Six months ended 30 June 2012 | Year ended 31 December 2011 | Six months ended 30 June 2012 | Year ended 31 December 2011 |
| As at 1 January   | 214                           | (632)                       | 428                           | (451)                       |
| Changes in fair value of available-for-sale financial assets during the period/year | 1,010                         | 866                         | 813                           | 1,084                       |
| Net amount transferred to profit or loss  | (26)                          | 263                         | (34)                          | 88                          |
| Less: Tax effect  | (228)                         | (283)                       | (195)                         | (293)                       |
| As at 30 June/31 December   | 970                           | 214                         | 1,012                         | 428                         |

### 45 Surplus reserve

#### Movement of surplus reserve

|                           | The Group and the Bank        |                             |
|---------------------------|-------------------------------|-----------------------------|
|                           | Six months ended 30 June 2012 | Year ended 31 December 2011 |
| As at 1 January           | 8,691                         | 5,618                       |
| Appropriations            | —                             | 3,073                       |
| As at 30 June/31 December | 8,691                         | 8,691                       |

Under relevant PRC Laws, the Bank and the Group's subsidiaries in Mainland China are required to appropriate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF (collectively "PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders at the Annual General Meeting.

Subject to the approval of shareholders, statutory and discretionary surplus reserves may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

### 46 General reserve

|                           | The Group                     |                             | The Bank                      |                             |
|---------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
|                           | Six months ended 30 June 2012 | Year ended 31 December 2011 | Six months ended 30 June 2012 | Year ended 31 December 2011 |
| As at 1 January           | 20,825                        | 15,698                      | 20,750                        | 15,650                      |
| Appropriations            | —                             | 5,127                       | —                             | 5,100                       |
| As at 30 June/31 December | 20,825                        | 20,825                      | 20,750                        | 20,750                      |

Pursuant to relevant MOF notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. Effective from 1 July 2012, the minimum general reserve balance should increase to 1.5% of the ending balance of gross risk-bearing assets with a transition period of five years.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 47 Profit appropriations

In accordance with the resolution approved in the Annual General Meeting of the Bank on 30 May 2012, a total amount of approximately RMB 6,784 million (RMB 145 cents per 10 shares) were distributed in the form of cash dividend to the Bank's shareholders on 25 July 2012.

### 48 Notes to consolidated cash flow statement

#### Cash and cash equivalents

##### The Group

|  | <b>30 June<br/>2012</b> | 30 June<br>2011 |
|--|-------------------------|-----------------|
| Cash   | <b>5,785</b>            | 4,297           |
| Surplus deposit reserve funds  | <b>40,968</b>           | 41,987          |
| Deposits with banks and non-bank financial institutions<br>due within three months when acquired   | <b>266,109</b>          | 60,300          |
| Placements with banks and non-bank financial<br>institutions due within three months when acquired | <b>37,413</b>           | 33,146          |
| Investment securities due within three months when acquired  | <b>17,159</b>           | 24,330          |
| Subtotal   | <b>361,649</b>          | 159,763         |
| Total  | <b>367,434</b>          | 164,060         |

### 49 Commitments and contingent liabilities

#### (a) Credit commitments

Credit commitments take the form of loan commitments, credit card limits, financial guarantees and letters of credit.

Loan commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully advanced. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

|  | <b>The Group</b>        |                     | <b>The Bank</b>         |                     |
|--|-------------------------|---------------------|-------------------------|---------------------|
|  | <b>30 June<br/>2012</b> | 31 December<br>2011 | <b>30 June<br/>2012</b> | 31 December<br>2011 |
| <b>Contractual amount</b>                            |                         |                     |                         |                     |
| Loan commitments                                     |                         |                     |                         |                     |
| — with an original maturity of<br>within one year    | <b>92,575</b>           | 79,634              | <b>61,957</b>           | 54,376              |
| — with an original maturity of<br>one year or beyond | <b>17,571</b>           | 15,584              | <b>15,287</b>           | 12,616              |
| Subtotal   | <b>110,146</b>          | 95,218              | <b>77,244</b>           | 66,992              |
| Guarantees   | <b>76,786</b>           | 64,534              | <b>75,636</b>           | 63,852              |
| Letters of credit                                    | <b>247,871</b>          | 244,312             | <b>244,064</b>          | 239,779             |
| Acceptances  | <b>617,074</b>          | 503,666             | <b>615,241</b>          | 501,746             |
| Credit card commitments                              | <b>65,227</b>           | 60,937              | <b>59,681</b>           | 55,543              |
| Total  | <b>1,117,104</b>        | 968,667             | <b>1,071,866</b>        | 927,912             |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 49 Commitments and contingent liabilities (continued)

#### (b) Credit risk weighted amount

|   | The Group       |                     | The Bank        |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Credit risk weighted amount of credit commitments | 427,671         | 375,757             | 423,566         | 371,066             |

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 100%. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

There are no relevant standards prescribed in IFRS with regard to the calculation of the above credit risk weighted amounts.

#### (c) Capital commitments

The Group and the Bank had the following authorised capital commitments at the balance sheet date:

|                                     | The Group       |                     | The Bank        |                     |
|-------------------------------------|-----------------|---------------------|-----------------|---------------------|
|                                     | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| — Contracted for                    | 637             | 750                 | 613             | 728                 |
| — Authorized but not contracted for | 97              | 688                 | 91              | 687                 |

#### (d) Operating lease commitments

The Group leases certain properties and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. At the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases were as follows:

|   | The Group       |                     | The Bank        |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Within one year                         | 1,673           | 1,409               | 1,521           | 1,264               |
| After one year but within two years     | 1,514           | 1,294               | 1,380           | 1,154               |
| After two years but within three years  | 1,325           | 1,204               | 1,206           | 1,095               |
| After three years but within five years | 1,830           | 1,772               | 1,665           | 1,598               |
| After five years                        | 2,041           | 2,581               | 1,914           | 2,438               |
| Total                                   | 8,383           | 8,260               | 7,686           | 7,549               |

#### (e) Outstanding litigations and disputes

As at 30 June 2012, the Group was the defendant in certain pending litigations with gross claims of RMB 276 million (as at 31 December 2011: RMB 242 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB 36 million (as at 31 December 2011: RMB 36 million). The Group believes that these accruals are reasonable and adequate.

#### (f) Securities underwriting obligations

The Group has no underwriting commitments of securities as at 30 June 2012 and 31 December 2011.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 49 Commitments and contingent liabilities (continued)

#### (g) Bonds redemption obligations

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

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the reporting date:

|                              | The Group and the Bank |                     |
|------------------------------|------------------------|---------------------|
|                              | 30 June<br>2012        | 31 December<br>2011 |
| Bonds redemption obligations | 4,647                  | 5,465               |

The Group estimates that the possibility of redemption before maturity is remote.

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

The Group has assessed and has made provision (Note 39) for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the reporting date in accordance with its accounting policies.

### 50 Pledged assets

#### (a) Financial assets pledged as collaterals

The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities at the reporting date are disclosed as below.

|                  | The Group       |                     | The Bank        |                     |
|------------------|-----------------|---------------------|-----------------|---------------------|
|                  | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Discounted bills | 271             | 606                 | 271             | 606                 |
| Debt securities  | 5,154           | 10,961              | 4,817           | 10,961              |
| Others           | 70              | 70                  | —               | —                   |
| Total            | 5,495           | 11,637              | 5,088           | 11,567              |

#### (b) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 30 June 2012 and 31 December 2011, the Group did not hold any collateral under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions.



## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 51 Transactions on behalf of customers

#### (a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals. All entrusted loans are made under the instruction or at the direction of these entities or individuals and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group generally does not take on credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the instruction of the entrustor and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the statement of financial position. Surplus funding is accounted for as deposits from customers. Income received and receivable for providing these services is included in the statement of comprehensive income as fee income.

At the reporting date, the entrusted assets and liabilities were as follows:

|                 | The Group and the Bank |                     |
|-----------------|------------------------|---------------------|
|                 | 30 June<br>2012        | 31 December<br>2011 |
| Entrusted loans | 121,970                | 108,556             |
| Entrusted funds | 121,970                | 108,556             |

#### (b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including government bonds, PBOC bills, notes issued by policy banks, short-dated corporate notes, entrusted loans, corporate loans and IPO shares. The credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers who invest in these products. The Group only earns commission which represents the charges on customers in relation to the provision of custody, sales and management services. The income is recognised in the statement of comprehensive income as commission income.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised on the statement of financial position. The funds obtained from wealth management services that have not yet been invested are recorded under deposits from customers.

At the reporting date, the assets and liabilities under wealth management services were as follows:

|  | The Group       |                     | The Bank        |                     |
|--|-----------------|---------------------|-----------------|---------------------|
|  | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Investments under wealth management services | 183,975         | 137,903             | 116,194         | 72,665              |
| Funds from wealth management services        | 183,975         | 137,903             | 116,194         | 72,665              |

Amongst the above funds from wealth management service, RMB 19,372 million was entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 30 June 2012 (as at 31 December 2011: RMB 24,747 million).

## Notes to the Unaudited Interim Financial Report

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### 52 Segment reporting

Measurement of segment assets and liabilities, and segment income and expense is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Deferred tax assets and deferred tax liabilities are not included in Segment assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the reporting period to acquire fixed assets and intangible assets.

#### (a) Business segments

The Group comprises the following main business segments for management purpose:

##### *Corporate banking*

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services.

##### *Personal banking*

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit services and securities agency services.

##### *Treasury business*

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

##### *Others and unallocated*

These represent the non-banking business of the Group's subsidiary, CIFH and CIFL, the assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

Changes in disclosure of segment results and assets and liabilities in 2012

The Group has further strengthened the centralized operations management and optimized the resource allocation at Group level during the reporting period, and assessed and managed CIFH's segment results and assets and liabilities based on four main business segments, i.e Corporate banking, Personal banking, Treasury business as well as Others and unallocated, and thus changed the disclosure of business segment accordingly. Compared to the old method where CIFH's information has been separately disclosed as the "oversea subsidiaries" segment, the new method better reflect the results contribution and resource consumption of the four business segments in the whole Group, and is more conducive to the Group's strategic management and decision-making of business operations.

The 2011 comparative figures have not been restated as it is impractical. Segment information as at 30 June 2012 has been presented using both the new and old methods.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 52 Segment reporting (continued)

#### (a) Business segments (continued)

The segment information as at 30 June 2012 has been presented using the new method as below:

|   | Six months ended 30 June 2012 |                  |                   |                        | Total         |
|---|-------------------------------|------------------|-------------------|------------------------|---------------|
|   | Corporate Banking             | Personal Banking | Treasury Business | Others and Unallocated |               |
| External net interest income              | 21,492                        | 5,056            | 10,361            | 20                     | 36,929        |
| Internal net interest income/(expense)    | 8,408                         | (288)            | (7,865)           | (255)                  | —             |
| <b>Net interest income/(expense)</b>      | <b>29,900</b>                 | <b>4,768</b>     | <b>2,496</b>      | <b>(235)</b>           | <b>36,929</b> |
| Net fee and commission income             | 3,427                         | 1,900            | 75                | 3                      | 5,405         |
| Other net income (note 1)                 | 398                           | 60               | 1,249             | 202                    | 1,909         |
| <b>Operating income/(expense)</b>         | <b>33,725</b>                 | <b>6,728</b>     | <b>3,820</b>      | <b>(30)</b>            | <b>44,243</b> |
| Operating expenses                        |                               |                  |                   |                        |               |
| — depreciation and amortization           | (376)                         | (316)            | (35)              | (43)                   | (770)         |
| — others                                  | (9,798)                       | (4,911)          | (204)             | (175)                  | (15,088)      |
| Impairment (losses)/reversal              | (2,337)                       | (208)            | 35                | (14)                   | (2,524)       |
| Revaluation gain on investment properties | —                             | —                | —                 | 35                     | 35            |
| Share of losses of associates             | —                             | —                | —                 | (20)                   | (20)          |
| <b>Profit/(loss) before tax</b>           | <b>21,214</b>                 | <b>1,293</b>     | <b>3,616</b>      | <b>(247)</b>           | <b>25,876</b> |
| <b>Capital expenditure</b>                | <b>341</b>                    | <b>268</b>       | <b>29</b>         | <b>14</b>              | <b>652</b>    |

|                                      | 30 June 2012      |                  |                   |                        | Total            |
|--------------------------------------|-------------------|------------------|-------------------|------------------------|------------------|
|                                      | Corporate Banking | Personal Banking | Treasury Business | Others and Unallocated |                  |
| <b>Segment assets</b>                | <b>2,182,795</b>  | <b>363,136</b>   | <b>371,481</b>    | <b>(6,061)</b>         | <b>2,911,351</b> |
| Investment in associates             |                   |                  |                   |                        | 2,210            |
| Deferred tax assets                  |                   |                  |                   |                        | 2,804            |
| <b>Total asset</b>                   |                   |                  |                   |                        | <b>2,916,365</b> |
| <b>Segment liabilities</b>           | <b>2,250,277</b>  | <b>385,361</b>   | <b>102,207</b>    | <b>(13,960)</b>        | <b>2,723,885</b> |
| Deferred tax liabilities             |                   |                  |                   |                        | —                |
| <b>Total liabilities</b>             |                   |                  |                   |                        | <b>2,723,885</b> |
| Off-balance sheet credit commitments | 1,051,877         | 65,227           | —                 | —                      | 1,117,104        |

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(Expressed in millions of Renminbi unless otherwise stated)

### 52 Segment reporting (continued)

#### (a) Business segments (continued)

The segment information as at 30 June 2012 has been presented using the old method as below:

|   | Six months ended 30 June 2012 |                  |                   |                       |                        | Total         |
|---|-------------------------------|------------------|-------------------|-----------------------|------------------------|---------------|
|   | Corporate Banking             | Personal Banking | Treasury Business | Overseas subsidiaries | Others and Unallocated |               |
| External net interest income              | 20,850                        | 5,069            | 10,116            | 894                   | —                      | 36,929        |
| Internal net interest income/(expense)    | 8,340                         | (658)            | (7,417)           | —                     | (265)                  | —             |
| <b>Net interest income/(expense)</b>      | <b>29,190</b>                 | <b>4,411</b>     | <b>2,699</b>      | <b>894</b>            | <b>(265)</b>           | <b>36,929</b> |
| Net fee and commission income             | 3,307                         | 1,746            | 80                | 272                   | —                      | 5,405         |
| Other net income (note 1)                 | 408                           | 15               | 960               | 415                   | 111                    | 1,909         |
| <b>Operating income/(expense)</b>         | <b>32,905</b>                 | <b>6,172</b>     | <b>3,739</b>      | <b>1,581</b>          | <b>(154)</b>           | <b>44,243</b> |
| Operating expenses                        |                               |                  |                   |                       |                        |               |
| — depreciation and amortization           | (360)                         | (304)            | (34)              | (72)                  | —                      | (770)         |
| — others                                  | (9,570)                       | (4,638)          | (151)             | (688)                 | (41)                   | (15,088)      |
| Impairment (losses)/reversal              | (2,328)                       | (210)            | 35                | (6)                   | (15)                   | (2,524)       |
| Revaluation gain on investment properties | —                             | —                | —                 | 35                    | —                      | 35            |
| Share of losses of associates             | —                             | —                | —                 | (20)                  | —                      | (20)          |
| <b>Profit/(loss) before tax</b>           | <b>20,647</b>                 | <b>1,020</b>     | <b>3,589</b>      | <b>830</b>            | <b>(210)</b>           | <b>25,876</b> |
| <b>Capital expenditure</b>                | <b>324</b>                    | <b>246</b>       | <b>28</b>         | <b>54</b>             | <b>—</b>               | <b>652</b>    |

|                                      | 30 June 2012      |                  |                   |                       |                        | Total            |
|--------------------------------------|-------------------|------------------|-------------------|-----------------------|------------------------|------------------|
|                                      | Corporate Banking | Personal Banking | Treasury Business | Overseas subsidiaries | Others and Unallocated |                  |
| <b>Segment assets</b>                | <b>2,113,949</b>  | <b>334,746</b>   | <b>326,930</b>    | <b>130,455</b>        | <b>5,271</b>           | <b>2,911,351</b> |
| Investment in associates             | —                 | —                | —                 | 2,210                 | —                      | 2,210            |
| Deferred tax assets                  |                   |                  |                   |                       |                        | 2,804            |
| <b>Total asset</b>                   |                   |                  |                   |                       |                        | <b>2,916,365</b> |
| <b>Segment liabilities</b>           | <b>2,180,852</b>  | <b>332,984</b>   | <b>84,425</b>     | <b>125,293</b>        | <b>331</b>             | <b>2,723,885</b> |
| Deferred tax liabilities             |                   |                  |                   |                       |                        | —                |
| <b>Total liabilities</b>             |                   |                  |                   |                       |                        | <b>2,723,885</b> |
| Off-balance sheet credit commitments | 1,012,185         | 59,681           | —                 | 45,238                | —                      | 1,117,104        |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 52 Segment reporting (continued)

#### (a) Business segments (continued)

|   | Six months ended 30 June 2011 |                  |                   |                       |                        | Total         |
|---|-------------------------------|------------------|-------------------|-----------------------|------------------------|---------------|
|   | Corporate Banking             | Personal Banking | Treasury Business | Overseas subsidiaries | Others and Unallocated |               |
| External net interest income/(expense)    | 18,049                        | 3,753            | 7,342             | 743                   | (81)                   | 29,806        |
| Internal net interest income/(expense)    | 5,144                         | 276              | (5,063)           | 13                    | (370)                  | —             |
| <b>Net interest income/(expense)</b>      | <b>23,193</b>                 | <b>4,029</b>     | <b>2,279</b>      | <b>756</b>            | <b>(451)</b>           | <b>29,806</b> |
| Net fee and commission income             | 2,400                         | 1,172            | 75                | 221                   | 30                     | 3,898         |
| Other net income (note 1)                 | 371                           | 9                | 464               | 559                   | 228                    | 1,631         |
| <b>Operating income/(expense)</b>         | <b>25,964</b>                 | <b>5,210</b>     | <b>2,818</b>      | <b>1,536</b>          | <b>(193)</b>           | <b>35,335</b> |
| Operating expenses                        |                               |                  |                   |                       |                        |               |
| — depreciation and amortization           | (320)                         | (257)            | (35)              | (34)                  | (3)                    | (649)         |
| — others                                  | (7,869)                       | (3,794)          | (121)             | (635)                 | (91)                   | (12,510)      |
| Impairment (losses)/reversal              | (1,634)                       | (344)            | —                 | 61                    | (12)                   | (1,929)       |
| Revaluation gain on investment properties | —                             | —                | —                 | 29                    | —                      | 29            |
| Share of profits of associates            | —                             | —                | —                 | 50                    | —                      | 50            |
| <b>Profit/(loss) before tax</b>           | <b>16,141</b>                 | <b>815</b>       | <b>2,662</b>      | <b>1,007</b>          | <b>(299)</b>           | <b>20,326</b> |
| <b>Capital expenditure</b>                | <b>527</b>                    | <b>438</b>       | <b>48</b>         | <b>73</b>             | <b>3</b>               | <b>1,089</b>  |

|                                      | 31 December 2011  |                  |                   |                       |                        | Total            |
|--------------------------------------|-------------------|------------------|-------------------|-----------------------|------------------------|------------------|
|                                      | Corporate Banking | Personal Banking | Treasury Business | Overseas subsidiaries | Others and Unallocated |                  |
| <b>Segment assets</b>                | <b>1,460,870</b>  | <b>310,607</b>   | <b>848,186</b>    | <b>135,347</b>        | <b>5,688</b>           | <b>2,760,698</b> |
| Investment in associates             | —                 | —                | —                 | 2,212                 | —                      | 2,212            |
| Deferred tax assets                  |                   |                  |                   |                       |                        | 2,971            |
| <b>Total asset</b>                   |                   |                  |                   |                       |                        | <b>2,765,881</b> |
| <b>Segment liabilities</b>           | <b>2,089,057</b>  | <b>312,222</b>   | <b>44,867</b>     | <b>124,995</b>        | <b>15,959</b>          | <b>2,587,100</b> |
| Deferred tax liabilities             |                   |                  |                   |                       |                        | —                |
| <b>Total liabilities</b>             |                   |                  |                   |                       |                        | <b>2,587,100</b> |
| Off-balance sheet credit commitments | 872,369           | 55,543           | —                 | 40,755                | —                      | 968,667          |

Note 1: Other net income consists of net trading gain, net gain from investment securities, net hedging loss and other operating income.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 52 Segment reporting (continued)

#### (b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 28 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are registered and operating in Hong Kong. Another subsidiary, Lin'an Rural Bank is registered in Mainland China.

