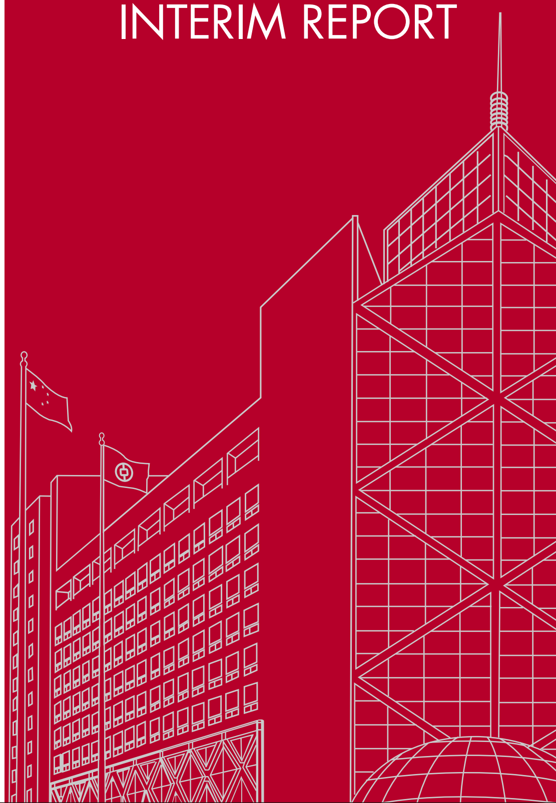
中國銀行
BANK OF CHINA

DELIVERING GROWTH AND EXCELLENCE

2013
INTERIM REPORT



Bank of China Limited

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

Stock Code: 3988

Contents

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

the Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	The performing Articles of Association of the Bank
Basis Point	0.01 of a percentage point
BOC Aviation	BOC Aviation Private Limited
BOC Insurance	BOC Insurance Company Limited
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCG Life	BOC Group Life Assurance Company Limited
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong and the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI	BOC International Holdings Limited
BOCI China	BOC International (China) Limited
BOCIM	Bank of China Investment Management Co., Ltd.
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
CBRC	China Banking Regulatory Commission
Company Law	The Company Law of PRC
Convertible Bonds	Corporate bonds that are vested for conversion to the A-Share stock of the Bank
CSRC	China Securities Regulatory Commission
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi and Shandong
HKEx	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
Independent Director	Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
Northeastern China	The area including, for the purpose of this report, the branches of Heilongjiang, Jilin and Liaoning
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
PBOC	The People's Bank of China
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	The Shanghai Stock Exchange
Western China	The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank warrant that the information in this report is authentic, accurate and complete, contains no false record, misleading statement or material omission, and jointly and severally accept full responsibility for the information in this report.

The 2013 Interim Report and the 2013 Interim Results Announcement of the Bank have been reviewed and approved at the meeting of the Board of Directors of the Bank held on 29 August 2013. The number of directors who should attend the meeting is seventeen, and all of the directors were present and exercised their voting rights. Eight supervisors attended the meeting as non-voting attendees.

The 2013 interim financial statements prepared by the Bank in accordance with Chinese Accounting Standards ("CAS") and International Financial Reporting Standards ("IFRS") have been reviewed by Ernst & Young Hua Ming (LLP) and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

Chairman of the Board of Directors TIAN Guoli, President LI Lihui, Executive Vice President responsible for the Bank's finance and accounting WANG Yongli and General Manager of the finance and accounting department XIAO Wei warrant the authenticity, accuracy and completeness of the financial information in this report.

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or its controlling shareholder's related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and the procedures.

This report may contain forward-looking statements that involve risks and future plans. These forward-looking statements are based on the Bank's own information and information from other sources the Bank believes to be reliable. They relate to future events or the Bank's future financial, business or other performance and are subject to a number of factors and uncertainties that may cause our actual results to differ materially. Investors should not place undue reliance on these forward-looking statements and any future plans mentioned do not constitute a commitment by the Bank to its investors. Investors should be aware of the investment risks.

Corporate Information

Registered Name in Chinese
中國銀行股份有限公司 ("中國銀行")

Registered Name in English
BANK OF CHINA LIMITED ("Bank of China")

Legal Representative and Chairman
TIAN Guoli

Vice Chairman and President
LI Lihui

Secretary to the Board of Directors
FAN Yaosheng
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Facsimile: (86) 10-6659 4568
E-mail: bocir@bank-of-china.com

Company Secretary
YEUNG Cheung Ying

Listing Affairs Representative
LUO Nan
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Facsimile: (86) 10-6659 4568
E-mail: bocir@bank-of-china.com

Registered Address of Head Office
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Facsimile: (86) 10-6601 6871
Website: http://www.boc.cn
E-mail: bocir@bank-of-china.com

Place of Business in Hong Kong
Bank of China Tower, 1 Garden Road,
Central, Hong Kong

Selected Newspapers for Information Disclosure (A Share)
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website Designated by CSRC to Publish the Interim Report
http://www.sse.com.cn

Website of HKEx to Publish the Interim Report
http://www.hkexnews.hk

Place Where the Interim Report can be Obtained
No. 1 Fuxingmen Nei Dajie, Beijing, China