In presenting information by geographical segment, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

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

- “Yangtze River Delta” refers to the following areas where tier-1 branches of the Bank are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank;
- “Pearl River Delta and West Strait” refers to the following areas where tier-1 branches of the Bank are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen and Haikou;
- “Bohai Rim” refers to the following areas where tier-1 branches of the Bank are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan;
- “Central” region refers to the following areas where tier-1 branches of the Bank are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;
- “Western” region refers to the following areas where tier-1 branches of the Bank are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang and Lanzhou;
- “Northeastern” region refers to the following areas where tier-1 branch of the Bank is located: Shenyang, Changchun and Harbin;
- “Head Office” refers to the headquarter of the Bank, the Auto Financial Services, the Private Banking and the Credit Card Center; and
- “Hong Kong” includes all the operations of CIFL, CIFH and its subsidiaries.

|   | Six months ended 30 June 2012 |                       |              |              |              |              |              |              |             |               |
|---|-------------------------------|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|---------------|
|   | Pearl River                   |                       | Bohai Rim    | Central      | Western      | Northeastern | Head Office  | Hong Kong    | Elimination | Total         |
|   | Yangtze River Delta           | Delta and West Strait |              |              |              |              |              |              |             |               |
| External net interest income              | 7,197                         | 3,984                 | 6,025        | 4,005        | 4,233        | 1,226        | 9,359        | 900          | —           | 36,929        |
| Internal net interest income/(expense)    | 1,847                         | 980                   | 2,123        | 977          | 215          | (46)         | (6,090)      | (6)          | —           | —             |
| <b>Net interest income</b>                | <b>9,044</b>                  | <b>4,964</b>          | <b>8,148</b> | <b>4,982</b> | <b>4,448</b> | <b>1,180</b> | <b>3,269</b> | <b>894</b>   | <b>—</b>    | <b>36,929</b> |
| Net fee and commission income             | 1,176                         | 410                   | 1,050        | 511          | 448          | 126          | 1,412        | 272          | —           | 5,405         |
| Other net income (note 1)                 | 250                           | 105                   | 276          | 52           | 43           | 27           | 741          | 415          | —           | 1,909         |
| <b>Operating income</b>                   | <b>10,470</b>                 | <b>5,479</b>          | <b>9,474</b> | <b>5,545</b> | <b>4,939</b> | <b>1,333</b> | <b>5,422</b> | <b>1,581</b> | <b>—</b>    | <b>44,243</b> |
| Operating expenses                        |                               |                       |              |              |              |              |              |              |             |               |
| — depreciation and amortization           | (142)                         | (77)                  | (142)        | (81)         | (78)         | (22)         | (156)        | (72)         | —           | (770)         |
| — others                                  | (3,788)                       | (2,035)               | (3,238)      | (2,055)      | (1,759)      | (424)        | (1,101)      | (688)        | —           | (15,088)      |
| Impairment (losses)/reversal              | (924)                         | (807)                 | (32)         | (500)        | (270)        | (130)        | 145          | (6)          | —           | (2,524)       |
| Revaluation gain on investment properties | —                             | —                     | —            | —            | —            | —            | —            | 35           | —           | 35            |
| Share of losses of associates             | —                             | —                     | —            | —            | —            | —            | —            | (20)         | —           | (20)          |
| <b>Profit before tax</b>                  | <b>5,616</b>                  | <b>2,560</b>          | <b>6,062</b> | <b>2,909</b> | <b>2,832</b> | <b>757</b>   | <b>4,310</b> | <b>830</b>   | <b>—</b>    | <b>25,876</b> |
| Capital expenditure                       | 62                            | 21                    | 45           | 54           | 300          | 7            | 117          | 46           | —           | 652           |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 52 Segment reporting (continued)

#### (b) Geographical segments (continued)

|                                      | 30 June 2012        |                                   |           |         |         |              |             |           |             | Total            |
|--------------------------------------|---------------------|-----------------------------------|-----------|---------|---------|--------------|-------------|-----------|-------------|------------------|
|                                      | Yangtze River Delta | Pearl River Delta and West Strait | Bohai Rim | Central | Western | Northeastern | Head Office | Hong Kong | Elimination |                  |
| <b>Segment assets</b>                | 695,799             | 426,563                           | 700,690   | 358,857 | 405,914 | 79,424       | 974,216     | 139,938   | (870,050)   | 2,911,351        |
| Interests in associates              | —                   | —                                 | —         | —       | —       | —            | —           | 2,210     | —           | 2,210            |
| Deferred tax assets                  | —                   | —                                 | —         | —       | —       | —            | —           | —         | —           | 2,804            |
| <b>Total assets</b>                  |                     |                                   |           |         |         |              |             |           |             | <b>2,916,365</b> |
| <b>Segment liabilities</b>           | 688,137             | 421,844                           | 692,964   | 354,887 | 401,545 | 78,087       | 829,682     | 126,866   | (870,127)   | 2,723,885        |
| Deferred tax liabilities             | —                   | —                                 | —         | —       | —       | —            | —           | —         | —           | —                |
| <b>Total liabilities</b>             |                     |                                   |           |         |         |              |             |           |             | <b>2,723,885</b> |
| Off-balance sheet credit commitments | 318,423             | 133,106                           | 249,865   | 171,660 | 106,508 | 32,623       | 59,681      | 45,238    | —           | 1,117,104        |

|   | Six months ended 30 June 2011 |                                   |           |         |         |              |             |           |             | Total    |
|---|-------------------------------|-----------------------------------|-----------|---------|---------|--------------|-------------|-----------|-------------|----------|
|   | Yangtze River Delta           | Pearl River Delta and West Strait | Bohai Rim | Central | Western | Northeastern | Head Office | Hong Kong | Elimination |          |
| External net interest income              | 6,805                         | 3,562                             | 5,173     | 3,365   | 3,223   | 869          | 6,057       | 752       | —           | 29,806   |
| Internal net interest income/(expense)    | 775                           | 750                               | 1,471     | 537     | 90      | 14           | (3,648)     | 11        | —           | —        |
| Net interest income                       | 7,580                         | 4,312                             | 6,644     | 3,902   | 3,313   | 883          | 2,409       | 763       | —           | 29,806   |
| Net fee and commission income             | 836                           | 439                               | 801       | 390     | 333     | 96           | 779         | 224       | —           | 3,898    |
| Other net income (note 1)                 | 234                           | 123                               | 240       | 55      | 33      | 14           | 299         | 633       | —           | 1,631    |
| <b>Operating income</b>                   | 8,650                         | 4,874                             | 7,685     | 4,347   | 3,679   | 993          | 3,487       | 1,620     | —           | 35,335   |
| Operating expenses                        |                               |                                   |           |         |         |              |             |           |             |          |
| — depreciation and amortization           | (134)                         | (68)                              | (123)     | (63)    | (66)    | (18)         | (142)       | (35)      | —           | (649)    |
| — others                                  | (2,992)                       | (1,705)                           | (2,444)   | (1,460) | (1,338) | (350)        | (1,517)     | (704)     | —           | (12,510) |
| Impairment (losses)/reversal              | (622)                         | (318)                             | 195       | (499)   | (468)   | (96)         | (182)       | 61        | —           | (1,929)  |
| Revaluation gain on investment properties | —                             | —                                 | —         | —       | —       | —            | —           | 29        | —           | 29       |
| Share of profits of associates            | —                             | —                                 | —         | —       | —       | —            | —           | 50        | —           | 50       |
| <b>Profit before tax</b>                  | 4,902                         | 2,783                             | 5,313     | 2,325   | 1,807   | 529          | 1,646       | 1,021     | —           | 20,326   |
| <b>Capital expenditure</b>                | 207                           | 111                               | 240       | 136     | 142     | 55           | 124         | 74        | —           | 1,089    |

|                                     | 31 December 2011    |                                   |           |         |         |              |             |           |             | Total            |
|-------------------------------------|---------------------|-----------------------------------|-----------|---------|---------|--------------|-------------|-----------|-------------|------------------|
|                                     | Yangtze River Delta | Pearl River Delta and West Strait | Bohai Rim | Central | Western | Northeastern | Head Office | Hong Kong | Elimination |                  |
| <b>Segment assets</b>               | 641,067             | 407,317                           | 740,810   | 337,367 | 314,148 | 69,579       | 855,864     | 139,763   | (745,217)   | 2,760,698        |
| Interests in associates             | —                   | —                                 | —         | —       | —       | —            | —           | 2,212     | —           | 2,212            |
| Deferred tax assets                 | —                   | —                                 | —         | —       | —       | —            | —           | —         | —           | 2,971            |
| <b>Total assets</b>                 |                     |                                   |           |         |         |              |             |           |             | <b>2,765,881</b> |
| <b>Segment liabilities</b>          | 629,878             | 401,011                           | 730,097   | 331,652 | 308,503 | 68,109       | 735,288     | 127,779   | (745,217)   | 2,587,100        |
| Deferred tax liabilities            | —                   | —                                 | —         | —       | —       | —            | —           | —         | —           | —                |
| <b>Total liabilities</b>            |                     |                                   |           |         |         |              |             |           |             | <b>2,587,100</b> |
| Off-balance sheet credit commitment | 265,912             | 111,062                           | 226,460   | 160,111 | 83,237  | 25,587       | 55,543      | 40,755    | —           | 968,667          |

Note 1: Other net income consists of net trading gain, net gain from investment securities, net hedging loss and other operating income.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- Credit risk: Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligations or commitments to the Group.
- Market risk: Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance-sheet or off-balance-sheet business in the Group.
- Liquidity risk: Liquidity risk arises when the Group, in meeting the customer's demand of liabilities due or the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.
- Operational risk: Operational risk arises from matters such as non-adherence to systems and procedures or from fraud resulting in financial or reputation loss.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

#### (a) Credit risk

This category includes credit and counterparty risks from loans and advances, issuer risks from the securities business, counterparty risks from trading activities, and country risks. The Group identifies and manages this risk through its target market definitions, credit approval process, post-disbursement monitoring and remedial management procedures. It arises primarily from credit business. In treasury business, credit risk represents impairment losses of asset value attributable to the Group resulting from lowering of ratings for issuers of debt securities.

##### *Credit business*

In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction.

The Group undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as individual problem loans, both actual and potential, on a regular basis.

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans and advances are classified as non-impaired and impaired based on the different risk level. When one or more event demonstrates there is objective evidence of impairment and causes losses, corresponding loans and advances are considered to be classified as impaired. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The Group applies a series of criteria in determining the classification of loans. The loan classification criteria focuses on a number of factors, including (i) the borrower's ability to repay the loan; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the net realizable value of any collateral; and (v) the prospect for the support from any financially responsible guarantor. The Group also takes into account the length of time for which payments of principal and interest on a loan are overdue.



## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

##### *Credit business (continued)*

The Group's retail credit policy and approval process are designed for the fact that there are large volumes of relatively homogeneous, small value transactions in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on the Group's strategy and statistical analyses of risks with respect to different products and types of customers. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

The risks involved in credit-related commitments and contingencies are essentially the same as the risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers' application for loans.

Concentration of credit risk exists when changes in geographic, economic or industrial factors similarly affect the Group's counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instruments is diversified along industry, geographic and product sectors.

##### *Treasury business*

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical area. The system closely monitors the credit exposure on a real-time basis, regularly reviews its credit limit policies and adjusts the credit limits, taken into accounts various factors including market condition at the time.

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

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

|   | The Group       |                     | The Bank        |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Balances with central banks                               | 373,259         | 361,419             | 371,938         | 360,510             |
| Deposits with bank and non-bank<br>financial institutions | 294,529         | 386,535             | 292,112         | 379,964             |
| Placements with banks and<br>non-bank financial           | 149,836         | 151,004             | 125,591         | 125,535             |
| Trading financial assets                                  | 15,528          | 8,188               | 15,440          | 7,899               |
| Positive fair value of derivatives                        | 4,931           | 4,683               | 2,977           | 3,002               |
| Financial assets held<br>under resale agreements          | 225,462         | 162,211             | 225,513         | 162,261             |
| Interest receivable                                       | 11,379          | 10,051              | 10,672          | 9,449               |
| Loans and advances to customers                           | 1,509,692       | 1,410,779           | 1,432,585       | 1,334,509           |
| Available-for-sale financial assets                       | 168,136         | 128,641             | 148,661         | 111,357             |
| Held-to-maturity investments                              | 127,401         | 108,468             | 127,653         | 108,720             |
| Other financial assets                                    | 5,390           | 3,811               | 5,239           | 3,286               |
| Subtotal  | 2,885,543       | 2,735,790           | 2,758,381       | 2,606,492           |
| Credit commitments  | 1,117,104       | 968,667             | 1,071,866       | 927,912             |
| Maximum credit risk exposure                              | 4,002,647       | 3,704,457           | 3,830,247       | 3,534,404           |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments and certificates of deposit are as follows:

#### The Group

|                                     | Note | 30 June 2012                    |  |   |   |
|-------------------------------------|------|---------------------------------|--|---|---|
|                                     |      | Loans and advances to customers | Due from banks and non-bank financial institutions | Financial assets held under resale agreements | Debt securities investments and certificates of deposit |
| <b>Impaired</b>                     |      |                                 |  |   |   |
| — Individually assessed             |      |                                 |  |   |   |
| Gross balance                       |      | 8,271                           | 30   | –   | 765   |
| Allowance for impairment            |      | (4,708)                         | (8)  | –   | (428)   |
| Net balance                         |      | 3,563                           | 22   | –   | 337   |
| — Collectively assessed             |      |                                 |  |   |   |
| Gross balance                       |      | 1,122                           | –  | –   | –   |
| Allowance for impairment            |      | (927)                           | –  | –   | –   |
| Net balance                         |      | 195                             | –  | –   | –   |
| <b>Overdue but not impaired</b>     | (1)  |                                 |  |   |   |
| Gross balance                       |      | 8,522                           | –  | –   | –   |
| Within which                        |      |                                 |  |   |   |
| – Less than 3 months                |      | 8,129                           | –  | –   | –   |
| – 3 months to 1 year                |      | 393                             | –  | –   | –   |
| – Over 1 year                       |      | –                               | –  | –   | –   |
| Allowance for impairment            |      | (377)                           | –  | –   | –   |
| Net balance                         |      | 8,145                           | –  | –   | –   |
| <b>Neither overdue nor impaired</b> |      |                                 |  |   |   |
| Gross balance                       |      | 1,517,437                       | 444,343  | 225,462                                       | 310,728   |
| Allowance for impairment            | (2)  | (19,648)                        | –  | –   | –   |
| Net balance                         |      | 1,497,789                       | 444,343  | 225,462                                       | 310,728   |
| <b>Net balance of total assets</b>  |      | 1,509,692                       | 444,365  | 225,462                                       | 311,065   |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(ii) *Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments and certificates of deposit are as follows: (continued)*

#### The Group (continued)

|                                     | Note | 31 December 2011                |  |   |   |
|-------------------------------------|------|---------------------------------|--|---|---|
|                                     |      | Loans and advances to customers | Due from banks and non-bank financial institutions | Financial assets held under resale agreements | Debt securities investments and certificates of deposit |
| <b>Impaired</b>                     |      |                                 |  |   |   |
| — Individually assessed             |      |                                 |  |   |   |
| Gross balance                       |      | 7,664                           | 30   | –   | 724   |
| Allowance for impairment            |      | (3,959)                         | (8)  | –   | (440)   |
| Net balance                         |      | 3,705                           | 22   | –   | 284   |
| — Collectively assessed             |      |                                 |  |   |   |
| Gross balance                       |      | 877                             | –  | –   | –   |
| Allowance for impairment            |      | (752)                           | –  | –   | –   |
| Net balance                         |      | 125                             | –  | –   | –   |
| <b>Overdue but not impaired</b> (1) |      |                                 |  |   |   |
| Gross balance                       |      | 4,815                           | –  | –   | –   |
| Within which                        |      |                                 |  |   |   |
| — Less than 3 months                |      | 4,551                           | –  | –   | –   |
| — 3 months to 1 year                |      | 264                             | –  | –   | –   |
| — Over 1 year                       |      | –                               | –  | –   | –   |
| Allowance for impairment            |      | (187)                           | –  | –   | –   |
| Net balance                         |      | 4,628                           | –  | –   | –   |
| <b>Neither overdue nor impaired</b> |      |                                 |  |   |   |
| Gross balance                       |      | 1,420,681                       | 537,517  | 162,211                                       | 245,013   |
| Allowance for impairment            | (2)  | (18,360)                        | –  | –   | –   |
| Net balance                         |      | 1,402,321                       | 537,517  | 162,211                                       | 245,013   |
| <b>Net balance of total assets</b>  |      | <b>1,410,779</b>                | <b>537,539</b>                                     | <b>162,211</b>                                | <b>245,297</b>  |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments and certificates of deposit are as follows: (continued)

#### The Bank

|                                     | Note | 30 June 2012                    |  |   |   |
|-------------------------------------|------|---------------------------------|--|---|---|
|                                     |      | Loans and advances to customers | Due from banks and non-bank financial institutions | Financial assets held under resale agreements | Debt securities investments and certificates of deposit |
| <b>Impaired</b>                     |      |                                 |  |   |   |
| — Individually assessed             |      |                                 |  |   |   |
| Gross balance                       |      | 7,901                           | 30   | —   | 390   |
| Allowance for impairment            |      | (4,549)                         | (8)  | —   | (283)   |
| Net balance                         |      | 3,352                           | 22   | —   | 107   |
| — Collectively assessed             |      |                                 |  |   |   |
| Gross balance                       |      | 1,092                           | —  | —   | —   |
| Allowance for impairment            |      | (926)                           | —  | —   | —   |
| Net balance                         |      | 166                             | —  | —   | —   |
| <b>Overdue but not impaired (1)</b> |      |                                 |  |   |   |
| Gross balance                       |      | 8,166                           | —  | —   | —   |
| Within which                        |      |                                 |  |   |   |
| — Less than 3 months                |      | 7,773                           | —  | —   | —   |
| — 3 months to 1 year                |      | 393                             | —  | —   | —   |
| — Over 1 year                       |      | —                               | —  | —   | —   |
| Allowance for impairment            |      | (372)                           | —  | —   | —   |
| Net balance                         |      | 7,794                           | —  | —   | —   |
| <b>Neither overdue nor impaired</b> |      |                                 |  |   |   |
| Gross balance                       |      | 1,440,667                       | 417,681  | 225,513                                       | 291,647   |
| Allowance for impairment (2)        |      | (19,394)                        | —  | —   | —   |
| Net balance                         |      | 1,421,273                       | 417,681  | 225,513                                       | 291,647   |
| <b>Net balance of total assets</b>  |      | <b>1,432,585</b>                | <b>417,703</b>                                     | <b>225,513</b>                                | <b>291,754</b>  |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(ii) *Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments and certificates of deposit are as follows: (continued)*

#### The Bank (continued)

|                                     | Note | 31 December 2011                |  |   |   |
|-------------------------------------|------|---------------------------------|--|---|---|
|                                     |      | Loans and advances to customers | Due from banks and non-bank financial institutions | Financial assets held under resale agreements | Debt securities investments and certificates of deposit |
| <b>Impaired</b>                     |      |                                 |  |   |   |
| — Individually assessed             |      |                                 |  |   |   |
| Gross balance                       |      | 7,110                           | 30   | —   | 405   |
| Allowance for impairment            |      | (3,800)                         | (8)  | —   | (296)   |
| Net balance                         |      | 3,310                           | 22   | —   | 109   |
| — Collectively assessed             |      |                                 |  |   |   |
| Gross balance                       |      | 863                             | —  | —   | —   |
| Allowance for impairment            |      | (752)                           | —  | —   | —   |
| Net balance                         |      | 111                             | —  | —   | —   |
| <b>Overdue but not impaired (1)</b> |      |                                 |  |   |   |
| Gross balance                       |      | 4,037                           | —  | —   | —   |
| Within which                        |      |                                 |  |   |   |
| — Less than 3 months                |      | 3,773                           | —  | —   | —   |
| — 3 months to 1 year                |      | 264                             | —  | —   | —   |
| — Over 1 year                       |      | —                               | —  | —   | —   |
| Allowance for impairment            |      | (182)                           | —  | —   | —   |
| Net balance                         |      | 3,855                           | —  | —   | —   |
| <b>Neither overdue nor impaired</b> |      |                                 |  |   |   |
| Gross balance                       |      | 1,345,317                       | 505,477  | 162,261                                       | 227,867   |
| Allowance for impairment (2)        |      | (18,084)                        | —  | —   | —   |
| Net balance                         |      | 1,327,233                       | 505,477  | 162,261                                       | 227,867   |
| <b>Net balance of total assets</b>  |      | <b>1,334,509</b>                | <b>505,499</b>                                     | <b>162,261</b>                                | <b>227,976</b>  |

Notes: (1) Collaterals and other credit enhancements for overdue but not impaired loans and advances

As at 30 June 2012, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB 2,489 million (as at 31 December 2011: RMB 673 million). The covered portion and uncovered portion of these loans and advances were RMB 931 million (as at 31 December 2011: RMB 476 million) and RMB 1,558 million (as at 31 December 2011: RMB 197 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 1,805 million (as at 31 December 2011: RMB 1,584 million).

As at 30 June 2012, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB 2,132 million (as at 31 December 2011: RMB 218 million). The covered portion and uncovered portion of these loans and advances were RMB 615 million (as at 31 December 2011: RMB 83 million) and RMB 1,517 million (as at 31 December 2011: RMB 135 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 949 million (as at 31 December 2011: RMB 104 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

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

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(iii) Loans and advances to customers analysed by economic sector concentrations:

|  | 30 June 2012  |       |   | 31 December 2011 |       |   |
|--|---------------|-------|---|------------------|-------|---|
|  | Gross balance | %     | Loans and advances secured by collaterals | Gross balance    | %     | Loans and advances secured by collaterals |
| Corporate loans  |               |       |   |                  |       |   |
| — Manufacturing  | 324,967       | 21.2  | 123,211                                   | 301,815          | 21.0  | 108,903                                   |
| — Wholesale and retail                                   | 194,593       | 12.7  | 111,081                                   | 177,121          | 12.4  | 98,792                                    |
| — Real estate  | 135,533       | 8.8   | 116,607                                   | 122,111          | 8.5   | 103,983                                   |
| — Transportation, storage and postal services            | 133,259       | 8.7   | 52,396                                    | 125,457          | 8.8   | 46,507                                    |
| — Production and supply of electric power, gas and water | 69,267        | 4.5   | 12,290                                    | 79,970           | 5.6   | 11,632                                    |
| — Construction   | 62,965        | 4.1   | 24,101                                    | 58,734           | 4.1   | 19,918                                    |
| — Water, environment and public utility management       | 62,397        | 4.1   | 27,490                                    | 70,181           | 4.9   | 29,174                                    |
| — Rent and business services                             | 53,748        | 3.5   | 29,164                                    | 50,495           | 3.5   | 26,697                                    |
| — Public management and social organizations             | 15,937        | 1.0   | 3,662                                     | 21,138           | 1.5   | 5,821                                     |
| — Others   | 112,813       | 7.3   | 33,056                                    | 109,367          | 7.6   | 34,078                                    |
| Subtotal   | 1,165,479     | 75.9  | 533,058                                   | 1,116,389        | 77.9  | 485,505                                   |
| Personal loans   | 293,050       | 19.1  | 237,617                                   | 268,197          | 18.7  | 226,213                                   |
| Discounted bills   | 76,823        | 5.0   | —   | 49,451           | 3.4   | —   |
| Gross loans and advances to customers                    | 1,535,352     | 100.0 | 770,675                                   | 1,434,037        | 100.0 | 711,718                                   |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(iii) Loans and advances to customers analysed by economic sector concentrations: (continued)

|  | The Bank      |       |   |                  |       |   |
|--|---------------|-------|---|------------------|-------|---|
|  | 30 June 2012  |       |   | 31 December 2011 |       |   |
|  | Gross balance | %     | Loans and advances secured by collaterals | Gross balance    | %     | Loans and advances secured by collaterals |
| Corporate loans  |               |       |   |                  |       |   |
| — Manufacturing  | 319,392       | 21.9  | 119,478                                   | 295,684          | 21.8  | 105,263                                   |
| — Wholesale and retail                                   | 187,134       | 12.8  | 104,985                                   | 171,650          | 12.6  | 94,427                                    |
| — Transportation, storage and postal services            | 131,213       | 9.0   | 51,093                                    | 123,333          | 9.1   | 44,835                                    |
| — Real estate  | 123,935       | 8.5   | 105,142                                   | 111,028          | 8.2   | 93,041                                    |
| — Production and supply of electric power, gas and water | 68,854        | 4.7   | 12,195                                    | 79,584           | 5.9   | 11,541                                    |
| — Construction   | 62,695        | 4.3   | 23,935                                    | 58,535           | 4.3   | 19,823                                    |
| — Water, environment and public utility management       | 62,397        | 4.3   | 27,490                                    | 70,181           | 5.2   | 29,174                                    |
| — Rent and business services                             | 53,580        | 3.7   | 29,125                                    | 50,376           | 3.7   | 26,677                                    |
| — Public management and social organizations             | 15,937        | 1.1   | 3,662                                     | 21,063           | 1.6   | 5,821                                     |
| — Others   | 81,507        | 5.6   | 27,064                                    | 76,694           | 5.6   | 25,318                                    |
| Subtotal   | 1,106,644     | 75.9  | 504,169                                   | 1,058,128        | 78.0  | 455,920                                   |
| Personal loans   | 278,552       | 19.1  | 223,771                                   | 253,867          | 18.7  | 212,483                                   |
| Discounted bills   | 72,630        | 5.0   | —   | 45,332           | 3.3   | —   |
| Gross loans and advances to customers                    | 1,457,826     | 100.0 | 727,940                                   | 1,357,327        | 100.0 | 668,403                                   |

Impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

#### The Group

|                      | 30 June 2012                |   |   |                                      |   |
|----------------------|-----------------------------|---|---|--------------------------------------|---|
|                      | Impaired loans and advances | Individually assessed impairment allowances | Collectively assessed impairment allowances | Impairment charged during the period | Impaired loan written off during the period |
| Manufacturing        | 3,132                       | 1,733                                       | 4,024                                       | 778                                  | (23)  |
| Wholesale and retail | 2,060                       | 1,060                                       | 2,465                                       | 572                                  | (11)  |
|                      | 31 December 2011            |   |   |                                      |   |
|                      | Impaired loans and advances | Individually assessed impairment allowances | Collectively assessed impairment allowances | Impairment charged during the year   | Impaired loan written off during the year   |
| Manufacturing        | 2,294                       | 1,469                                       | 3,537                                       | 672                                  | (446)                                       |
| Wholesale and retail | 1,393                       | 889   | 2,080                                       | 948                                  | (72)  |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(iii) *Loans and advances to customers analysed by economic sector concentrations: (continued)*

Impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows: (continued)

#### The Bank

|                      | 30 June 2012                |   |   |                                      | Impaired loan written off during the period |
|----------------------|-----------------------------|---|---|--------------------------------------|---|
|                      | Impaired loans and advances | Individually assessed impairment allowances | Collectively assessed impairment allowances | Impairment charged during the period |   |
| Manufacturing        | 3,030                       | 1,705                                       | 4,005                                       | 746                                  | –   |
| Wholesale and retail | 2,024                       | 1,056                                       | 2,431                                       | 564                                  | –   |

|                      | 31 December 2011            |   |   |                                    | Impaired loan written off during the year |
|----------------------|-----------------------------|---|---|------------------------------------|---|
|                      | Impaired loans and advances | Individually assessed impairment allowances | Collectively assessed impairment allowances | Impairment charged during the year |   |
| Manufacturing        | 2,216                       | 1,449                                       | 3,515                                       | 725                                | (411)                                     |
| Wholesale and retail | 1,368                       | 877   | 2,046                                       | 920                                | (28)                                      |

(iv) *Loans and advances to customers analysed by geographical sector risk concentrations:*

|                                   | The Group     |       |   |                  |       |   |
|-----------------------------------|---------------|-------|---|------------------|-------|---|
|                                   | 30 June 2012  |       |   | 31 December 2011 |       |   |
|                                   | Gross balance | %     | Loans and advances secured by collaterals | Gross balance    | %     | Loans and advances secured by collaterals |
| Yangtze River Delta               | 407,175       | 26.5  | 208,697                                   | 375,635          | 26.2  | 188,053                                   |
| Bohai Rim (including Head Office) | 404,221       | 26.3  | 176,591                                   | 379,024          | 26.4  | 167,580                                   |
| Pearl River Delta and West Strait | 206,894       | 13.5  | 116,175                                   | 196,103          | 13.7  | 107,572                                   |
| Central                           | 204,859       | 13.3  | 103,951                                   | 187,201          | 13.1  | 90,712                                    |
| Western                           | 189,803       | 12.4  | 96,164                                    | 176,879          | 12.3  | 90,767                                    |
| Northeastern                      | 48,796        | 3.2   | 29,556                                    | 46,425           | 3.2   | 27,146                                    |
| Outside Mainland                  |               |       |   |                  |       |   |
| China                             | 73,604        | 4.8   | 39,541                                    | 72,770           | 5.1   | 39,888                                    |
| Total                             | 1,535,352     | 100.0 | 770,675                                   | 1,434,037        | 100.0 | 711,718                                   |



## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(iv) Loans and advances to customers analysed by geographical sector risk concentrations: (continued)

|                                      | 30 June 2012     |              |  | 31 December 2011 |              |  |
|--------------------------------------|------------------|--------------|--|------------------|--------------|--|
|                                      | Gross<br>balance | %            | Loans and<br>advances<br>secured by<br>collaterals | Gross<br>balance | %            | Loans and<br>advances<br>secured by<br>collaterals |
|                                      |                  |              |  |                  |              |  |
| Yangtze River Delta                  | 405,127          | 27.8         | 207,028  | 373,731          | 27.5         | 186,321  |
| Bohai Rim (including<br>Head Office) | 403,323          | 27.7         | 175,848  | 378,142          | 27.9         | 166,831  |
| Pearl River Delta and<br>West Strait | 205,918          | 14.1         | 115,393  | 194,949          | 14.4         | 106,626  |
| Central                              | 204,859          | 14.1         | 103,951  | 187,201          | 13.8         | 90,712   |
| Western                              | 189,803          | 13.0         | 96,164   | 176,879          | 13.0         | 90,767   |
| Northeastern                         | 48,796           | 3.3          | 29,556   | 46,425           | 3.4          | 27,146   |
| <b>Total</b>                         | <b>1,457,826</b> | <b>100.0</b> | <b>727,940</b>                                     | <b>1,357,327</b> | <b>100.0</b> | <b>668,403</b>                                     |

Impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

#### The Group

|                                   | 30 June 2012                      |  |  |
|-----------------------------------|-----------------------------------|--|--|
|                                   | Impaired<br>loans and<br>advances | Individually<br>assessed<br>impairment<br>allowances | Collectively<br>assessed<br>impairment<br>allowances |
| Yangtze River Delta               | 2,495                             | 1,157  | 6,141  |
| Bohai Rim (including Head Office) | 2,334                             | 1,219  | 5,724  |
| Pearl River Delta and West Strait | 2,483                             | 1,396  | 2,834  |
| Central                           | 661                               | 225  | 2,977  |
| Western                           | 648                               | 294  | 2,362  |

|                                   | 31 December 2011                  |  |  |
|-----------------------------------|-----------------------------------|--|--|
|                                   | Impaired<br>loans and<br>advances | Individually<br>assessed<br>impairment<br>allowances | Collectively<br>assessed<br>impairment<br>allowances |
| Yangtze River Delta               | 2,191                             | 987  | 5,455  |
| Bohai Rim (including Head Office) | 2,208                             | 1,269  | 5,670  |
| Pearl River Delta and West Strait | 2,125                             | 865  | 2,574  |
| Central                           | 542                               | 168  | 2,552  |
| Western                           | 493                               | 302  | 2,163  |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(iv) *Loans and advances to customers analysed by geographical sector risk concentrations: (continued)*  
Impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows: (continued)

#### The Bank

|                                   | 30 June 2012                |   |   |
|-----------------------------------|-----------------------------|---|---|
|                                   | Impaired loans and advances | Individually assessed impairment allowances | Collectively assessed Impairment Allowances |
| Yangtze River Delta               | 2,477                       | 1,146                                       | 6,137                                       |
| Bohai Rim (including Head Office) | 2,290                       | 1,203                                       | 5,724                                       |
| Pearl River Delta and West Strait | 2,451                       | 1,396                                       | 2,834                                       |
| Central                           | 661                         | 225   | 2,977                                       |
| Western                           | 648                         | 294   | 2,362                                       |
|                                   |                             | 31 December 2011                            |   |
|                                   | Impaired loans and advances | Individually assessed impairment allowances | Collectively assessed Impairment Allowances |
| Yangtze River Delta               | 2,169                       | 976   | 5,454                                       |
| Bohai Rim (including Head Office) | 2,208                       | 1,269                                       | 5,670                                       |
| Pearl River Delta and West Strait | 2,079                       | 865   | 2,574                                       |
| Central                           | 542                         | 168   | 2,552                                       |
| Western                           | 493                         | 302   | 2,163                                       |

(v) *Loans and advances to customers analysed by types of collaterals*

|  | The Group    |                  | The Bank     |                  |
|--|--------------|------------------|--------------|------------------|
|  | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Unsecured loans                              | 314,565      | 329,615          | 305,406      | 318,333          |
| Guaranteed loans                             | 373,289      | 343,253          | 351,850      | 325,259          |
| Secured loans                                |              |                  |              |                  |
| — Tangible assets other than monetary assets | 562,431      | 523,632          | 527,348      | 487,902          |
| — Monetary assets                            | 208,244      | 188,086          | 200,592      | 180,501          |
| Subtotal                                     | 1,458,529    | 1,384,586        | 1,385,196    | 1,311,995        |
| Discounted bills                             | 76,823       | 49,451           | 72,630       | 45,332           |
| Gross loans and advances to customers        | 1,535,352    | 1,434,037        | 1,457,826    | 1,357,327        |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (a) Credit risk (continued)

(vi) Rescheduled loans and advances to customers

##### The Group

|   | 30 June 2012  |                               | 31 December 2011 |                               |
|---|---------------|-------------------------------|------------------|-------------------------------|
|   | Gross balance | % of total loans and advances | Gross balance    | % of total loans and advances |
| Rescheduled loans and advances                              | 3,617         | 0.24%                         | 3,184            | 0.22%                         |
| Less:   |               |                               |                  |                               |
| — rescheduled loans and advances overdue more than 3 months | 2,216         | 0.15%                         | 1,748            | 0.12%                         |
| Rescheduled loans and advances overdue less than 3 months   | 1,401         | 0.09%                         | 1,436            | 0.10%                         |

##### The Bank

|   | 30 June 2012  |                               | 31 December 2011 |                               |
|---|---------------|-------------------------------|------------------|-------------------------------|
|   | Gross balance | % of total loans and advances | Gross balance    | % of total loans and advances |
| Rescheduled loans and advances                              | 2,886         | 0.20%                         | 2,413            | 0.18%                         |
| Less:   |               |                               |                  |                               |
| — rescheduled loans and advances overdue more than 3 months | 2,051         | 0.14%                         | 1,716            | 0.13%                         |
| Rescheduled loans and advances overdue less than 3 months   | 835           | 0.06%                         | 697              | 0.05%                         |

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

#### (b) Market risk

Market risk refers to risks that may cause a loss of on-balance-sheet and off-balance-sheet business for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has constructed a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and quota management.