Changes to Registration during the Report Period
20 June 2013 (change of Legal Representative)

Securities Information

A Share
Shanghai Stock Exchange
Stock Name: 中國銀行
Stock Code: 601988

H Share
The Stock Exchange of Hong Kong Limited
Stock Name: Bank of China
Stock Code: 3988

A-Share Convertible Bonds
Shanghai Stock Exchange
Securities Name: 中行轉債
Securities Code: 113001

A-Share Registrar
Shanghai Branch of China Securities
Depository and Clearing Corporation Limited
36/F, China Insurance Building
166 East Lujiazui Road,
Pudong New Area, Shanghai
Telephone: (86) 21-3887 4800

H-Share Registrar
Computershare Hong Kong Investor Services Limited
17M, Hopewell Centre,
183 Queen's Road East, Wan Chai,
Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Financial Highlights

Note: The financial information in this report has been prepared in accordance with IFRS. The data are presented in RMB and reflect amounts related to the Group, unless otherwise indicated.

Unit: RMB million

	Note	For the six month period ended 30 June 2013	For the six month period ended 30 June 2012
Results of operations			
Net interest income		**137,288**	124,054
Non-interest income	1	**68,963**	55,611
Operating income	2	**206,251**	179,665
Operating expenses		**(82,209)**	(73,661)
Impairment losses on assets		**(14,142)**	(9,237)
Operating profit		**109,900**	96,767
Profit before income tax		**110,251**	96,992
Profit for the period		**84,172**	74,884
Profit attributable to equity holders of the Bank		**80,721**	71,483
Basic earnings per share for profit attributable to equity holders of the Bank (RMB)	3	**0.29**	0.26
Net cash flows from operating activities		**(252,941)**	531,482
Key financial ratios			
Return on average total assets (%)	4	**1.30**	1.21
Return on average equity (%)	5	**18.93**	18.96
Net interest margin (%)	6	**2.23**	2.10
Non-interest income to operating income (%)	7	**33.44**	30.95
Cost to income ratio (calculated under domestic regulations, %)	8	**27.67**	28.84
Credit cost (%)	9	**0.39**	0.28
		As at 30 June 2013	**As at 31 December 2012**
Statement of financial position			
Total assets		**13,256,206**	12,680,615
Total loans and advances to customers		**7,439,633**	6,864,696
Allowance for impairment losses		**(165,997)**	(154,656)
Investment securities	10	**2,164,804**	2,210,524
Total liabilities		**12,369,873**	11,819,073
Due to customers		**9,876,196**	9,173,995
Capital and reserves attributable to equity holders of the Bank		**849,978**	824,677
Share capital		**279,148**	279,147
Net assets per share (RMB)	11	**3.04**	2.95
Loan to deposit ratio (%)	12	**72.63**	71.99
Capital adequacy ratios			
Core capital adequacy ratio (%)		**10.47**	10.54
Capital adequacy ratio (%)	13	**13.33**	13.63
Asset quality			
Identified impaired loans to total loans (%)	14	**0.93**	0.95
Non-performing loans to total loans (%)	15	**0.93**	0.95
Allowance for loan impairment losses to non-performing loans (%)	16	**238.96**	236.30

Notes

1 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on investment securities + other operating income

2 Operating income = net interest income + non-interest income

3 In accordance with IFRS, due to the restatement of the profit for the prior period, basic earnings per share of the prior period was recalculated.

4 Return on average total assets = profit for the period ÷ average total assets. Average total assets = (total assets at the beginning of reporting period + total assets at the end of reporting period) ÷ 2, annualised.

5 Return on average equity = profit attributable to the equity holders of the Bank ÷ weighted average capital and reserves attributable to equity holders of the Bank, annualised. It is calculated according to *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies – Calculation and Disclosure of Return on Average Equity and Earnings per Share* (Revised in 2010) (CSRC Announcement [2010] No. 2) issued by CSRC.

6 Net interest margin = net interest income ÷ average balance of interest-earning assets, annualised. Average balance is average daily balance derived from the Bank's management accounts (unreviewed).

7 Non-interest income to operating income = non-interest income ÷ operating income

8 Cost to income ratio is calculated according to the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2011] No. 50) formulated by the Ministry of Finance, PRC.

9 Credit cost = impairment losses on loans ÷ average balance of loans. Average balance of loans = (balance of loans at the beginning of reporting period + balance of loans at the end of reporting period) ÷ 2, annualised.

10 Investment securities include securities available for sale, securities held to maturity, loans and receivables and financial assets at fair value through profit or loss.

11 Net assets per share = capital and reserves attributable to equity holders of the Bank at the end of reporting period ÷ number of ordinary shares in issue at the end of reporting period.

12 Loan to deposit ratio = outstanding loans ÷ balance of deposits. It is calculated according to relevant provisions of PBOC. Of which, the balance of deposits include liabilities due to customers and due to financial institutions such as insurance companies and financial holding companies.

13 The capital adequacy ratios are calculated in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks* (Yin Jian Hui Ling [2004] No. 2) promulgated by CBRC.