The Market Risk Committee is responsible for formulating the Group's market risk management policies and procedures and examining the access of product and risk exposure threshold of the Treasury and Capital Market Business. The Risk Management Department is responsible for the day-to-day management of market risks, including formulating procedures to identify, assess, measure and control market risks. The business departments are responsible for carrying out the various policies and procedures of market risk management and ensuring that risk levels are within the set limits.

The Group uses its sensitivity analysis, exposure and gap of interest rate re-pricing as the primary instruments to monitor market risk.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (b) Market risk (continued)

Interest rate risk and currency risk are major market risks that confront the Group.

##### *Interest rate risk*

The Group's interest rate exposures mainly comprise the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjusts the ratio of floating and fixed rate accounts, the loan re-pricing cycle, as well as optimises the term structure of its deposits according to the gap status.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure and monitor interest risk exposure; risk exposure limits, such as interest rate sensitivity, duration and risk exposure are set regularly, and the relevant implementation of these limits are also supervised, managed and reported on a regular basis.

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

#### The Group

|   | Effective interest rate (note (i)) | 30 June 2012     |                      |                        |                                   |                            |                      |
|---|------------------------------------|------------------|----------------------|------------------------|-----------------------------------|----------------------------|----------------------|
|   |                                    | Total            | Non-interest bearing | Less than three months | Between three months and one year | Between one and five years | More than five years |
| <b>Assets</b>   |                                    |                  |                      |                        |                                   |                            |                      |
| Cash and balances with central bank                       | 1.57%                              | 379,044          | 5,785                | 373,259                | -                                 | -                          | -                    |
| Deposits with banks and non-bank financial institutions   | 4.36%                              | 294,529          | -                    | 285,045                | 8,944                             | 540                        | -                    |
| Placements with banks and non-bank financial institutions | 5.05%                              | 149,836          | 22                   | 86,273                 | 63,541                            | -                          | -                    |
| Financial assets held under resale agreements             | 4.38%                              | 225,462          | -                    | 199,727                | 22,968                            | 2,767                      | -                    |
| Loans and advances to customers (note (ii))               | 6.88%                              | 1,509,692        | 187                  | 758,677                | 740,088                           | 9,885                      | 855                  |
| Investments (note (iii))                                  | 3.57%                              | 319,149          | 8,132                | 53,025                 | 101,616                           | 100,271                    | 56,105               |
| Others  |                                    | 38,653           | 38,653               | -                      | -                                 | -                          | -                    |
| <b>Total assets</b>                                       |                                    | <b>2,916,365</b> | <b>52,779</b>        | <b>1,756,006</b>       | <b>937,157</b>                    | <b>113,463</b>             | <b>56,960</b>        |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (b) Market risk (continued)

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

#### The Group (continued)

|   | Effective interest rate (note (i)) | 30 June 2012     |                      |                        |                                   |                            |                      |
|---|------------------------------------|------------------|----------------------|------------------------|-----------------------------------|----------------------------|----------------------|
|   |                                    | Total            | Non-interest bearing | Less than three months | Between three months and one year | Between one and five years | More than five years |
| <b>Liabilities</b>  |                                    |                  |                      |                        |                                   |                            |                      |
| Deposits from banks and non-bank financial institutions   | 4.57%                              | 427,259          | 679                  | 306,428                | 120,152                           | -                          | -                    |
| Placements from banks and non-bank financial institutions | 3.88%                              | 4,050            | -                    | 2,276                  | 977                               | 797                        | -                    |
| Financial assets sold under repurchase agreements         | 4.47%                              | 5,084            | -                    | 4,465                  | 619                               | -                          | -                    |
| Deposits from customers                                   | 2.30%                              | 2,188,820        | 14,525               | 1,516,460              | 479,293                           | 171,390                    | 7,152                |
| Debts securities issued                                   | 3.46%                              | 54,022           | -                    | 5,842                  | 5,290                             | 789                        | 42,101               |
| Others  |                                    | 44,650           | 44,650               | -                      | -                                 | -                          | -                    |
| <b>Total liabilities</b>                                  |                                    | <b>2,723,885</b> | <b>59,854</b>        | <b>1,835,471</b>       | <b>606,331</b>                    | <b>172,976</b>             | <b>49,253</b>        |
| <b>Asset-liability gap</b>                                |                                    | <b>192,480</b>   | <b>(7,075)</b>       | <b>(79,465)</b>        | <b>330,826</b>                    | <b>(59,513)</b>            | <b>7,707</b>         |
| <b>Assets</b>   |                                    |                  |                      |                        |                                   |                            |                      |
| Cash and balances with central bank                       | 1.48%                              | 366,391          | 4,972                | 361,419                | -                                 | -                          | -                    |
| Deposits with banks and non-bank financial institutions   | 3.66%                              | 386,535          | -                    | 369,257                | 17,278                            | -                          | -                    |
| Placements with banks and non-bank financial institutions | 4.33%                              | 151,004          | 22                   | 113,112                | 37,870                            | -                          | -                    |
| Financial assets held under resale agreements             | 4.85%                              | 162,211          | -                    | 155,771                | 4,055                             | 2,385                      | -                    |
| Loans and advances to customers (note (ii))               | 6.12%                              | 1,410,779        | 180                  | 1,081,119              | 324,266                           | 3,947                      | 1,267                |
| Investments (note (iii))                                  | 3.21%                              | 253,388          | 8,146                | 51,477                 | 79,444                            | 78,948                     | 35,373               |
| Others  |                                    | 35,573           | 35,573               | -                      | -                                 | -                          | -                    |
| <b>Total assets</b>                                       |                                    | <b>2,765,881</b> | <b>48,893</b>        | <b>2,132,155</b>       | <b>462,913</b>                    | <b>85,280</b>              | <b>36,640</b>        |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (b) Market risk (continued)

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

#### The Group (continued)

|   | Effective interest rate (note (i)) | Total            | Non-interest bearing | 31 December 2011       |                                   |                            |                      |
|---|------------------------------------|------------------|----------------------|------------------------|-----------------------------------|----------------------------|----------------------|
|   |                                    |                  |                      | Less than three months | Between three months and one year | Between one and five years | More than five years |
| <b>Liabilities</b>  |                                    |                  |                      |                        |                                   |                            |                      |
| Deposits from banks and non-bank financial institutions   | 3.73%                              | 535,546          | 297                  | 526,568                | 8,681                             | –                          | –                    |
| Placements from banks and non-bank financial institutions | 4.25%                              | 4,676            | –                    | 3,857                  | –                                 | 819                        | –                    |
| Financial assets sold under repurchase agreements         | 4.55%                              | 9,806            | –                    | 9,650                  | 156                               | –                          | –                    |
| Deposits from customers                                   | 1.84%                              | 1,968,051        | 8,347                | 1,461,348              | 370,437                           | 115,165                    | 12,754               |
| Debts securities issued                                   | 3.58%                              | 33,730           | –                    | 6,186                  | 4,267                             | 1,446                      | 21,831               |
| Others  |                                    | 35,291           | 35,291               | –                      | –                                 | –                          | –                    |
| <b>Total liabilities</b>                                  |                                    | <b>2,587,100</b> | <b>43,935</b>        | <b>2,007,609</b>       | <b>383,541</b>                    | <b>117,430</b>             | <b>34,585</b>        |
| <b>Asset-liability gap</b>                                |                                    | <b>178,781</b>   | <b>4,958</b>         | <b>124,546</b>         | <b>79,372</b>                     | <b>(32,150)</b>            | <b>2,055</b>         |

#### The Bank

|   | Effective interest rate (note (i)) | 30 June 2012     |                      |                        |                                   |                            |                      |
|---|------------------------------------|------------------|----------------------|------------------------|-----------------------------------|----------------------------|----------------------|
|   |                                    | Total            | Non-interest bearing | Less than three months | Between three months and one year | Between one and five years | More than five years |
| <b>Assets</b>   |                                    |                  |                      |                        |                                   |                            |                      |
| Cash and balances with central bank                       | 1.58%                              | 377,556          | 5,618                | 371,938                | –                                 | –                          | –                    |
| Deposits with banks and non-bank financial institutions   | 4.50%                              | 292,112          | –                    | 282,628                | 8,944                             | 540                        | –                    |
| Placements with banks and non-bank financial institutions | 5.78%                              | 125,591          | 22                   | 63,766                 | 61,803                            | –                          | –                    |
| Financial assets held under resale agreements             | 4.39%                              | 225,513          | –                    | 199,778                | 22,968                            | 2,767                      | –                    |
| Loans and advances to customers (note (ii))               | 7.08%                              | 1,432,585        | –                    | 688,466                | 733,852                           | 9,417                      | 850                  |
| Investments (note (iii))                                  | 3.71%                              | 307,197          | 15,451               | 42,059                 | 96,948                            | 96,634                     | 56,105               |
| Others  |                                    | 34,022           | 34,022               | –                      | –                                 | –                          | –                    |
| <b>Total assets</b>                                       |                                    | <b>2,794,576</b> | <b>55,113</b>        | <b>1,648,635</b>       | <b>924,515</b>                    | <b>109,358</b>             | <b>56,955</b>        |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (b) Market risk (continued)

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

#### The Bank (continued)

|   | Effective interest rate (note (i)) | 30 June 2012     |                      |                        |                                   |                            |                      |
|---|------------------------------------|------------------|----------------------|------------------------|-----------------------------------|----------------------------|----------------------|
|   |                                    | Total            | Non-interest bearing | Less than three months | Between three months and one year | Between one and five years | More than five years |
| <b>Liabilities</b>  |                                    |                  |                      |                        |                                   |                            |                      |
| Deposits from banks and non-bank financial institutions   | 4.58%                              | 436,360          | -                    | 316,148                | 120,212                           | -                          | -                    |
| Placements from banks and non-bank financial institutions | 9.67%                              | 797              | -                    | -                      | -                                 | 797                        | -                    |
| Financial assets sold under repurchase agreements         | 4.56%                              | 4,779            | -                    | 4,160                  | 619                               | -                          | -                    |
| Deposits from customers                                   | 2.35%                              | 2,085,349        | 9,728                | 1,434,620              | 462,987                           | 170,862                    | 7,152                |
| Debts securities issued                                   | 4.19%                              | 38,469           | -                    | -                      | -                                 | -                          | 38,469               |
| Others  |                                    | 41,871           | 41,871               | -                      | -                                 | -                          | -                    |
| <b>Total liabilities</b>                                  |                                    | <b>2,607,625</b> | <b>51,599</b>        | <b>1,754,928</b>       | <b>583,818</b>                    | <b>171,659</b>             | <b>45,621</b>        |
| <b>Asset-liability gap</b>                                |                                    | <b>186,951</b>   | <b>3,514</b>         | <b>(106,293)</b>       | <b>340,697</b>                    | <b>(62,301)</b>            | <b>11,334</b>        |

|   | Effective interest rate (note (i)) | 31 December 2011 |                      |                        |                                   |                            |                      |
|---|------------------------------------|------------------|----------------------|------------------------|-----------------------------------|----------------------------|----------------------|
|   |                                    | Total            | Non-interest bearing | Less than three months | Between three months and one year | Between one and five years | More than five years |
| <b>Assets</b>   |                                    |                  |                      |                        |                                   |                            |                      |
| Cash and balances with central bank                       | 1.48%                              | 365,318          | 4,808                | 360,510                | -                                 | -                          | -                    |
| Deposits with banks and non-bank financial institutions   | 4.21%                              | 379,964          | -                    | 364,394                | 15,570                            | -                          | -                    |
| Placements with banks and non-bank financial institutions | 5.09%                              | 125,535          | 22                   | 91,795                 | 33,718                            | -                          | -                    |
| Financial assets held under resale agreements             | 4.85%                              | 162,261          | -                    | 155,821                | 4,055                             | 2,385                      | -                    |
| Loans and advances to customers (note (ii))               | 6.33%                              | 1,334,509        | -                    | 1,017,165              | 312,962                           | 3,121                      | 1,261                |
| Investments (note (iii))                                  | 3.29%                              | 243,444          | 15,468               | 41,410                 | 76,576                            | 74,617                     | 35,373               |
| Others  |                                    | 30,957           | 30,957               | -                      | -                                 | -                          | -                    |
| <b>Total assets</b>                                       |                                    | <b>2,641,988</b> | <b>51,255</b>        | <b>2,031,095</b>       | <b>442,881</b>                    | <b>80,123</b>              | <b>36,634</b>        |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (b) Market risk (continued)

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

#### The Bank (continued)

|   | Effective interest rate (note (i)) | Total            | Non-interest bearing | 31 December 2011       |                                   |                            |                      |
|---|------------------------------------|------------------|----------------------|------------------------|-----------------------------------|----------------------------|----------------------|
|   |                                    |                  |                      | Less than three months | Between three months and one year | Between one and five years | More than five years |
| <b>Liabilities</b>  |                                    |                  |                      |                        |                                   |                            |                      |
| Deposits from banks and non-bank financial institutions   | 3.78%                              | 540,810          | -                    | 528,753                | 12,057                            | -                          | -                    |
| Placements from banks and non-bank financial institutions | 5.69%                              | 819              | -                    | -                      | -                                 | 819                        | -                    |
| Financial assets sold under repurchase agreements         | 4.57%                              | 9,806            | -                    | 9,650                  | 156                               | -                          | -                    |
| Deposits from customers                                   | 1.90%                              | 1,865,221        | 4,791                | 1,374,351              | 360,321                           | 113,004                    | 12,754               |
| Debts securities issued                                   | 4.16%                              | 18,500           | -                    | -                      | -                                 | -                          | 18,500               |
| Others  |                                    | 32,539           | 32,539               | -                      | -                                 | -                          | -                    |
| <b>Total liabilities</b>                                  |                                    | <b>2,467,695</b> | <b>37,330</b>        | <b>1,912,754</b>       | <b>372,534</b>                    | <b>113,823</b>             | <b>31,254</b>        |
| <b>Asset-liability gap</b>                                |                                    | <b>174,293</b>   | <b>13,925</b>        | <b>118,341</b>         | <b>70,347</b>                     | <b>(33,700)</b>            | <b>5,380</b>         |

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

(ii) For loans and advances to customers at Group level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB 11,155 million as at 30 June 2012 (as at 31 December 2011: RMB 6,300 million).

For loans and advances to customers at Bank level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB 10,572 million as at 30 June 2012 (as at 31 December 2011: RMB 5,152 million).

(iii) Investments include the trading financial assets, available-for-sale financial assets, held-to-maturity investments and investments in associates. At the bank level, it also includes the investments in subsidiaries.

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 30 June 2012 and 31 December 2011.

|  | 30 June 2012<br>Change in interest rates<br>(in basis point) |              | 31 December 2011<br>Change in interest rates<br>(in basis point) |              |
|--|--|--------------|--|--------------|
|  | (100)  | 100          | (100)  | 100          |
| (Decrease)/Increase in annualized net interest income (in millions of RMB) | <b>(1,687)</b>   | <b>1,687</b> | <b>(1,841)</b>   | <b>1,841</b> |

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods (i.e., all the assets and liabilities that reprice or mature within three months reprice or mature immediately, and all the assets and liabilities that reprice or mature after three months but within one year reprice or mature immediately after three months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.



## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (b) Market risk (continued)

##### Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance-sheet and off-balance sheet business of the bank. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial tools, mainly foreign exchange swaps, to manage its exposure.

The exposures at the reporting date were as follows:

#### The Group

|   | 30 June 2012     |                |               |                 |                  |
|---|------------------|----------------|---------------|-----------------|------------------|
|   | RMB              | USD            | HKD           | Others          | Total            |
| <b>Assets</b>   |                  |                |               |                 |                  |
| Cash and balances with central bank                       | 371,610          | 6,884          | 383           | 167             | 379,044          |
| Deposits with banks and non-bank financial institutions   | 224,083          | 54,661         | 2,204         | 13,581          | 294,529          |
| Placements with banks and non-bank financial institutions | 133,076          | 13,240         | 2,912         | 608             | 149,836          |
| Financial assets held under resale agreements             | 225,462          | –              | –             | –               | 225,462          |
| Loans and advances to customers                           | 1,389,345        | 74,602         | 43,432        | 2,313           | 1,509,692        |
| Investments   | 284,923          | 17,128         | 14,781        | 2,317           | 319,149          |
| Others  | 33,100           | 2,530          | 2,583         | 440             | 38,653           |
| <b>Total assets</b>                                       | <b>2,661,599</b> | <b>169,045</b> | <b>66,295</b> | <b>19,426</b>   | <b>2,916,365</b> |
| <b>Liabilities</b>  |                  |                |               |                 |                  |
| Deposits from banks and non-bank financial institutions   | 415,366          | 9,688          | 500           | 1,705           | 427,259          |
| Placements from banks and non-bank financial institutions | 1,676            | 1,573          | 3             | 798             | 4,050            |
| Financial assets sold under repurchase agreements         | 4,729            | 355            | –             | –               | 5,084            |
| Deposits from customers                                   | 1,975,478        | 127,989        | 55,695        | 29,658          | 2,188,820        |
| Debts securities issued                                   | 42,552           | 5,911          | 3,771         | 1,788           | 54,022           |
| Others  | 37,891           | 2,114          | 3,311         | 1,334           | 44,650           |
| <b>Total liabilities</b>                                  | <b>2,477,692</b> | <b>147,630</b> | <b>63,280</b> | <b>35,283</b>   | <b>2,723,885</b> |
| <b>Net on-balance sheet position</b>                      | <b>183,907</b>   | <b>21,415</b>  | <b>3,015</b>  | <b>(15,857)</b> | <b>192,480</b>   |
| Credit commitments  | 972,445          | 116,696        | 20,033        | 7,930           | 1,117,104        |
| Derivatives (note(i))                                     | (1,579)          | (22,912)       | 9,886         | 15,234          | 629              |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (b) Market risk (continued) The Group (continued)

|  | 31 December 2011 |                |               |                 |                  |
|--|------------------|----------------|---------------|-----------------|------------------|
|  | RMB              | USD            | HKD           | Others          | Total            |
| <b>Assets</b>  |                  |                |               |                 |                  |
| Cash and balances with central bank                          | 362,517          | 3,379          | 337           | 158             | 366,391          |
| Deposits with banks and<br>non-bank financial institutions   | 358,217          | 24,158         | 1,859         | 2,301           | 386,535          |
| Placements with banks and<br>non-bank financial institutions | 133,096          | 13,950         | 3,929         | 29              | 151,004          |
| Financial assets held under<br>resale agreements             | 162,211          | –              | –             | –               | 162,211          |
| Loans and advances to customers                              | 1,294,067        | 70,119         | 44,000        | 2,593           | 1,410,779        |
| Investments  | 220,183          | 17,462         | 11,943        | 3,800           | 253,388          |
| Others   | 29,939           | 2,780          | 2,563         | 291             | 35,573           |
| <b>Total assets</b>  | <b>2,560,230</b> | <b>131,848</b> | <b>64,631</b> | <b>9,172</b>    | <b>2,765,881</b> |
| <b>Liabilities</b>   |                  |                |               |                 |                  |
| Deposits from banks and<br>non-bank financial institutions   | 527,889          | 5,289          | 410           | 1,958           | 535,546          |
| Placements from banks and<br>non-bank financial institutions | 249              | 3,077          | 529           | 821             | 4,676            |
| Financial assets sold under<br>repurchase agreements         | 9,341            | 465            | –             | –               | 9,806            |
| Deposits from customers                                      | 1,816,875        | 77,790         | 57,709        | 15,677          | 1,968,051        |
| Debts securities issued                                      | 20,429           | 7,592          | 3,797         | 1,912           | 33,730           |
| Others   | 30,382           | 2,693          | 1,365         | 851             | 35,291           |
| <b>Total liabilities</b>                                     | <b>2,405,165</b> | <b>96,906</b>  | <b>63,810</b> | <b>21,219</b>   | <b>2,587,100</b> |
| <b>Net on-balance sheet position</b>                         | <b>155,065</b>   | <b>34,942</b>  | <b>821</b>    | <b>(12,047)</b> | <b>178,781</b>   |
| Credit commitments   | 844,890          | 97,629         | 18,235        | 7,913           | 968,667          |
| Derivatives (note(i))  | 6,409            | (29,280)       | 11,228        | 11,779          | 136              |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (b) Market risk (continued)

##### The Bank

|  | RMB              | USD            | 30 June 2012<br>HKD | Others         | Total            |
|--|------------------|----------------|---------------------|----------------|------------------|
| <b>Assets</b>  |                  |                |                     |                |                  |
| Cash and balances with central bank                          | 370,598          | 6,579          | 233                 | 146            | 377,556          |
| Deposits with banks and<br>non-bank financial institutions   | 224,060          | 54,220         | 324                 | 13,508         | 292,112          |
| Placements with banks and<br>non-bank financial institutions | 121,484          | 3,481          | 50                  | 576            | 125,591          |
| Financial assets held under<br>resale agreements             | 225,462          | 51             | –                   | –              | 225,513          |
| Loans and advances to customers                              | 1,384,380        | 46,514         | 9                   | 1,682          | 1,432,585        |
| Investments  | 293,281          | 12,257         | 651                 | 1,008          | 307,197          |
| Others   | 31,704           | 2,049          | –                   | 269            | 34,022           |
| <b>Total assets</b>  | <b>2,650,969</b> | <b>125,151</b> | <b>1,267</b>        | <b>17,189</b>  | <b>2,794,576</b> |
| <b>Liabilities</b>   |                  |                |                     |                |                  |
| Deposits from banks and<br>non-bank financial institutions   | 424,766          | 9,694          | 197                 | 1,703          | 436,360          |
| Placements from banks and<br>non-bank financial institutions | –                | –              | –                   | 797            | 797              |
| Financial assets sold under<br>repurchase agreements         | 4,728            | 51             | –                   | –              | 4,779            |
| Deposits from customers                                      | 1,955,260        | 107,628        | 2,524               | 19,937         | 2,085,349        |
| Debts securities issued                                      | 38,469           | –              | –                   | –              | 38,469           |
| Others   | 37,596           | 1,159          | 1,997               | 1,119          | 41,871           |
| <b>Total liabilities</b>                                     | <b>2,460,819</b> | <b>118,532</b> | <b>4,718</b>        | <b>23,556</b>  | <b>2,607,625</b> |
| <b>Net on-balance sheet position</b>                         | <b>190,150</b>   | <b>6,619</b>   | <b>(3,451)</b>      | <b>(6,367)</b> | <b>186,951</b>   |
| Credit commitments   | 970,774          | 93,544         | 423                 | 7,125          | 1,071,866        |
| Derivatives (note(i))  | 13               | (8,858)        | 3,239               | 5,742          | 136              |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (b) Market risk (continued)

##### The Bank (continued)

|   | 31 December 2011 |               |              |               |                  |
|---|------------------|---------------|--------------|---------------|------------------|
|   | RMB              | USD           | HKD          | Others        | Total            |
| <b>Assets</b>   |                  |               |              |               |                  |
| Cash and balances with central bank                       | 361,721          | 3,274         | 183          | 140           | 365,318          |
| Deposits with banks and non-bank financial institutions   | 353,019          | 23,997        | 736          | 2,212         | 379,964          |
| Placements with banks and non-bank financial institutions | 121,558          | 3,923         | 54           | –             | 125,535          |
| Financial assets held under resale agreements             | 162,211          | 50            | –            | –             | 162,261          |
| Loans and advances to customers                           | 1,290,513        | 41,868        | 23           | 2,105         | 1,334,509        |
| Investments   | 228,607          | 13,035        | 642          | 1,160         | 243,444          |
| Others  | 29,519           | 1,278         | 3            | 157           | 30,957           |
| <b>Total assets</b>                                       | <b>2,547,148</b> | <b>87,425</b> | <b>1,641</b> | <b>5,774</b>  | <b>2,641,988</b> |
| <b>Liabilities</b>  |                  |               |              |               |                  |
| Deposits from banks and non-bank financial institutions   | 533,225          | 5,233         | 394          | 1,958         | 540,810          |
| Placements from banks and non-bank financial institutions | –                | –             | –            | 819           | 819              |
| Financial assets sold under repurchase agreements         | 9,341            | 465           | –            | –             | 9,806            |
| Deposits from customers                                   | 1,796,754        | 58,643        | 2,591        | 7,233         | 1,865,221        |
| Debts securities issued                                   | 18,500           | –             | –            | –             | 18,500           |
| Others  | 30,260           | 1,658         | 55           | 566           | 32,539           |
| <b>Total liabilities</b>                                  | <b>2,388,080</b> | <b>65,999</b> | <b>3,040</b> | <b>10,576</b> | <b>2,467,695</b> |
| <b>Net on-balance sheet position</b>                      |                  |               |              |               |                  |
| Credit commitments  | 844,113          | 76,580        | 312          | 6,907         | 927,912          |
| Derivatives (note(i))                                     | 11,099           | (16,700)      | 1,141        | 4,639         | 179              |

Note: (i) The derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and loss. The following table sets forth, as at 30 June 2012 and 31 December 2011, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

|  | 30 June 2012<br>Change in foreign currency<br>exchange rate<br>(in basis point) |       | 31 December 2011<br>Change in foreign currency<br>exchange rate<br>(in basis point) |       |
|--|---|-------|---|-------|
|  | (Decrease)/increase in annualized profit<br>(in millions of RMB)                | (100) | 100   | (100) |
|  | (17)  | 17    | (28)  | 28    |

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net foreign exchange gain and loss resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (c) Liquidity risk

Liquidity risk arises when the Group is unable to receive sufficient funds in a timely manner cost-effectively to meet the bank's customers deposit withdrawals due and expansion of the bank asset base. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities; customers may withdraw in advance, or concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the whole Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by holding liquid assets (including deposits at PBOC, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The Group regularly or irregularly stress tests its liquidity position.

In terms of measuring liquidity risk, the Group principally uses liquidity gap analysis. Different scenarios are applied to assess the impact on liquidity for proprietary trading and client businesses.

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the reporting date.

#### The Group

|   | 30 June 2012        |                        |                                   |                            |                      |                      | Total            |
|---|---------------------|------------------------|-----------------------------------|----------------------------|----------------------|----------------------|------------------|
|   | Repayable on demand | Less than three months | Between three months and one year | Between one and five years | More than five years | Indefinite (note(i)) |                  |
| <b>Assets</b>   |                     |                        |                                   |                            |                      |                      |                  |
| Cash and balances with central banks                      | 46,753              | -                      | -                                 | -                          | -                    | 332,291              | 379,044          |
| Deposits with banks and non-bank financial institutions   | 37,291              | 247,754                | 8,944                             | 540                        | -                    | -                    | 294,529          |
| Placements with banks and non-bank financial institutions | -                   | 84,322                 | 65,482                            | 10                         | -                    | 22                   | 149,836          |
| Financial assets held under resale agreements             | -                   | 198,487                | 23,238                            | 3,737                      | -                    | -                    | 225,462          |
| Loans and advances to customers (note(ii))                | 5,783               | 316,002                | 661,763                           | 263,382                    | 256,642              | 6,120                | 1,509,692        |
| Investment securities                                     | 5,535               | 27,023                 | 78,694                            | 134,083                    | 70,680               | 3,134                | 319,149          |
| Others  | 9,262               | 7,186                  | 3,826                             | 1,458                      | 236                  | 16,685               | 38,653           |
| <b>Total assets</b>                                       | <b>104,624</b>      | <b>880,774</b>         | <b>841,947</b>                    | <b>403,210</b>             | <b>327,558</b>       | <b>358,252</b>       | <b>2,916,365</b> |
| <b>Liabilities</b>  |                     |                        |                                   |                            |                      |                      |                  |
| Deposits from banks and non-bank financial institutions   | 38,830              | 262,341                | 126,088                           | -                          | -                    | -                    | 427,259          |
| Placements from banks and non-bank financial institutions | -                   | 1,292                  | 488                               | 2,270                      | -                    | -                    | 4,050            |
| Financial assets sold under repurchase agreements         | -                   | 4,465                  | 619                               | -                          | -                    | -                    | 5,084            |
| Deposits from customers                                   | 1,054,512           | 475,510                | 479,458                           | 172,188                    | 7,152                | -                    | 2,188,820        |
| Debts securities issued                                   | -                   | 2,923                  | 6,140                             | 1,605                      | 43,354               | -                    | 54,022           |
| Others  | 23,655              | 3,911                  | 7,992                             | 5,639                      | 530                  | 2,923                | 44,650           |
| <b>Total liabilities</b>                                  | <b>1,116,997</b>    | <b>750,442</b>         | <b>620,785</b>                    | <b>181,702</b>             | <b>51,036</b>        | <b>2,923</b>         | <b>2,723,885</b> |
| <b>(Short)/Long position</b>                              | <b>(1,012,373)</b>  | <b>130,332</b>         | <b>221,162</b>                    | <b>221,508</b>             | <b>276,522</b>       | <b>355,329</b>       | <b>192,480</b>   |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (c) Liquidity risk (continued) The Group (continued)

|   | 31 December 2011       |                              |  |                                  |                         |                         | Total            |
|---|------------------------|------------------------------|--|----------------------------------|-------------------------|-------------------------|------------------|
|   | Repayable<br>on demand | Less<br>than three<br>months | Between<br>three<br>months and<br>one year | Between<br>one and<br>five years | More than<br>five years | Indefinite<br>(note(i)) |                  |
| <b>Assets</b>   |                        |                              |  |                                  |                         |                         |                  |
| Cash and balances with<br>central banks                         | 65,610                 | -                            | -  | -                                | -                       | 300,781                 | 366,391          |
| Deposits with banks<br>and non-bank<br>financial institutions   | 27,421                 | 341,836                      | 17,278                                     | -                                | -                       | -                       | 386,535          |
| Placements with banks<br>and non-bank<br>financial institutions | -                      | 108,922                      | 42,060                                     | -                                | -                       | 22                      | 151,004          |
| Financial assets held<br>under resale agreements                | -                      | 155,703                      | 4,055                                      | 2,453                            | -                       | -                       | 162,211          |
| Loans and advances to<br>customers (note(ii))                   | 3,551                  | 257,878                      | 619,927                                    | 278,386                          | 246,130                 | 4,907                   | 1,410,779        |
| Investment securities   | 5,479                  | 25,157                       | 62,904                                     | 102,434                          | 54,531                  | 2,883                   | 253,388          |
| Others  | 7,018                  | 6,792                        | 3,812                                      | 1,481                            | 494                     | 15,976                  | 35,573           |
| <b>Total assets</b>   | <b>109,079</b>         | <b>896,288</b>               | <b>750,036</b>                             | <b>384,754</b>                   | <b>301,155</b>          | <b>324,569</b>          | <b>2,765,881</b> |
| <b>Liabilities</b>  |                        |                              |  |                                  |                         |                         |                  |
| Deposits from banks<br>and non-bank<br>financial institutions   | 56,558                 | 469,311                      | 9,677                                      | -                                | -                       | -                       | 535,546          |
| Placements from banks<br>and non-bank<br>financial institutions | -                      | 3,082                        | 759  | 835                              | -                       | -                       | 4,676            |
| Financial assets sold<br>under repurchase<br>agreements         | -                      | 9,650                        | 156  | -                                | -                       | -                       | 9,806            |
| Deposits from customers   | 1,011,927              | 444,673                      | 381,810                                    | 116,887                          | 12,754                  | -                       | 1,968,051        |
| Debts securities issued   | -                      | 2,108                        | 7,453                                      | 2,338                            | 21,831                  | -                       | 33,730           |
| Others  | 16,973                 | 4,541                        | 5,617                                      | 4,766                            | 1,023                   | 2,371                   | 35,291           |
| <b>Total liabilities</b>  | <b>1,085,458</b>       | <b>933,365</b>               | <b>405,472</b>                             | <b>124,826</b>                   | <b>35,608</b>           | <b>2,371</b>            | <b>2,587,100</b> |
| <b>(Short)/Long position</b>                                    | <b>(976,379)</b>       | <b>(37,077)</b>              | <b>344,564</b>                             | <b>259,928</b>                   | <b>265,547</b>          | <b>322,198</b>          | <b>178,781</b>   |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (c) Liquidity risk (continued)

##### The Bank

|   | 30 June 2012        |                        |                                   |                            |                      |                      | Total            |
|---|---------------------|------------------------|-----------------------------------|----------------------------|----------------------|----------------------|------------------|
|   | Repayable on demand | Less than three months | Between three months and one year | Between one and five years | More than five years | Indefinite (note(i)) |                  |
| <b>Assets</b>   |                     |                        |                                   |                            |                      |                      |                  |
| Cash and balances with central banks                      | 46,339              | -                      | -                                 | -                          | -                    | 331,217              | 377,556          |
| Deposits with banks and non-bank financial institutions   | 34,874              | 247,754                | 8,944                             | 540                        | -                    | -                    | 292,112          |
| Placements with banks and non-bank financial institutions | -                   | 63,766                 | 61,803                            | -                          | -                    | 22                   | 125,591          |
| Financial assets held under resale agreements             | -                   | 198,538                | 23,238                            | 3,737                      | -                    | -                    | 225,513          |
| Loans and advances to customers (note(ii))                | 5,358               | 300,136                | 639,994                           | 241,255                    | 239,888              | 5,954                | 1,432,585        |
| Investment securities                                     | 5,533               | 18,724                 | 73,106                            | 129,022                    | 70,587               | 10,225               | 307,197          |
| Others  | 7,287               | 7,199                  | 3,826                             | 1,458                      | 236                  | 14,016               | 34,022           |
| <b>Total assets</b>                                       | <b>99,391</b>       | <b>836,117</b>         | <b>810,911</b>                    | <b>376,012</b>             | <b>310,711</b>       | <b>361,434</b>       | <b>2,794,576</b> |
| <b>Liabilities</b>  |                     |                        |                                   |                            |                      |                      |                  |
| Deposits from banks and non-bank financial institutions   | 39,157              | 271,063                | 126,140                           | -                          | -                    | -                    | 436,360          |
| Placements from banks and non-bank financial institutions | -                   | -                      | -                                 | 797                        | -                    | -                    | 797              |
| Financial assets sold under repurchase agreements         | -                   | 4,160                  | 619                               | -                          | -                    | -                    | 4,779            |
| Deposits from customers                                   | 1,024,779           | 419,569                | 462,987                           | 170,862                    | 7,152                | -                    | 2,085,349        |
| Debts securities issued                                   | -                   | -                      | -                                 | -                          | 38,469               | -                    | 38,469           |
| Others  | 22,590              | 3,922                  | 7,992                             | 5,639                      | 530                  | 1,198                | 41,871           |
| <b>Total liabilities</b>                                  | <b>1,086,526</b>    | <b>698,714</b>         | <b>597,738</b>                    | <b>177,298</b>             | <b>46,151</b>        | <b>1,198</b>         | <b>2,607,625</b> |
| <b>(Short)/Long position</b>                              | <b>(987,135)</b>    | <b>137,403</b>         | <b>213,173</b>                    | <b>198,714</b>             | <b>264,560</b>       | <b>360,236</b>       | <b>186,951</b>   |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Financial risk management (continued)