14 Identified impaired loans to total loans = identified impaired loans at the end of reporting period ÷ total loans at the end of reporting period

15 Non-performing loans to total loans = non-performing loans at the end of reporting period ÷ total loans at the end of reporting period

16 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at the end of reporting period ÷ non-performing loans at the end of reporting period

Overview of Operating Performance

Since the beginning of 2013, focusing on operating performance, the Bank has made active efforts in expanding its markets and proactively managing and controlling its risks, thus achieving positive results. As at the end of June 2013, the Bank's total assets and liabilities amounted to RMB13.26 trillion and RMB12.37 trillion respectively, and the capital and reserves attributable to equity holders of the Bank stood at RMB849.978 billion, representing an increase of 4.54%, 4.66% and 3.07% respectively from the prior year-end. In the first half of 2013, the Bank reported a profit after tax of RMB84.172 billion and the profit attributable to equity holders of the Bank stood at RMB80.721 billion, an increase of 12.40% and 12.92% respectively from the same period of 2012. Return on average equity ("ROE") was 18.93%, and return on average total assets ("ROA") was 1.30%, increasing by 0.80 percentage point and 0.11 percentage point respectively from the prior year.

Proactively adjusting business structure to drive improvement in operating performance

The Bank made strenuous efforts to deepen business transformation and structural adjustment, with the aim of improving its business performance. Remarkable results were achieved. First, deposit structure improved and the cost of debt fell. The Group's liabilities due to customers grew by RMB702.201 billion, up 7.65% from the prior year-end. The Bank strictly controlled the cost of debt, with the Group's interest rate of interest-bearing liabilities decreasing by 36 basis points from the same period of 2012. Secondly, loans grew steadily and the Bank's credit structure was further optimised. The Group's total loans and advances to customers grew by RMB574.937 billion or 8.38% compared with the prior year-end, which were primarily invested in strategic emerging industries, major national construction projects, micro-small-and-medium enterprises ("MSMEs"), domestic consumption and other key areas. RMB-denominated small enterprises loans under the "BOC Credit Factory" model grew by 20.46% from the prior year-end, about 17 percentage points higher than the average growth rate of total domestic RMB-denominated corporate loans. Thirdly, non-interest income maintained a growing momentum and grew as a proportion of overall operating income. In the first half of 2013, the Group's non-interest income grew by RMB13.352 billion or 24.01% compared with the first half of 2012. Non-interest income represented 33.44% of total operating income, increasing 2.49 percentage points compared with the same period of 2012.

Proactively enhancing service channels and product functionality to drive improvement in service quality

With the aim of improving customer experience, the Bank devoted great attention to strengthening infrastructure construction and achieved strong results. First, the performance and efficiency of the Bank's service channels were enhanced. The integrated performance of the Bank's outlets improved continuously. The Bank further enhanced online banking functionality, rolled out a new version of the iPad tablet PC customer terminal and launched mobile withdrawals and other new services. Secondly, service processes were optimised. The Bank launched a customer-waiting management system at service outlets, optimised the counter service process and made efforts to shorten customer waiting-times. Thirdly, service support capability was improved. The Bank steadily advanced projects to centralise intra-city back-office operations and accelerated the construction of an integrated customer service platform, with its telephone banking network now covering ten overseas branches in the Asia-Pacific region.

Proactively promoting the integrated development of domestic and overseas businesses and elevating the contribution of diversified businesses

With the goal of maximising the benefits of the Group, the Bank made remarkable achievement by fully leveraging its advantages in business internationalisation and diversification. First, the integrated development of the Bank's domestic and overseas businesses was reinforced. The Bank successfully led and supported a number of large cross-border mergers and acquisitions and overseas bond issuance projects. The Bank maintained its leading position in cross-border RMB business, with domestic and foreign institutions' cross-border RMB settlement business amounting to RMB1.71 trillion, an increase of 63% compared with the same period of 2012. The Bank has also become the first RMB clearing bank recognised by the government of Luxembourg. The Taipei Branch provided service formally as a RMB clearing bank. Secondly, the Bank's global service network was further improved. The Bank established seven new overseas entities, including Ulaanbaatar Representative Office and Lisbon Branch, and four new China Desks, further enhancing its ability to provide cross-border services. Thirdly, the Bank's diversified business was developed at a rapid pace. In the first half of 2013, the Bank's comprehensive business income stood at RMB28.1 billion, an increase of 37.5% from the same period of 2012, accounting for 13.6% of the Group's operating income for the period, up 2.3 percentage points compared with the same period of 2012.

Proactively improving operational management and effectively controlling the cost of risk

The Bank achieved exceptional results in its efforts to improve operational and management mechanisms and substantially strengthen its risk management, seeking at all times to maximise quality and energise its internal dynamics. First, the Bank put in place a comprehensive mechanism for promoting strong internal dynamics. It developed a series of internal management measures based on the fundamental requirements of its guidelines for emphasising strategic orientation, unifying assessment criteria, reflecting business and operational characteristics, and linking resource allocation to core performance indicators. By optimising its internal management measures, the Bank has enhanced the internal dynamics of its branches, driven the business development and improved business performance. Secondly, the Bank effectively managed and controlled various risks. Taking active measures to address the challenges and pressures arising from a changing economic situation, the Bank strengthened the risk management of key areas, dealt appropriately with significant risk events, thus maintaining stable asset quality. As at the end of June 2013, the NPL ratio and the special-mention loans to total loans ratio decreased by 0.02 and 0.46 percentage point respectively compared with the prior year-end. Indicators related to market risk met the relevant regulatory requirements, and operational risk losses were well controlled and remained a lower level both in terms of frequency and loss amount. Thirdly, liquidity management was enhanced. Adhering to the principle of balanced security, liquidity and profitability, the Bank exercised liquidity management in a more active and forward-looking manner. In response to market volatility, the Bank developed cash flow planning in advance, rationally matched the maturity structures of its assets and liabilities, and strengthened its management of excess reserves, thus maintaining adequate payment capability.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2013, the global economy experienced a slowing recovery. The Eurozone economy continued to shrink, and the tight fiscal policy was relaxed. The Cypriot banking crisis triggered market fluctuations and the unemployment rate rose continuously. Driven by uplift in its real estate market and higher consumption, the US economy exhibited positive signs of growth, and the unemployment rate decreased slowly. Impacted by a new economic stimulus package, Japan's stock market stabilised, the Japanese yen devalued rapidly, and the Japanese economy returned to positive growth. Emerging economies faced depressed domestic demand, and witnessed slower growth.

The international financial market tended to be more volatile due to expectations of early exit of the QE3 by the Federal Reserve, Japan's adoption of quantitative and qualitative easing monetary policy, and the slowing recovery of global economy. Major stock indices rose in volatility. The yield on US Treasury Securities climbed rapidly and international capital flowed out of emerging economies. The US dollar began to appreciate while the Japanese yen and the euro weakened. Commodity prices fluctuated downward, and the gold price plummeted.

In the first half of 2013, facing a complicated domestic and overseas economic environment, the Chinese government continued to follow an overall keynote of making progress through stability. Focusing on improving growth quality and efficiency, China continued to deepen reform, step up restructuring and upgrading of transformation, improve the people's welfare, and implement a proactive fiscal policy and prudent monetary policy. As a result, the national economy demonstrated a smooth operation, with the main economic indicators staying in a reasonable range of the annual target. In the first half of 2013, PBOC continued to implement a prudent monetary policy, making timely pre-adjustment and fine-tuning, reasonably leveraging various monetary policy instruments, and providing guidance for stable and moderate growth in money supply, credit and social financing, thereby maintaining a stable credit environment. As compared with the first half of 2012, China's gross domestic product (GDP) grew by 7.6%, the consumer price index (CPI) increased by 2.4%, total fixed asset investments (TFAI) rose by 20.1%, total retail sales of consumer goods (TRSCG) grew by 12.7%, and the volume of foreign trade increased by 8.6%. The trade surplus grew rapidly, and the balance of payments remained stable.

China's financial system functioned smoothly. The RMB exchange rate formation regime was improved, and the RMB exchange rate against the US dollar was close to a stable level, appreciating 1.7% in the first half of 2013. The total scale of social financing reached RMB10.15 trillion, and the broad money supply (M2) grew by 14.0% year on year. RMB-denominated loans by financial institutions increased by 14.2%, and RMB-denominated deposits grew by 14.3% year on year. The SSE Composite Index at the end of June lost 290 points compared to the end of the previous year, and the negotiable market cap of stocks listed in Shanghai and Shenzhen dropped by 7.0% from the prior year-end.

Income Statement Analysis

In the first half of 2013, the Group earned a profit after tax of RMB84.172 billion, and a profit attributable to equity holders of the Bank of RMB80.721 billion, an increase of 12.40% and 12.92% respectively compared with the first half of 2012. ROA was 1.30%, and ROE was 18.93%, increased by 0.11 and 0.80 percentage point respectively compared with the prior year.

The principal components of the Group's consolidated income statement are set out below:

Unit: RMB million, except percentages

Items	**For the six month period ended 30 June 2013**	For the six month period ended 30 June 2012	Change	Percentage change
Net interest income	**137,288**	124,054	13,234	10.67%
Non-interest income	**68,963**	55,611	13,352	24.01%
Including: net fee and commission income	**45,481**	34,250	11,231	32.79%
Operating income	**206,251**	179,665	26,586	14.80%
Operating expenses	**(82,209)**	(73,661)	(8,548)	11.60%
Impairment losses on assets	**(14,142)**	(9,237)	(4,905)	53.10%
Operating profit	**109,900**	96,767	13,133	13.57%
Profit before income tax	**110,251**	96,992	13,259	13.67%
Income tax expense	**(26,079)**	(22,108)	(3,971)	17.96%
Profit for the period	**84,172**	74,884	9,288	12.40%
Profit attributable to equity holders of the Bank	**80,721**	71,483	9,238	12.92%

Net Interest Income and Net Interest Margin

In the first half of 2013, the Group earned a net interest income of RMB137.288 billion, an increase of RMB13.234 billion or 10.67% compared with the first half of 2012. The average balances[1] and average interest rates of the Group's major interest-earning assets and interest-bearing liabilities as well as analysis of the impact of changes in volume and interest rate[2] on the Group's interest income and expense are summarised in the following table:

1 Average balances of interest-earning assets and interest-bearing liabilities are average daily balances derived from the Bank's management accounts (unreviewed).