#### (c) Liquidity risk (continued) The Bank (continued)

|   | 31 December 2011       |                              |  |                                  |                         |                         | Total            |
|---|------------------------|------------------------------|--|----------------------------------|-------------------------|-------------------------|------------------|
|   | Repayable<br>on demand | Less<br>than three<br>months | Between<br>three<br>months and<br>one year | Between<br>one and<br>five years | More than<br>five years | Indefinite<br>(note(i)) |                  |
| <b>Assets</b>   |                        |                              |  |                                  |                         |                         |                  |
| Cash and balances with<br>central banks                         | 65,281                 | -                            | -  | -                                | -                       | 300,037                 | 365,318          |
| Deposits with banks<br>and non-bank<br>financial institutions   | 19,850                 | 341,836                      | 18,278                                     | -                                | -                       | -                       | 379,964          |
| Placements with banks<br>and non-bank<br>financial institutions | -                      | 90,177                       | 35,336                                     | -                                | -                       | 22                      | 125,535          |
| Financial assets held<br>under resale agreements                | -                      | 155,753                      | 4,055                                      | 2,453                            | -                       | -                       | 162,261          |
| Loans and advances to<br>customers (note(ii))                   | 2,773                  | 242,399                      | 600,296                                    | 255,637                          | 228,901                 | 4,503                   | 1,334,509        |
| Investment securities   | 5,479                  | 18,486                       | 59,397                                     | 95,568                           | 54,290                  | 10,224                  | 243,444          |
| Others  | 5,335                  | 6,791                        | 3,845                                      | 1,484                            | 494                     | 13,008                  | 30,957           |
| <b>Total assets</b>   | <b>98,718</b>          | <b>855,442</b>               | <b>721,207</b>                             | <b>355,142</b>                   | <b>283,685</b>          | <b>327,794</b>          | <b>2,641,988</b> |
| <b>Liabilities</b>  |                        |                              |  |                                  |                         |                         |                  |
| Deposits from banks<br>and non-bank<br>financial institutions   | 58,479                 | 470,274                      | 12,057                                     | -                                | -                       | -                       | 540,810          |
| Placements from banks<br>and non-bank<br>financial institutions | -                      | -                            | -  | 819                              | -                       | -                       | 819              |
| Financial assets sold<br>under repurchase<br>agreements         | -                      | 9,650                        | 156  | -                                | -                       | -                       | 9,806            |
| Deposits from customers   | 983,231                | 382,795                      | 373,437                                    | 113,004                          | 12,754                  | -                       | 1,865,221        |
| Debts securities issued   | -                      | -                            | -  | -                                | 18,500                  | -                       | 18,500           |
| Others  | 15,626                 | 4,425                        | 5,651                                      | 4,769                            | 1,023                   | 1,045                   | 32,539           |
| <b>Total liabilities</b>  | <b>1,057,336</b>       | <b>867,144</b>               | <b>391,301</b>                             | <b>118,592</b>                   | <b>32,277</b>           | <b>1,045</b>            | <b>2,467,695</b> |
| <b>(Short)/Long position</b>                                    | <b>(958,618)</b>       | <b>(11,702)</b>              | <b>329,906</b>                             | <b>236,550</b>                   | <b>251,408</b>          | <b>326,749</b>          | <b>174,293</b>   |

Notes: (i) For cash and balances with central banks, the indefinite period amount represents statutory deposit reserves and fiscal balances maintained with the PBOC. For placements with banks and non-bank financial institutions, loans and advances to customers and investments, the indefinite period amount represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For loans and advances to customers, the indefinite period amount represents the balance being impaired or overdue for more than one month. The balances which are overdue within one month but not impaired are included in repayable on demand.

(iii) For financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets, the remaining term to maturity does not represent the Group's intended holding period.



*(Expressed in millions of Renminbi unless otherwise stated)*

### 53 Financial risk management (continued)

#### (d) Operational risk

Operational risk includes the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure and personnel, and other risks having an operational impact.

The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, control, manage and report risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. This has allowed the Group to identify and address the major operational risk inherent in all key products, activities, processes and systems. Key controls include:

- authorisation limits for various business activities to branches and functions are delegated after consideration of their respective business scope, risk management capabilities and credit approval procedures. Such authorities are revised on a timely basis to reflect changes in market conditions and business development and risk management needs;
- the use of the single legal responsibility framework and strict disciplinary measures in order to ensure accountability;
- systems and procedures to identify, control and report on the major risks: credit, market, liquidity and operational;
- promotion of a risk management culture throughout the organisation by building a team of risk management professionals, providing formal training and having an appraisal system in place, to raise the overall risk awareness among the Group's employees;
- cash management and account management are in compliance with the relevant regulations, and for improving training on anti-money laundering to ensure our staff are well-equipped with the necessary knowledge and basic skills;
- the review and approval by senior management of comprehensive financial and operating plans which are prepared by branches;
- the assessment of individual branches' financial performance against the comprehensive financial and operating plan; and
- the maintenance of contingent facilities (including backup systems and disaster recovery schemes) to support all major operations, especially back office operations, in the event of an unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain operational events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operation risk. Its management information system can record and store lost data and events of operation risk to further support operation risk control and self assessment, as well as monitor key risk indicators.

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Capital Adequacy Ratio

Capital adequacy ratio management is the key part of the Bank's capital management. The Bank calculates and discloses capital adequacy ratios since 2004 in accordance with *Regulation Governing Capital Adequacy of Commercial Banks* issued by the CBRC in February 2004, which was amended by CBRC in July and November 2007, and other relevant guidelines. These guidelines may have significant differences with the relevant requirements in Hong Kong or other regions and countries. The capital of the Bank is analysed into core capital and supplementary capital. The core capital mainly includes paid-up share capital or ordinary shares, capital reserve, surplus reserve, retained earnings, and non-controlling interests, after the deduction of dividends declared after the reporting date, as well as deductions of 100% of goodwill and 50% of unconsolidated equity investments. Supplementary capital includes general provisions for loans and advances to customer and subordinated bonds issued etc.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated debts/bonds issued included in the supplementary capital should not exceed 50% of the core capital. At the reporting date, the Group is fully compliant with the legal and regulatory requirements in this respect.

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Group's sound operations and risk management capability. The Group's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The capital adequacy ratios of the Group calculated based on the relevant regulations by CBRC in the PRC were as follows:

|   | <b>30 June<br/>2012</b> | 31 December<br>2011 |
|---|-------------------------|---------------------|
| Capital adequacy ratio (note(i))  | <b>13.44%</b>           | 12.27%              |
| Core capital adequacy ratio (note(ii))                                    | <b>10.05%</b>           | 9.91%               |
| Components of capital base  |                         |                     |
| Core capital:   |                         |                     |
| — Share capital   | <b>46,787</b>           | 46,787              |
| — Capital reserve, investment revaluation reserve and exchange difference | <b>47,408</b>           | 47,357              |
| — Surplus reserve and general reserve                                     | <b>29,516</b>           | 29,516              |
| — Retained earnings (note(iii))   | <b>58,094</b>           | 43,589              |
| — Non-controlling interest  | <b>4,588</b>            | 4,285               |
| Total core capital  | <b>186,393</b>          | 171,534             |
| Supplementary capital:  |                         |                     |
| — General provision for loans and advances to customer                    | <b>20,025</b>           | 18,547              |
| — Subordinated bonds issued   | <b>43,306</b>           | 23,566              |
| — Fair value change of financial assets                                   | <b>887</b>              | 355                 |
| Total supplementary capital   | <b>64,218</b>           | 42,468              |
| Total capital base before deductions                                      | <b>250,611</b>          | 214,002             |
| Deductions:   |                         |                     |
| — Goodwill  | <b>822</b>              | 818                 |
| — Unconsolidated equity investments                                       | <b>2,246</b>            | 2,230               |
| — Others  | <b>1,123</b>            | 1,086               |
| Total capital base after deductions                                       | <b>246,420</b>          | 209,868             |
| Core capital base after deductions  | <b>184,294</b>          | 169,466             |
| Risk weighted assets  | <b>1,822,617</b>        | 1,702,165           |
| Market risk capital   | <b>850</b>              | 696                 |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Capital Adequacy Ratio (continued)

- Note: (i) Capital Adequacy Ratio (“CAR”) equals to total capital base after deductions divided by the sum of risk weighted assets and 12.5 times of market risk capital.
- (ii) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deduction of 100% of goodwill, 50% of unconsolidated equity investments, and other items, by the sum of risk weighted assets and 12.5 times of market risk capital.
- (iii) According to regulatory requirements, the retained earnings are net of the estimated dividend in respect of the year ended 30 June 2012 which is based on previous year’s practice in relation to dividends.

### 55 Fair value

#### (a) Financial assets

The Group’s financial assets mainly include cash, amounts due from central bank, banks and other financial institutions, loans and advances to customers, and investments.

#### *Amounts due from central banks, banks and other financial institutions*

Amounts due from central banks, banks and other financial institutions are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

#### *Loans and advances to customers*

Loans and advances to customers are repriced at market rates annually at least. Accordingly, their carrying values approximate the fair values.

#### *Investments*

Available-for-sale investments and trading debt securities are stated at fair value on the balance sheet. The carrying values and the fair values of held-to-maturity debt securities are presented in Note 22.

#### (b) Financial liabilities

The Group’s financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers, certificate of deposit, and subordinated bonds issued. The carrying values of financial liabilities approximated their fair values at the reporting date except as follows:

|   | The Group       |                     |                 |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | Carrying values |                     | Fair values     |                     |
|   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Certificate of deposit<br>(not for trading purpose) | 10,400          | 8,576               | 10,395          | 8,577               |
| Debt securities issued                              | 316             | 322                 | 317             | 322                 |
| Subordinated bonds issued                           | 43,306          | 24,832              | 41,947          | 23,003              |
|   |                 |                     |                 |                     |
|   | The Bank        |                     |                 |                     |
|   | Carrying values |                     | Fair values     |                     |
|   | 30 June<br>2012 | 31 December<br>2011 | 30 June<br>2012 | 31 December<br>2011 |
| Subordinated bonds issued                           | 38,469          | 18,500              | 37,359          | 17,002              |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 56 Related parties

#### (a) Relationship of related parties

- (1) Related parties of the Group include CITIC Group and its fellow entities, subsidiaries, joint ventures and associates of the Group as well as BBVA, which is a strategic investor of the Group.
- (2) CITIC Group, the major shareholder of the Group, is a state-owned company established in Beijing in 1979. CITIC Group's core business covers financial services, industrial investments and business services in Mainland China and Overseas.
- (3) According to the relevant requirements on information disclosures of listed companies issued by CSRC, all parties that hold more than 5% of a listed company's shares should be recognized as related parties of the company. BBVA is a multinational financial services company registered in Spain. BBVA is mainly engaged in retail banking, asset management, private banking and wholesale banking operations. BBVA held 15% of the Bank's share as of 30 June 2012 (31 December 2011: 15%) and therefore BBVA is recognised as a related party of the Group with significant influence.
- (4) Besides the subsidiaries of the Bank mentioned in Note 24, CITIC Group is also a related party of the Bank that has control relations.

#### (b) Related party transactions

During the relevant periods, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit and off-balance sheet transactions. The banking transactions were priced at the relevant market rates prevailing at the time of each transaction. Transactions during the relevant periods and the corresponding balances outstanding at the reporting dates are as follows:

|                           | Six months ended 30 June 2012                |      |            |                       |
|---------------------------|--|------|------------|-----------------------|
|                           | Ultimate holding company and fellow entities | BBVA | Associates | Subsidiaries Note (i) |
| Interest income           | 84   | 14   | 1          | 18                    |
| Fee and commission income | 59   | 55   | –          | –                     |
| Interest expense          | (743)  | (64) | (1)        | (11)                  |
| Net trading (loss)/gain   | (14)   | 28   | –          | (1)                   |
| Other service fees        | (122)  | –    | –          | (36)                  |

|                           | Six months ended 30 June 2011                |      |            |                       |
|---------------------------|--|------|------------|-----------------------|
|                           | Ultimate holding company and fellow entities | BBVA | Associates | Subsidiaries Note (i) |
| Interest income           | 60   | 24   | 3          | 6                     |
| Fee and commission income | 49   | –    | 37         | –                     |
| Interest expense          | (508)  | (63) | (8)        | (17)                  |
| Net trading gain/(loss)   | 23   | (51) | –          | (2)                   |
| Other service fees        | (23)   | –    | (1)        | (16)                  |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 56 Related parties (continued)

#### (b) Related party transactions (continued)

|  | 30 June 2012                                 |        |            |                          |
|--|--|--------|------------|--------------------------|
|  | Ultimate holding company and fellow entities | BBVA   | Associates | Subsidiaries<br>Note (i) |
| <b>Assets</b>  |  |        |            |                          |
| Gross loans and advances to customers  | 6,286  | 133    | 122        | –                        |
| Less: individually assessed allowances for impairment loss                             | –  | –      | –          | –                        |
| collectively assessed allowances for impairment loss                                   | (90)   | (1)    | –          | –                        |
| Loans and advances to customers (net)  | 6,196  | 132    | 122        | –                        |
| Gross amount of deposits and placements with banks and non-bank financial institutions | 4,469  | 2      | –          | 1,185                    |
| Less: Allowances for impairment losses   | (7)  | –      | –          | –                        |
| Deposits and placement with banks and non-bank financial institutions (net)            | 4,462  | 2      | –          | 1,185                    |
| Investments  | 744  | 249    | –          | 10,303                   |
| Financial assets held under resale agreements  | –  | –      | –          | 51                       |
| Other assets   | 110  | 121    | –          | 3                        |
| <b>Liabilities</b>   |  |        |            |                          |
| Deposits from customers  | 17,447                                       | –      | 848        | 152                      |
| Deposits and placements from banks and non-bank financial institutions                 | 12,544                                       | 608    | –          | 9,405                    |
| Debts securities issued  | 648  | 2,292  | –          | –                        |
| Financial assets sold under repurchase agreements                                      | 4,300  | –      | –          | –                        |
| Other liabilities  | 168  | 115    | –          | 11                       |
| <b>Off-balance sheet items</b>   |  |        |            |                          |
| Guarantees and letters of credit   | 751  | 2,680  | –          | –                        |
| Acceptances  | 708  | –      | –          | –                        |
| Guarantees received  | 67   | –      | –          | 374                      |
| Nominal amount of derivatives  | 6,605  | 22,917 | –          | 63                       |

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 56 Related parties (continued)

#### (b) Related party transactions (continued)

|  | 31 December 2011                             |        |            |                          |
|--|--|--------|------------|--------------------------|
|  | Ultimate holding company and fellow entities | BBVA   | Associates | Subsidiaries<br>Note (i) |
| <b>Assets</b>  |  |        |            |                          |
| Gross loans and advances to customers  | 5,350  | 186    | 162        | –                        |
| Less: individually assessed allowances for impairment loss                             | –  | –      | –          | –                        |
| collectively assessed allowances for impairment loss                                   | (77)   | (2)    | –          | –                        |
| Loans and advances to customers (net)  | 5,273  | 184    | 162        | –                        |
| Gross amount of deposits and placements with banks and non-bank financial institutions | 5,606  | 503    | –          | 2,124                    |
| Less: Allowances for impairment losses   | (8)  | –      | –          | –                        |
| Deposits and placement with banks and non-bank financial institutions (net)            | 5,598  | 503    | –          | 2,124                    |
| Investments  | 751  | 743    | –          | 11,562                   |
| Financial assets held under resale agreements  | –  | –      | –          | 50                       |
| Other assets   | 133  | 258    | –          | 3                        |
| <b>Liabilities</b>   |  |        |            |                          |
| Deposits from customers  | 21,954                                       | 410    | 854        | 209                      |
| Deposits and placements from banks and non-bank financial institutions                 | 20,534                                       | –      | –          | 5,342                    |
| Debts securities issued  | 2,624  | 2,249  | –          | –                        |
| Financial assets sold under repurchase agreements                                      | 8,000  | –      | –          | –                        |
| Other liabilities  | 178  | 189    | –          | 38                       |
| <b>Off-balance sheet items</b>   |  |        |            |                          |
| Guarantees and letters of credit   | 818  | 2,664  | –          | –                        |
| Acceptances  | 471  | –      | –          | –                        |
| Guarantees received  | 55   | 32     | –          | 290                      |
| Nominal amount of derivatives  | 6,465  | 22,318 | –          | 63                       |

Notes: (i) The related party transactions between the Bank and the subsidiaries and among the subsidiaries are eliminated on consolidation.

(Expressed in millions of Renminbi unless otherwise stated)

## 56 Related parties (continued)

### (c) Key management personnel and their close family members and related companies

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group enters into banking transactions with key management personnel and their close family members and those companies controlled or significantly influenced by them in the normal course of business. Other than the those disclosed as below, there are no material transactions and balances between the Group and these individuals or those companies controlled or significantly influenced by them.

The aggregate amount of relevant loans outstanding as at 30 June 2012 to directors, supervisors and executive officers amounted to RMB 20.94 million (as at 31 December 2011: RMB 22.86 million).

The aggregate of the compensations in respect of directors, supervisors and senior executives during the six months ended 30 June 2012 amounted to RMB 7.26 million (six months ended 30 June 2011: 8.68 million)

### (d) Contributions to defined contribution retirement schemes and supplementary retirement benefits

The Group has established a supplementary defined contribution plan for its qualified employees. The plan is administered by CITIC Group. The Group pays supplementary retirement benefits for its qualified employees in Mainland China (Note 36(iii)).

### (e) Transactions with other state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations ("state-owned entities").

Transactions with other state-owned entities include but are not limited to the following:

- lending and deposit taking;
- taking and placing of inter-bank balances;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;
- purchase, sale and leases of property and other assets; and
- rendering and receiving of utilities and other services.