2 The impact of changes in volume on interest income and expense is calculated based on the changes in average balances of interest-earning assets and interest-bearing liabilities during the reporting period. The impact of changes in interest rate on interest income and expense is calculated based on the changes in the average interest rates of interest-earning assets and interest-bearing liabilities during the reporting period. Impacts relating to the combined changes in both volume and interest rate have been classified as changes in interest rates.

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2013			For the six month period ended 30 June 2012			Analysis of interest income/expense variances		
	Average balance	Interest income/ expense	Average interest rate	Average balance	Interest income/ expense	Average interest rate	Volume	Interest rate	Total
Group									
Interest-earning assets									
Loans	**7,234,734**	**185,061**	**5.16%**	6,529,431	182,328	5.62%	19,656	(16,923)	2,733
Investment debt securities	**2,175,354**	**32,580**	**3.02%**	2,014,650	31,359	3.13%	2,494	(1,273)	1,221
Balances with central banks	**1,878,597**	**13,129**	**1.41%**	2,197,937	13,884	1.27%	(2,011)	1,256	(755)
Due from banks and other financial institutions	**1,122,531**	**19,100**	**3.43%**	1,117,336	25,550	4.60%	119	(6,569)	(6,450)
Total	**12,411,216**	**249,870**	**4.06%**	11,859,354	253,121	4.29%	20,258	(23,509)	(3,251)
Interest-bearing liabilities									
Due to customers	**9,446,621**	**87,110**	**1.86%**	8,999,633	96,270	2.15%	4,766	(13,926)	(9,160)
Due to banks and other financial institutions and due to central banks	**1,938,939**	**20,860**	**2.17%**	2,021,793	28,913	2.88%	(1,183)	(6,870)	(8,053)
Other borrowed funds	**260,972**	**4,612**	**3.56%**	207,692	3,884	3.76%	993	(265)	728
Total	**11,646,532**	**112,582**	**1.95%**	11,229,118	129,067	2.31%	4,576	(21,061)	(16,485)
Net interest income		**137,288**			124,054		15,682	(2,448)	13,234
Net interest margin			**2.23%**			2.10%			13Bps
Domestic RMB businesses									
Interest-earning assets									
Loans	**5,238,389**	**161,108**	**6.20%**	4,797,826	156,669	6.57%	14,354	(9,915)	4,439
Investment debt securities	**1,516,162**	**25,900**	**3.44%**	1,448,031	24,806	3.44%	1,162	(68)	1,094
Balances with central banks	**1,632,814**	**12,722**	**1.57%**	1,677,761	12,948	1.55%	(345)	119	(226)
Due from banks and other financial institutions	**804,548**	**16,290**	**4.08%**	882,819	20,993	4.78%	(1,855)	(2,848)	(4,703)
Total	**9,191,913**	**216,020**	**4.74%**	8,806,437	215,416	4.92%	13,316	(12,712)	604
Interest-bearing liabilities									
Due to customers	**7,253,729**	**77,530**	**2.16%**	7,103,614	86,532	2.45%	1,824	(10,826)	(9,002)
Due to banks and other financial institutions and due to central banks	**1,105,018**	**20,289**	**3.70%**	1,088,846	24,609	4.55%	365	(4,685)	(4,320)
Other borrowed funds	**171,138**	**3,731**	**4.40%**	148,343	3,140	4.26%	482	109	591
Total	**8,529,885**	**101,550**	**2.40%**	8,340,803	114,281	2.76%	2,671	(15,402)	(12,731)
Net interest income		**114,470**			101,135		10,645	2,690	13,335
Net interest margin			**2.51%**			2.31%			20Bps
Domestic foreign currency businesses							Unit: USD million, except percentages		
Interest-earning assets									
Loans	**87,460**	**898**	**2.07%**	84,211	1,559	3.72%	60	(721)	(661)
Investment debt securities	**27,723**	**194**	**1.41%**	20,789	198	1.92%	66	(70)	(4)
Due from banks and other financial institutions and balances with central banks	**50,702**	**239**	**0.95%**	64,671	280	0.87%	(60)	19	(41)
Total	**165,885**	**1,331**	**1.62%**	169,671	2,037	2.41%	66	(772)	(706)
Interest-bearing liabilities									
Due to customers	**76,643**	**299**	**0.79%**	69,823	437	1.26%	43	(181)	(138)
Due to banks and other financial institutions and due to central banks	**69,611**	**254**	**0.74%**	71,183	529	1.49%	(12)	(263)	(275)
Other borrowed funds	**108**	**4**	**7.47%**	103	4	7.81%	–	–	–
Total	**146,362**	**557**	**0.77%**	141,109	970	1.38%	31	(444)	(413)
Net interest income		**774**			1,067		35	(328)	(293)
Net interest margin			**0.94%**			1.26%			(32)Bps

Notes:

1 Investment debt securities include debt securities available for sale, debt securities held to maturity, debt securities classified as loans and receivables, trading debt securities and debt securities designated at fair value through profit or loss.

2 Balances with central banks include the mandatory reserve fund, the surplus reserve fund and other deposits.

3 Other borrowed funds include issued bonds and other borrowings.

The average balances and average interest rates of domestic loans and liabilities due to customers, classified by business type, are summarised in the following table:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2013 Average balance	For the six month period ended 30 June 2013 Average interest rate	For the six month period ended 30 June 2012 Average balance	For the six month period ended 30 June 2012 Average interest rate	Change Average balance	Change Average interest rate
Domestic RMB businesses						
Loans						
Corporate loans	**3,363,530**	**6.49%**	3,239,883	6.82%	123,647	(33)Bps
Personal loans	**1,724,846**	**5.70%**	1,452,142	5.89%	272,704	(19)Bps
Trade bills	**150,013**	**5.52%**	105,801	8.15%	44,212	(263)Bps
Total	**5,238,389**	**6.20%**	4,797,826	6.57%	440,563	(37)Bps
Including:						
Medium and long term loans	**3,529,655**	**6.32%**	3,288,313	6.56%	241,342	(24)Bps
Short term loans within 1 year	**1,708,734**	**5.95%**	1,509,513	6.58%	199,221	(63)Bps
Due to customers						
Corporate demand deposits	**2,006,294**	**0.69%**	1,887,034	0.96%	119,260	(27)Bps
Corporate time deposits	**1,817,814**	**3.35%**	1,594,278	3.39%	223,536	(4)Bps
Personal demand deposits	**1,196,613**	**0.49%**	1,008,151	0.57%	188,462	(8)Bps
Personal time deposits	**2,143,207**	**3.37%**	1,917,544	3.42%	225,663	(5)Bps
Other	**89,801**	**3.86%**	696,607	4.39%	(606,806)	(53)Bps
Total	**7,253,729**	**2.16%**	7,103,614	2.45%	150,115	(29)Bps
Domestic foreign currency businesses			Unit: USD million, except percentages			
Loans	**87,460**	**2.07%**	84,211	3.72%	3,249	(165)Bps
Due to customers						
Corporate demand deposits	**25,161**	**0.06%**	22,952	0.32%	2,209	(26)Bps
Corporate time deposits	**19,064**	**2.15%**	13,911	3.27%	5,153	(112)Bps
Personal demand deposits	**13,387**	**0.04%**	10,784	0.10%	2,603	(6)Bps
Personal time deposits	**15,108**	**0.63%**	14,408	0.85%	700	(22)Bps
Other	**3,923**	**1.97%**	7,768	2.80%	(3,845)	(83)Bps
Total	**76,643**	**0.79%**	69,823	1.26%	6,820	(47)Bps

Note: "Due to customers-other" includes structured deposits.

In the first half of 2013, the Bank made proactive efforts to optimise its business structure and improve net interest margins. The Group's net interest margin was 2.23%, an increase of 8 basis points compared with the prior year. Net interest margin of the Bank's domestic RMB businesses was 2.51%, an increase of 12 basis points compared with the prior year, while that of the domestic foreign currency business was 0.94%, a decrease of 17 basis points compared with the prior year. Net interest margin of the Bank's overseas business was 1.25%, an increase of 12 basis points compared with the prior year.

The Bank rationally allocated credit resources and continuously optimised its credit structure. In the first half of 2013, personal loans represented 60.28% of total new domestic RMB-denominated loans, an increase of 8.05 percentage points compared with the prior year. RMB-denominated small enterprises loans under the "BOC Credit Factory" model increased by 20.46% compared with the prior year-end, about 17 percentage points higher than the growth rate of domestic RMB-denominated corporate loans. Moreover, the Bank continued its efforts to absorb deposits and controlled its liability cost effectively. As at the end of June 2013, the balance of the Group's deposits increased by 7.65%, an increase of 2.22 percentage points of its share in the Group's total liabilities. The Bank controlled the cost of liabilities strictly, resulting in a decrease of 36 basis points in the Group's interest rate of interest-bearing liabilities compared with the same period of 2012.

Non-interest Income

In the first half of 2013, the Group reported a non-interest income of RMB68.963 billion, an increase of RMB13.352 billion or 24.01% compared with the same period of 2012. Non-interest income represented 33.44% of total operating income, an increase of 2.49 percentage points compared with the first half of 2012.

Net Fee and Commission Income

In the first half of 2013, the Group earned a net fee and commission income of RMB45.481 billion, an increase of RMB11.231 billion or 32.79% compared with the same period of 2012. This was primarily because the Bank enhanced its efforts in product innovation and promotion adapting to customer demands, thus continuously optimising the structure of its fee-based business.

The Bank continuously pushed forward the innovation of bank card products, promoted the BOC credit card brand effect, and realised rapid growth in issuance and transaction volume, with bank card fees increasing by 24.84% compared with the same period of 2012. The Bank maintained its leading market position in traditional businesses such as international settlement and foreign exchange settlement. Settlement and clearing fees increased by 12.70% compared with the same period of 2012. Agency commissions increased by 59.69% compared with the same period of 2012 as the wealth management business developed steadily and provided high quality value-added services to customers. The Bank's consultancy and advisory business was expanded, with consultancy and advisory fees increasing by 172.60% compared with the same period of 2012. Overall custody service capability was enhanced with accelerated product development, while custodian and other fiduciary service fees increased by 46.45% compared with the same period of 2012. Please refer to Notes III.2 to the Condensed Consolidated Interim Financial Information.