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

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 57 Ultimate parent

The Bank's controlling shareholder, CITIC Group has restructured its corporate structure with the establishment of a wholly-owned subsidiary, CITIC Limited on 27 December 2011, and the subsequent transfer of a majority of its assets into CITIC Limited (the "Restructuring"). Upon completion of the Restructuring, the shares of the Bank will be held by CITIC Limited which will in turn be wholly-owned by CITIC Group. Up to the date of this report, the relevant regulatory approval for the change of the Bank's controlling shareholder is still in progress.

### 58 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the interim financial report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2012 and which have not been adopted in the interim financial report.

- Amendments to IFRS 7, *Financial instruments: Disclosure*, "Disclosures – Offsetting financial assets and financial liabilities";
- Amendments to IAS 32, *Financial instruments: Presentation*, "Offsetting financial assets and financial liabilities";
- Amendments to IAS 1, *Presentation of financial statements*; "Presentation of items of other comprehensive income";
- Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards*, "Government loans";
- IFRS 9, *Financial instruments*;
- IFRS 10, *Consolidated financial statements*;
- IAS 27 (2011), *Separate financial statements*;
- IFRS 11, *Joint arrangements*;
- IAS 28 (2011), *Investments in associates and joint ventures*;
- IFRS 12, *Disclosure of interests in other entities*;
- IFRS 13, *Fair value measurement*;
- Revised IAS 19, *Employee benefits*;
- IFRIC 20, *Stripping costs in the production phase of a surface mine*
- Annual Improvements to IFRSs 2009 – 2011 Cycle

The Group is in the process of making assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for IFRS 9, Financial instruments, which may have an impact on the Group's results and financial position.

### 59 Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

### 60 Events after the reporting date

Up to the date of this report, the Group had no material events that require disclosure in or adjustments of the interim financial report after the reporting date.



# Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the unaudited interim financial report, and is included herein for information purposes only.

## 1 Difference between the financial report prepared under IFRS and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation limited (the “Bank”) prepares consolidated financial report for the six months ended 30 June 2012, which includes the financial report of the Bank and its subsidiaries (collectively the “Group”), in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”) promulgated by the International Accounting Standards Board.

As a financial institution incorporated in the People’s Republic of China (the “PRC”), the Group also prepares its consolidated financial report for the six months ended 30 June 2012 in accordance with the Accounting Standards for Business Enterprises 32, *Interim financial reporting* (“CAS 32”) issued by the Ministry of Finance of the PRC.

There is no difference in the net profit for the six months ended 30 June 2012 or total equity as at 30 June 2012 between the Group’s consolidated financial report prepared under IAS 34 and that prepared under CAS 32 respectively.

## 2 Liquidity ratios

|   | 30 June<br>2012 | 31 December<br>2011 |
|---|-----------------|---------------------|
| RMB current assets to RMB current liabilities                           | 59.23%          | 58.97%              |
| Foreign currency current assets to foreign currency current liabilities | 92.62%          | 96.55%              |

The above liquidity ratios were calculated based on the financial report under PRC GAAP with reference to the revised formula issued by the China Banking Regulatory Commission (the “CBRC”) in 2006.

## 3 Currency concentrations

|                           | 30 June 2012  |               |          |           |
|---------------------------|---------------|---------------|----------|-----------|
|                           | US<br>Dollars | HK<br>Dollars | Others   | Total     |
| Spot assets               | 169,045       | 66,295        | 19,426   | 254,766   |
| Spot liabilities          | (147,630)     | (63,280)      | (35,283) | (246,193) |
| Forward purchases         | 209,606       | 18,284        | 49,624   | 277,514   |
| Forward sales             | (227,457)     | (8,383)       | (34,385) | (270,225) |
| Net option position       | (5,061)       | (15)          | (5)      | (5,081)   |
| Net (short)/long position | (1,497)       | 12,901        | (623)    | 10,781    |

|                           | 31 December 2011 |               |          |           |
|---------------------------|------------------|---------------|----------|-----------|
|                           | US<br>Dollars    | HK<br>Dollars | Others   | Total     |
| Spot assets               | 131,848          | 64,631        | 9,172    | 205,651   |
| Spot liabilities          | (96,906)         | (63,810)      | (21,219) | (181,935) |
| Forward purchases         | 167,992          | 21,317        | 33,557   | 222,866   |
| Forward sales             | (197,183)        | (10,089)      | (21,783) | (229,055) |
| Net option position       | (89)             | –             | 5        | (84)      |
| Net long/(short) position | 5,662            | 12,049        | (268)    | 17,443    |

## Unaudited Supplementary Financial Information (continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 4 Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

For the purpose of these unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC (“Macau”) and Taiwan.

Cross-border claims include loans and advances, balances and placements with banks and other financial institutions, holding of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a region or a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

|                                       | 30 June 2012                           |                        |               |               |
|---------------------------------------|--|------------------------|---------------|---------------|
|                                       | Banks and other financial institutions | Public sector entities | Others        | Total         |
| Asia Pacific excluding Mainland China | 8,049                                  | 170                    | 9,860         | 18,079        |
| — of which attributed to Hong Kong    | 1,281                                  | 68                     | 5,026         | 6,375         |
| Europe                                | 6,495                                  | 67                     | 1,568         | 8,130         |
| North and South America               | 19,680                                 | 908                    | 2,550         | 23,138        |
| <b>Total</b>                          | <b>34,224</b>                          | <b>1,145</b>           | <b>13,978</b> | <b>49,347</b> |

|                                       | 31 December 2011                       |                        |               |               |
|---------------------------------------|--|------------------------|---------------|---------------|
|                                       | Banks and other financial institutions | Public sector entities | Others        | Total         |
| Asia Pacific excluding Mainland China | 11,970                                 | 172                    | 10,840        | 22,982        |
| — of which attributed to Hong Kong    | 3,711                                  | 68                     | 5,426         | 9,205         |
| Europe                                | 16,469                                 | 2                      | 2,267         | 18,738        |
| North and South America               | 8,233                                  | 235                    | 1,618         | 10,086        |
| <b>Total</b>                          | <b>36,672</b>                          | <b>409</b>             | <b>14,725</b> | <b>51,806</b> |

## Unaudited Supplementary Financial Information (continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 5 Overdue loans and advances to customers by geographical segments

|                                   | 30 June 2012             |  |                |
|-----------------------------------|--------------------------|--|----------------|
|                                   | Gross loans and advances | Loans and advances overdue over 3 months | Impaired Loans |
| Yangtze River Delta               | 407,175                  | 2,210                                    | 2,495          |
| Bohai Rim (include Head Office)   | 404,221                  | 2,298                                    | 2,334          |
| Pearl River Delta and West Strait | 206,894                  | 1,492                                    | 2,483          |
| Central                           | 204,859                  | 516                                      | 661            |
| Western                           | 189,803                  | 364                                      | 648            |
| Northeastern                      | 48,796                   | 220                                      | 466            |
| Outside Mainland China            | 73,604                   | 292                                      | 306            |
| <b>Total</b>                      | <b>1,535,352</b>         | <b>7,392</b>                             | <b>9,393</b>   |

|                                   | 31 December 2011         |  |                |
|-----------------------------------|--------------------------|--|----------------|
|                                   | Gross loans and advances | Loans and advances overdue over 3 months | Impaired Loans |
| Yangtze River Delta               | 375,635                  | 1,250                                    | 2,191          |
| Bohai Rim (include Head Office)   | 379,024                  | 2,206                                    | 2,208          |
| Pearl River Delta and West Strait | 196,103                  | 1,189                                    | 2,125          |
| Central                           | 187,201                  | 265                                      | 542            |
| Western                           | 176,879                  | 251                                      | 493            |
| Northeastern                      | 46,425                   | 150                                      | 481            |
| Outside Mainland China            | 72,770                   | 290                                      | 501            |
| <b>Total</b>                      | <b>1,434,037</b>         | <b>5,601</b>                             | <b>8,541</b>   |

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

- individually; or
- collectively: that is portfolios of homogeneous loans and advances.

### 6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

#### (i) Gross overdue amounts due from banks and other financial institutions

|  | 30 June 2012 | 31 December 2011 |
|--|--------------|------------------|
| Gross amounts due from banks and other financial institutions which have been overdue  | 30           | 30               |
| As a percentage of total gross amounts due from banks and other financial institutions | 0.01%        | 0.01%            |

Note: All overdue amounts have been overdue over 12 months.

## Unaudited Supplementary Financial Information (continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (continued)

#### (ii) Gross amounts of overdue loans and advances to customers

|  | 30 June<br>2012 | 31 December<br>2011 |
|--|-----------------|---------------------|
| Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of: |                 |                     |
| — between 3 and 6 months   | 2,050           | 528                 |
| — between 6 and 12 months  | 1,027           | 552                 |
| — over 12 months   | 4,315           | 4,521               |
| <b>Total</b>   | <b>7,392</b>    | <b>5,601</b>        |
| As a percentage of total gross loans and advances to customers:  |                 |                     |
| — between 3 and 6 months   | 0.13%           | 0.04%               |
| — between 6 and 12 months  | 0.07%           | 0.04%               |
| — over 12 months   | 0.28%           | 0.31%               |
| <b>Total</b>   | <b>0.48%</b>    | <b>0.39%</b>        |

- The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.
- Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.
- Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.
- As at 30 June 2012, the loans and advances to customers of RMB 6,036 million (as at 31 December 2011: 4,551 million) and RMB 1,356 million (as at 31 December 2011: 1,050 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB 2,228 million (as at 31 December 2011: 964 million) and RMB 3,808 million (as at 31 December 2011: 3,587 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB 2,340 million (as at 31 December 2011: 1,182 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB 3,746 million (as at 31 December 2011: 3,374 million).

### 7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 30 June 2012, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the financial report.

# List

## of Domestic and Overseas Affiliates

During the reporting period, 26 outlets of the Bank started business operation, including Haikou branch, a tier-1 branch, Chuzhou branch and Pingdingshan branch, tier-2 branches, and 23 sub-branches. In addition, the establishment of two provincial-capital branches, namely Yinchuan branch and Xining branch, as well as eight tier-2 branches, including Yulin branch, was approved by the CBRC. Lin'an CITIC Rural Bank, a subsidiary controlled by the Bank, was officially started business operation on 9 January 2012. As at the end of the reporting period, the Bank had 799 branch outlets in 98 large and medium cities in China, with 36 (directly affiliated) to the head office tier-1 branches, 56 tier-2 branches and 707 sub-branches; and two overseas subsidiaries.

| Serial number | Administrative region          | Number of branches | Major branches/offices | Address  | Tel and fax  |
|---------------|--------------------------------|--------------------|------------------------|--|--|
| 1             | Beijing                        | 1                  | Head Office            | Address: Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing<br>Postal Code: 100027<br>Website: <a href="http://bank.ecitic.com">http://bank.ecitic.com</a><br>SWIFT BIC: CIBKCNBJ | Tel: 010-65558888<br>Fax: 010-65550801<br>Hotline: 95558 |
|               |                                | 52                 | Beijing Branch         | Address: Tower A, Investment Plaza, No. 27 Jia, Financial Street, Xicheng District, Beijing<br>Postal Code: 100140   | Tel: 010-66211769<br>Fax: 010-66211770                   |
| 2             | Tianjin                        | 28                 | Tianjin Branch         | Address: No. 14, Tianjin Global Financial Center, Zhang Zizhong Road, Heping District, Tianjin<br>Postal Code: 300042  | Tel: 022-23028880<br>Fax: 022-23028800                   |
| 3             | Hebei Province<br>Shijiazhuang | 29                 |                        |  |  |
|               |                                | 20                 | Shijiazhuang Branch    | Address: CITIC Mansion, Golden World Financial Center, No 10 Ziqiang Road, Shijiazhuang, Hebei Province<br>Postal Code: 050056   | Tel: 0311-87884438<br>Fax: 0311-87884436                 |
|               |                                | 7                  | Tangshan Branch        | Address: No. 46, Xinhua West Road, Tangshan, Hebei Province<br>Postal Code: 063000   | Tel: 0315-3738508<br>Fax: 0315-3738522                   |
|               |                                | 1                  | Baoding Branch         | Address: No. 733, Yuhua West Road, Baoding<br>Postal Code: 071000  | Tel: 0312-2081598<br>Fax: 0312-5881160                   |
|               |                                | 1                  | Handan Branch          | Address: No. 183, Lianfang East Road, Handan<br>Postal Code: 056004  | Tel: 0310-7050655<br>Fax: 0310-7050655                   |
| 4             | Liaoning Province<br>Shenyang  | 58                 |                        |  |  |
|               |                                | 19                 | Shenyang Branch        | Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province<br>Postal Code: 110014   | Tel: 024-31510456<br>Fax: 024-31510234                   |
|               |                                | 20                 | Dalian Branch          | Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province<br>Postal Code: 116001   | Tel: 0411-82821868<br>Fax: 0411-82804126                 |
|               |                                | 7                  | Anshan Branch          | Address: No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province<br>Postal Code: 114001   | Tel: 0412-2211988<br>Fax: 0412-2230815                   |
|               |                                | 5                  | Fushun Branch          | Address: No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province<br>Postal Code: 113001   | Tel: 0413-3886701<br>Fax: 0413-3886711                   |
|               |                                | 6                  | Huludao Branch         | Address: No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province<br>Postal Code: 125001   | Tel: 0429-2808185<br>Fax: 0429-2800885                   |
|               |                                | 1                  | Yingkou Branch         | Address: No. 8, Yinggang Road, Bayu District, Liaoning Province<br>Postal Code: 115007   | Tel: 0417-8208988<br>Fax: 0417-8208989                   |
| 5             | Shanghai                       | 39                 | Shanghai Branch        | Address: Aurora Plaza, No. 99, Fucheng Road, Pudong New District, Shanghai<br>Postal Code: 200120  | Tel: 021-58771111<br>Fax: 021-58776606                   |
| 6             | Jiangsu Province<br>Nanjing    | 84                 |                        |  |  |
|               |                                | 20                 | Nanjing Branch         | Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province<br>Postal Code: 210008   | Tel: 025-83799181<br>Fax: 025-83799000                   |
|               |                                | 21                 | Suzhou Branch          | Address: No. 258, Zhuhui Road, Suzhou, Jiangsu Province<br>Postal Code: 215006   | Tel: 0512-65190307<br>Fax: 0512-65198570                 |
|               |                                | 16                 | Wuxi Branch            | Address: No. 187, Zhongshan Road, Wuxi, Jiangsu Province<br>Postal Code: 214001  | Tel: 0510-82707177<br>Fax: 0510-82709166                 |
|               |                                | 9                  | Changzhou Branch       | Address: Boai Plaza, No. 72, Boai Road, Changzhou, Jiangsu Province<br>Postal Code: 213003   | Tel: 0519-88108833<br>Fax: 0519-88107020                 |
|               |                                | 8                  | Yangzhou Branch        | Address: No. 171, Weyang Road, Yangzhou, Jiangsu Province<br>Postal Code: 225300   | Tel: 0514-87890717<br>Fax: 0514-87890531                 |
|               |                                | 6                  | Taizhou Branch         | Address: No. 15, Gulou Road, Taizhou<br>Postal Code: 225300  | Tel: 0523-86399111<br>Fax: 0523-86399120                 |
|               |                                | 3                  | Nantong Branch         | Address: Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province<br>Postal Code: 226001  | Tel: 0513-81120909<br>Fax: 0513-81120900                 |
|               |                                | 1                  | Zhenjiang Branch       | Address: No. 11, Changjiang Road, Zhenjiang, Jiangsu Province<br>Postal Code: 212001   | Tel: 0511-89886201<br>Fax: 0511-89886200                 |
| 7             | Zhejiang Province<br>Hangzhou  | 77                 |                        |  |  |
|               |                                | 24                 | Hangzhou Branch        | Address: No. 88, Yan'an Road, Hangzhou, Zhejiang Province<br>Postal Code: 310002   | Tel: 0571-87032888<br>Fax: 0571-87089180                 |
|               |                                | 17                 | Ningbo Branch          | Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province<br>Postal Code: 315010   | Tel: 0574-87733065<br>Fax: 0574-87973742                 |
|               |                                | 10                 | Wenzhou Branch         | Address: Building 2, North Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou<br>Postal Code: 325000  | Tel: 0577-88858466<br>Fax: 0577-88858575                 |
|               |                                | 9                  | Jiaxing Branch         | Address: No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province<br>Postal Code: 314000   | Tel: 0573-82097693<br>Fax: 0573-82093454                 |
|               |                                | 9                  | Shaoxing Branch        | Address: No. 289, West Renmin Road, Shaoxing, Zhejiang Province<br>Postal Code: 312000   | Tel: 0575-85227222<br>Fax: 0575-85110428                 |
|               |                                | 3                  | Taizhou Branch         | Address: No. 489, Shifu Avenue, Taizhou, Zhejiang Province<br>Postal Code: 318000  | Tel: 0576-81889666<br>Fax: 0576-88819916                 |
|               |                                | 1                  | Lishui Branch          | Address: No.1, Zijin Road, Lishui, Zhejiang Province<br>Postal Code: 323000  | Tel: 0578-2082977<br>Fax: 0578-2082985                   |
|               |                                | 4                  | Yiwu Branch            | Address: No. 100, Huangyuan Road, Yiwu, Zhejiang Province<br>Postal Code: 322000   | Tel: 0579-85378838<br>Fax: 0579-85378817                 |

List of Domestic and Overseas Affiliates

| Serial number | Administrative region | Number of branches | Major branches/offices | Address   | Tel and fax                              |
|---------------|-----------------------|--------------------|------------------------|---|--|
| 8             | Anhui Province        | 20                 |                        |   |  |
|               | Hefei                 | 14                 | Hefei Branch           | Address: No. 78, Huizhou Avenue, Hefei, Anhui Province<br>Postal Code: 230001   | Tel: 0551-2622426<br>Fax: 0551-2625750   |
|               | Wuhu                  | 3                  | Wuhu Branch            | Address: X1-X4, West Jing Street, No. 8, Jinghu Road, Wuhu<br>Postal Code: 241000   | Tel: 0553-3888685<br>Fax: 0553-3888685   |
|               | Anqing                | 1                  | Anqing Branch          | Address: No. 101, Zhongxing Road, Anqing, Anhui Province<br>Postal Code: 246005   | Tel: 0556-5280606<br>Fax: 0556-5280605   |
|               | Bengbu                | 1                  | Bengbu Branch          | Address: No. 859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province<br>Postal Code: 233000                                      | Tel: 0552-2087000<br>Fax: 0522-2087000   |
|               | chuzhou               | 1                  | chuzhou Branch         | Address: 239000<br>Postal Code: 239000  | Tel: 0552-3529558<br>Fax: 0522-3529559   |
| 9             | Fujian Province       | 40                 |                        |   |  |
|               | Fuzhou                | 15                 | Fuzhou Branch          | Address: No. 99, Hudong Road, Fuzhou<br>Postal Code: 350001   | Tel: 0591-87538066<br>Fax: 0591-87537066 |
|               | Xiamen                | 13                 | Xiamen Branch          | Address: CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province<br>Postal Code: 361001                | Tel: 0592-2995685<br>Fax: 0592-2389037   |
|               | Quanzhou              | 7                  | Quanzhou Branch        | Address: Floor 1-3, No 336 Fengze Street., Quanzhou, Fujian Province<br>Postal Code: 362000   | Tel: 0595-22148687<br>Fax: 0595-22148222 |
|               | Putian                | 3                  | Putian Branch          | Address: 1/F & 2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian, Fujian Province<br>Postal Code: 351100   | Tel: 0594-2853280<br>Fax: 0594-2853260   |
|               | Zhangzhou             | 1                  | Zhangzhou Branch       | Address: 1/F -4/F, Yiqun Building, West Shengli Road, Zhangzhou<br>Postal Code: 363000  | Tel: 0596-2995568<br>Fax: 0596-2995207   |
|               | Longyan               | 1                  | Longyan Branch         | Address: No. 153, Fushan International Center, Denggao West Road, Xinluo District, Longyan, Fujian Province<br>Postal Code: 364000  | Tel: 0597-2956510<br>Fax: 0597-2956500   |
| 10            | Shandong Province     | 61                 |                        |   |  |
|               | Jinan                 | 13                 | Jinan Branch           | Address: CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province<br>Postal Code: 250011                                       | Tel: 0531-86911315<br>Fax: 0531-86929194 |
|               | Qingdao               | 20                 | Qingdao Branch         | Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province<br>Postal Code: 266071  | Tel: 0532-85022889<br>Fax: 0532-85022888 |
|               | Zibo                  | 7                  | Zibo Branch            | Address: CITIC Mansion, No. 230 Liuquan Road, Zhangdian District, Zibo, Shandong Province<br>Postal Code: 2210138                   | Tel: 0533-2210138                        |
|               | Yantai                | 5                  | Yantai Branch          | Address: No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province<br>Postal Code: 264001                                    | Tel: 0535-6611030<br>Fax: 0535-6611032   |
|               | Weihai                | 8                  | Weihai Branch          | Address: No. 2, North Qingdao Road, Weihai, Shandong Province<br>Postal Code: 264200  | Tel: 0631-5336802<br>Fax: 0631-5314076   |
|               | Jining                | 5                  | Jining Branch          | Address: No. 28, Gongxiao Road, Jining, Shandong Province<br>Postal Code: 272000  | Tel: 0537-2338888<br>Fax: 0537-2338888   |
|               | Weifang               | 1                  | Weifang Branch         | Address: No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province<br>Postal Code: 261041                            | Tel: 0536-8056002<br>Fax: 0536-8056002   |
|               | Dongying              | 2                  | Dongying Branch        | Address: No. 128, Fuqian Avenue, Dongcheng, Dongying, Shandong Province<br>Postal Code: 257091                                      | Tel: 0546-7922255<br>Fax: 0546-8198666   |
| 11            | Henan Province        | 28                 |                        |   |  |
|               | Zhengzhou             | 19                 | Zhengzhou Branch       | Address: CITIC Mansion, No. 1 Inner Ring, Zheng Dong New District, Zhengzhou, Henan Province<br>Postal Code: 450018                 | Tel: 0371-55588888<br>Fax: 0371-55588555 |
|               | Luoyang               | 4                  | Luoyang Branch         | Address: No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province<br>Postal Code: 454000                                      | Tel: 0391-8768282<br>Fax: 0391-8789969   |
|               | Jiaozuo               | 1                  | Jiaozuo Branch         | Address: No. 1736, Tanan Road, Jiaozuo, Henan Province<br>Postal Code: 471000   | Tel: 0379-64682858<br>Fax: 0379-64682875 |
|               | Nanyang               | 2                  | Nanyang Branch         | Address: Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province<br>Postal Code: 473000                                | Tel: 0377-61628299<br>Fax: 0377-61628299 |
|               | Anyang                | 1                  | Anyang Branch          | Address: Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province<br>Postal Code: 455000                     | Tel: 0372-5998026<br>Fax: 0377-5998086   |
|               | Pingdingshan          | 1                  | Pingdingshan Branch    | Address: Level 1&2, Pinganyiyuan II, middle Kuangong Road, Pingdingshan<br>Postal Code: 467000                                      | Tel: 0372-2195558<br>Fax: 0377-2195574   |
| 12            | Hubei Province        | 25                 |                        |   |  |
|               | Wuhan                 | 22                 | Wuhan Branch           | Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province<br>Postal Code: 430015  | Tel: 027-85355111<br>Fax: 027-85355222   |
|               | Xiangyang             | 2                  | Xiangyang Branch       | Address: No. 1 Te, Paopo Street, South People's Square, Xiangyang, Hubei Province<br>Postal Code: 441000                            | Tel: 0710-3454199<br>Fax: 0710-3454166   |
|               | Yichang               | 1                  | Yichang Branch         | Address: No. 2 Meianchangdi Office Wing, Floor 1 & 2, Xilinyi Road, Xilin District, Yichang, Hubei Province<br>Postal Code: 443000  | Tel: 0717-6495558<br>Fax: 0717-6433689   |
| 13            | Hunan Province        | 24                 |                        |   |  |
|               | Changsha              | 23                 | Changsha Branch        | Address: No. 456, Wuyi Street, Changsha, Hunan Province<br>Postal Code: 410011  | Tel: 0731-84582177<br>Fax: 0731-84582179 |
|               | Hengyang              | 1                  | Hengyang Branch        | Address: No. 38, Jiefangdadao, Huaxin Development Zone, Hengyang, Hunan Province<br>Postal Code: 421001                             | Tel: 0734-8669859<br>Fax: 0734-8669899   |
| 14            | Guangdong Province    | 86                 |                        |   |  |
|               | Guangzhou             | 24                 | Guangzhou Branch       | Address: CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province<br>Postal Code: 510613                              | Tel: 020-87521188<br>Fax: 020-87520668   |
|               | Foshan                | 7                  | Foshan Branch          | Address: No. 140, Central Fenjiang Road, Foshan, Guangdong Province<br>Postal Code: 528000  | Tel: 0757-83989999<br>Fax: 0757-83309903 |
|               | Shenzhen              | 27                 | Shenzhen Branch        | Address: 5/F-7/F, CITIC Tower, CITIC Plaza, No. 1093, Mid Shennan Road, Shenzhen, Guangdong Province<br>Postal Code: 518031         | Tel: 0755-25942568<br>Fax: 0755-25942028 |
|               | Dongguan              | 23                 | Dongguan Branch        | Address: Nanfeng Center No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province<br>Postal Code: 523070                | Tel: 0769-22667888<br>Fax: 0769-22667999 |
|               | Jiangmen              | 2                  | Jiangmen Branch        | Address: 1/F-2/F, Gladden Hotel, No. 188 Fazhan Avenue, Beixin District, Jiangmen, Guangdong Province<br>Postal Code: 529000        | Tel: 0750-3939016<br>Fax: 0750-3939029   |
|               | Huizhou               | 1                  | Huizhou Branch         | Address: 1/F & 5/F, Dalong Building (Phase II), No. 2 Wenhua 1st Road, Jiangbei, Huizhou, Guangdong Province<br>Postal Code: 516000 | Tel: 0752-2898837<br>Fax: 0752-2898851   |

*List of Domestic and Overseas Affiliates*

| Serial number | Administrative region                    | Number of branches   | Major branches/offices                         | Address   | Tel and fax                              |
|---------------|--|----------------------|--|---|--|
|               | Zhuhai                                   | 1                    | Zhuhai Branch                                  | Address: No. 1, Guanhaijing Floor 1 & 2, Jidajingshan Road, Xiangzhou District, Zhuhai, Guangdong Province<br>Postal Code: 519015                               | Tel: 0756-3292936<br>Fax: 0756-3292956   |
|               | Zhongshan                                | 1                    | Zhongshan Branch                               | Address: No. 82, Dixing Plaza 2, Zhongshanshi Road, Zhongshan, Guangdong Province<br>Postal Code: 528400  | Tel: 0760-88668318<br>Fax: 0760-88668315 |
| 15            | Chongqing                                | 20                   | Chongqing Branch                               | Address: Block B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing<br>Postal Code: 400010                               | Tel: 023-63107677<br>Fax: 023-63107527   |
| 16            | Sichuan Province Chengdu                 | 27                   | Chengdu Branch                                 | Address: Huaneng Building Annex, No. 47, 4th Section, South Renmin Road, Wuhou District, Chengdu, Sichuan Province<br>Postal Code: 610041                       | Tel: 028-85258888<br>Fax: 028-85258898   |
| 17            | Yunnan Province Kunming                  | 21                   | Kunming Branch                                 | Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province<br>Postal Code: 650021  | Tel: 0871-3648666<br>Fax: 0871-3648667   |
|               | Qujing                                   | 1                    | Qujing Branch                                  | Address: 1/F-2/F, Block B, Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province<br>Postal Code: 655000                         | Tel: 0874-3119536<br>Fax: 0874-3115696   |
|               | Dali                                     | 1                    | Dali Branch                                    | Address: 1/F, Meideng Hotel, No. 116, Gangshan Road, Economic Development Zone, Dali, Yunnan Province<br>Postal Code: 671000                                    | Tel: 0872-2323278<br>Fax: 0872-2323278   |
| 18            | Guizhou Province Guiyang                 | 2                    | Guiyang Branch                                 | Address: Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province<br>Postal Code: 550002  | Tel: 0851-5587009<br>Fax: 0851-5587377   |
| 19            | Gansu Province Lanzhou                   | 6                    | Lanzhou Branch                                 | Address: No. 638, West Donggang Road, Lanzhou, Gansu Province<br>Postal Code: 730000  | Tel: 0931-8890600<br>Fax: 0931-8890699   |
| 20            | Shaanxi Province Xi'an                   | 21                   | Xi'an Branch                                   | Address: CITIC Tower, No. 89, North Chang'an Road, Xi'an, Shaanxi Province<br>Postal Code: 710061   | Tel: 029-87820018<br>Fax: 029-87817025   |
|               | Baoji                                    | 1                    | Baoji Branch                                   | Address: No. 50, Caifu Plaza B, Gaoxindadao, Baoji, Shaanxi Province<br>Postal Code: 721013   | Tel: 0917-3158818<br>Fax: 0917-3158807   |
|               | Weinan                                   | 1                    | Weinan Branch                                  | Address: Xinda Plaza, Shijimingzhu Plaza, Chaoyangdajie, Weinan, Shaanxi Province<br>Postal code: 714000  | Tel: 0913-2089610<br>Fax: 0913-2089606   |
| 21            | Shanxi Province Taiyuan                  | 10                   | Taiyuan Branch                                 | Address: Block A, Princes' Palace Commercial Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province<br>Postal Code: 030002                                      | Tel: 0351-3377040<br>Fax: 0351-3377000   |
|               | Datong                                   | 1                    | Datong Branch                                  | Address: 1/F-3/F, 19-21 Podium Building, Yu Hua Di Jing, Intersection of Yuhe West Road & Pingcheng East Street, Datong, Shanxi Province<br>Postal Code: 037008 | Tel: 0352-2513800<br>Fax: 0352-2513779   |
| 22            | Jiangxi Province Nanchang                | 9                    | Nanchang Branch                                | Address: Tower A, No. 16, Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang<br>Postal Code: 330003   | Tel: 0791-6660109<br>Fax: 0791-6660107   |
|               | Pingxiang                                | 1                    | Pingxiang Branch                               | Address: Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province<br>Postal Code: 337000  | Tel: 0799-6890078<br>Fax: 0799-6890005   |
| 23            | Inner Mongolia Autonomous Region Hohhot  | 9                    | Hohhot Branch                                  | Address: No. 68, Xinhua Avenue, Hohhot, Inner Mongolia Autonomous Region<br>Postal Code: 010020   | Tel: 0471-6664933<br>Fax: 0471-6664933   |
|               | Baotou                                   | 2                    | Baotou Branch                                  | Address: No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region<br>Postal Code: 014030                  | Tel: 0472-5338909<br>Fax: 0472-5338929   |
|               | Erdos                                    | 2                    | Erdos Branch                                   | Address: CITIC Bank Tower, North Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region<br>Postal Code: 017000                              | Tel: 0477-8188000<br>Fax: 0477-8188002   |
| 24            | Guangxi Zhuang Autonomous Region Nanning | 8                    | Nanning Branch                                 | Address: No. 36-1, Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region<br>Postal Code: 530021  | Tel: 0771-5569881<br>Fax: 0771-5569889   |
|               | Liuzhou                                  | 1                    | Liuzhou Branch                                 | Address: No. 7, South Side of Guizhong Avenue, Liuzhou, Guangxi Zhuang Autonomous Region<br>Postal Code: 545026   | Tel: 0772-2083625<br>Fax: 0772-2083622   |
|               | Qinzhou                                  | 1                    | Qinzhou Branch                                 | Address: No. 10, Xingfuyuan Shidaimingcheng, South Building Floor 1 to 3, Yongfu West Road, Qinzhou, Guangxi<br>Postal Code: 535000                             | Tel: 0777-2366139<br>Fax: 0777-3253388   |
| 25            | Heilongjiang Province Harbin             | 5                    | Harbin Branch                                  | Address: No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province<br>Postal Code: 150090   | Tel: 0451-55558112<br>Fax: 0451-53995558 |
| 26            | Jilin Province Changchun                 | 6                    | Changchun Branch                               | Address: No. 1177, Changchun Avenue, Changchun, Jilin Province<br>Postal Code: 130041   | Tel: 0431-81910011<br>Fax: 0431-81910123 |
| 27            | Xinjiang Uighur Autonomous Region Urumqi | 3                    | Urumqi Branch                                  | Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi<br>Postal Code: 830002   | Tel: 0991-2365966<br>Fax: 0991-2365888   |
| 28            | Hainan Province Haikou                   | 1                    | Haikou Branch                                  | Address: Level 1-3, Banshan Garden, No.1 Middle Jinmao Road, Longhua District, Haikou, Hainan Province<br>Postal Code: 570125                                   | Tel: 0898-68578310<br>Fax: 0898-68578364 |
| Serial number | Administrative region                    | Number of affiliates | Overseas controlled subsidiaries               | Address   | Tel and fax                              |
| 29            | Hong Kong Special Administrative Region  | 1                    | China Investment and Finance Limited           | Address: Room 2106, 21/F, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong   | Tel: +852-25212353<br>Fax: +852-28017399 |
|               |  | 1                    | CITIC International Financial Holdings Limited | Address: Room 2701-9, 27/F, CITIC Tower 1 Tim Mei Avenue, Central, Hong Kong  | Tel: +852-36073000<br>Fax: +852-25253303 |
| Serial number | Administrative region                    | Number of affiliates | Controlled subsidiaries in Mainland China      | Address   | Tel and fax                              |
| 30            | Zhejiang Province Lin'an                 | 1                    | Zhejiang Lin'an CITIC Rural Bank               | Address: No. 777, Shijing Street, Jincheng Road, Lin'an, Zhejiang Province<br>Postal Code: 311300   | Tel: 0571-61109006<br>Fax: 0571-61106889 |



# Definition

Unless otherwise stated, the following terms mentioned in this report assume the implications as follows:

|  |   |
|--|---|
| Articles of Association                      | Articles of Association of China CITIC Bank Corporation Limited   |
| Bank/Company/China CITIC Bank/<br>CITIC Bank | China CITIC Bank Corporation Limited  |
| BBVA   | Banco Bilbao Vizcaya Argentaria S.A.  |
| CBI  | CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)  |
| CBRC   | China Banking Regulatory Commission   |
| Central Bank/PBC                             | The People's Bank of China  |
| China AMC                                    | China Asset Management Co., Ltd.  |
| CIAM   | CITIC International Assets Management Limited   |
| CIFH   | CITIC International Financial Holdings Limited  |
| CIFL   | China Investment and Finance Limited  |
| CITIC Capital                                | CITIC Capital Holdings Limited  |
| CITIC Group                                  | CITIC Group Corporation (formerly known as CITIC Group)   |
| CITIC Limited                                | CITIC Limited   |
| CITIC Securities                             | CITIC Securities Co., Ltd.  |
| CITIC Securities (Zhejiang)                  | CITIC Securities (Zhejiang) Co., Ltd.   |
| CITIC Splended Capital                       | CITIC Splended Capital Management Co., Ltd.   |
| CITIC Trust                                  | CITIC Trust Co., Ltd.   |
| CITIC Wantong Securities                     | CITIC Wantong Securities Co., Ltd.  |
| Commercial Banks Law                         | Law of the People's Republic of China on Commercial Banks   |
| Company Law                                  | Company Law of the People's Republic of China   |
| CSRC   | China Securities Regulatory Commission  |
| GIL  | Gloryshare Investments Limited  |
| Group  | China CITIC Bank Corporation Limited and its subsidiaries   |
| Joint-stock banks                            | Banks including China CITIC Bank, China Merchants Bank, Shanghai Pudong Development Bank, China Minsheng Banking Corporation, China Everbright Bank, Industrial Bank, Hua Xia Bank, Ping An Bank (formerly known as Shenzhen Development Bank) and China Guangfa Bank |
| Lin'an CITIC Rural Bank                      | Zhejiang Lin'an CITIC Rural Bank  |
| MOF  | Ministry of Finance of the People's Republic of China   |
| NSSF   | National Council for Social Security Fund   |
| SASAC  | State-owned Assets Supervision and Administration Commission of the State Council   |
| SEHK   | The Stock Exchange of Hong Kong Limited   |
| SSE  | Shanghai Stock Exchange   |
| State Council                                | State Council of the People's Republic of China   |
| State-owned banks                            | Banks including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications  |





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