Other Non-interest Income

In the first half of 2013, the Group realised other non-interest income of RMB23.482 billion, an increase of RMB2.121 billion or 9.93% compared with the same period of 2012. The Bank reinforced its bancassurance strategy, promoted product innovation and focused on marketing, with insurance premiums increasing by 62.42% compared with the same period of 2012. Adapting to market changes, the Bank increased its efforts in market expansion of precious metals. Revenue from the sales of precious metals products increased by 30.04% compared with the same period of 2012. Please refer to Note III.3, 4 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2013, the Group recorded operating expenses of RMB82.209 billion, an increase of RMB8.548 billion or 11.60% compared with the same period of 2012. The cost to income ratio (calculated under domestic regulations) was 27.67%, a decrease of 1.17 percentage points compared to the same period of 2012. The Bank continued to push forward branch transformation, channel construction and system redevelopment and upgrading while proactively optimising resource allocation, strictly controlling administrative and operating expenditures and improving the efficiency of resource utilisation. Please refer to Notes III.5, 6 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2013, the Group's impairment losses on assets amounted to RMB14.142 billion, an increase of RMB4.905 billion or 53.10% compared with the same period of 2012. Among which, the impairment losses on loans and advances amounted to RMB13.883 billion, an increase of RMB4.665 billion or 50.61% compared with the same period of 2012. Credit cost stood at 0.39%, an increase of 0.11 percentage point compared with the same period of 2012. The Bank further took a proactive and forward-looking stance on risk management and continuously strengthened credit risk prevention and control, which ensured stable credit asset quality and enhanced risk mitigation capability. Please refer to the section "Risk Management — Credit Risk Management" and Note III.7, 15 and Note IV.1 to the Condensed Consolidated Interim Financial Information.

Financial Position Analysis

As at the end of June 2013, the Group's total assets amounted to RMB13,256.206 billion, an increase of RMB575.591 billion or 4.54% from the prior year-end. The Group's total liabilities amounted to RMB12,369.873 billion, an increase of RMB550.800 billion or 4.66% from the prior year-end.

The principal components of the Group's condensed consolidated statement of financial position are set out below:

Unit: RMB million, except percentages

Items	As at 30 June 2013 Amount	As at 30 June 2013 % of total	As at 31 December 2012 Amount	As at 31 December 2012 % of total
Assets				
Loans and advances to customers, net	**7,273,636**	**54.87%**	6,710,040	52.92%
Investment securities	**2,164,804**	**16.33%**	2,210,524	17.43%
Balances with central banks	**1,957,640**	**14.77%**	1,934,297	15.25%
Due from and placements with banks and other financial institutions	**1,173,984**	**8.86%**	1,150,398	9.07%
Other assets	**686,142**	**5.17%**	675,356	5.33%
Total	**13,256,206**	**100.00%**	12,680,615	100.00%
Liabilities				
Due to customers	**9,876,196**	**79.84%**	9,173,995	77.62%
Due to and placements from banks and other financial institutions and due to central banks	**1,780,123**	**14.39%**	1,996,218	16.89%
Other borrowed funds	**243,648**	**1.97%**	233,178	1.97%
Other liabilities	**469,906**	**3.80%**	415,682	3.52%
Total	**12,369,873**	**100.00%**	11,819,073	100.00%

Notes:

1 Investment securities include securities available for sale, securities held to maturity, loans and receivables and financial assets at fair value through profit or loss.

2 Other borrowed funds include bonds issued and other borrowings.

Loans and Advances to Customers

The Bank continuously optimised its credit structure, strengthened its support to strategic emerging industries, major national construction projects, MSMEs, domestic consumption and other key areas, and maintained balanced and steady growth of its loan portfolio. As at the end of June 2013, the Group's loans and advances to customers amounted to RMB7,439.633 billion, an increase of RMB574.937 billion or 8.38% compared with the prior year-end. This included RMB-denominated loans of RMB5,591.509 billion, an increase of RMB344.565 billion or 6.57% from the prior year-end and foreign currency-denominated loans of USD299.112 billion, an increase of USD41.733 billion or 16.21% from the prior year-end.

The Bank further strengthened proactive risk management and continuously enhanced risk controls over key industries and areas to ensure the stability of asset quality. As at the end of June 2013, the Group's non-performing loans to total loans ratio was

0.93%, down 0.02 percentage point from the prior year-end. The ratio of allowance for loan impairment losses to non-performing loans was 238.96%, up 2.66 percentage points from the prior year-end. The ratio of allowance for loan impairment losses to total loans for domestic institutions was 2.62%, maintaining the same level as that of the prior year-end. The balance of the Group's restructured loans amounted to RMB9.926 billion, decreasing by 5.63% from the prior year-end.

Investment Securities

As at the end of June 2013, the Group held investment securities of RMB2,164.804 billion, a decrease of RMB45.720 billion or 2.07% from the prior year-end. RMB-denominated investment securities amounted to RMB1,594.027 billion, an increase of RMB7.691 billion or 0.48% from the prior year-end. Foreign currency-denominated investment securities amounted to USD92.378 billion, a decrease of USD6.928 billion or 6.98% from the prior year-end.

The total carrying value of debt securities issued by European governments and institutions held by the Group was RMB37.365 billion, of which RMB35.620 billion or 95.33% related to the United Kingdom, Germany, the Netherlands, France and Switzerland. The Group did not hold any debt securities issued by the governments and institutions of Greece, Portugal, Ireland, Italy, or Spain.

The carrying value of US subprime mortgage-related debt securities, US Alt-A mortgage-backed securities and Non-Agency US mortgage-backed securities held by the Group amounted to USD934 million, and the related impairment allowance was USD519 million. The Group's carrying value of debt securities issued by the US agencies Freddie Mac and Fannie Mae together with debt securities guaranteed by the two agencies amounted to USD39 million.

The classification of the Group's investment securities portfolio is set out below:

Unit: RMB million, except percentages

	As at 30 June 2013		As at 31 December 2012	
Items	**Amount**	**% of total**	**Amount**	**% of total**
Financial assets at fair value through profit or loss	**72,317**	**3.34%**	71,590	3.24%
Securities available for sale	**680,154**	**31.42%**	686,400	31.05%
Securities held to maturity	**1,135,720**	**52.46%**	1,183,080	53.52%
Loans and receivables	**276,613**	**12.78%**	269,454	12.19%
Total	**2,164,804**	**100.00%**	2,210,524	100.00%

Investment Securities by Currency

Unit: RMB million, except percentages

	As at 30 June 2013		As at 31 December 2012	
Items	Amount	% of total	Amount	% of total
RMB	**1,594,027**	**73.63%**	1,586,336	71.77%
USD	**386,288**	**17.85%**	356,597	16.13%
HKD	**128,790**	**5.95%**	133,992	6.06%
Other	**55,699**	**2.57%**	133,599	6.04%
Total	**2,164,804**	**100.00%**	2,210,524	100.00%

Top ten financial bonds by value held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity	Impairment
Bond issued by policy banks in 2011	7,840	3.58%	2014-11-17	–
Bond issued by policy banks in 2005	6,800	3.42%	2015-08-02	–
Bond issued by policy banks in 2010	6,070	Term deposit for 1 year +0.52%	2017-01-26	–
Bond issued by policy banks in 2006	5,000	Term deposit for 1 year +0.60%	2016-12-12	–
Bond issued by policy banks in 2011	4,910	3.55%	2016-12-06	–
Bond issued by policy banks in 2010	4,780	Term deposit for 1 year +0.59%	2020-02-25	–
Bond issued by policy banks in 2009	4,660	Term deposit for 1 year +0.54%	2016-09-01	–
Bond issued by policy banks in 2011	4,400	3.83%	2018-11-24	–
Bond issued by policy banks in 2008	3,600	Term deposit for 1 year +0.67%	2013-08-22	–
Bond issued by policy banks in 2005	3,600	4.67%	2020-03-29	–

Note: Financial bonds refer to debt securities issued by financial institutions in the bond markets, including the bonds issued by policy banks, other banks and non-bank financial institutions, but not including restructured bonds and PBOC bills.

Due to Customers

The Bank continuously strengthened its capability for product innovation and differentiated services, strived to expand its administrative institution client base and sought to attract upstream and downstream customers related to its core commercial relationships, which led to a steady increase in the size of liabilities due to customers. As at the end of June 2013, the Group's due to customers amounted to RMB9,876.196 billion, an increase of RMB702.201 billion or 7.65% from the prior year-end. This included RMB-denominated deposits of RMB7,956.106 billion, an increase of RMB688.102 billion or 9.47% from the prior year-end, and foreign currency-denominated deposits of USD310.760 billion, an increase of USD7.524 billion or 2.48% compared with the prior year-end.

Equity

As at the end of June 2013, the Group's total equity was RMB886.333 billion, an increase of RMB24.791 billion or 2.88% from the prior year-end. This change was primarily attributable to: (1) a profit after tax of RMB84.172 billion, with profit attributable to equity holders of the Bank of RMB80.721 billion in the first half of 2013; (2) a cash dividend of RMB48.851 billion declared in respect of the 2012 profit approved by the Annual General Meeting. Please refer to the Condensed Consolidated Statement of Changes in Equity in the Condensed Consolidated Interim Financial Statements.

Cash Flow Analysis

As at the end of June 2013, the balance of the Group's cash and cash equivalents was RMB827.156 billion, a decrease of RMB245.127 billion compared with the prior year-end.

Net cash flow from operating activities was an outflow of RMB252.941 billion, compared to an inflow of RMB531.482 billion in the first half of 2012. This was mainly attributed to a reduction in the net increase of due to banks and other financial institutions, as well as a reduction in the net placement from other financial institutions.

Net cash flow from investing activities was an inflow of RMB34.471 billion, compared to an outflow of RMB56.957 billion in the first half of 2012. This was mainly due to a decrease of cash payments for investment.

Net cash flow from financing activities was an outflow of RMB9.021 billion, a decrease of RMB7.982 billion compared with the first half of 2012. This was mainly because the Bank hadn't paid the dividend by the end of June 2013. Such dividend was distributed on 12 July 2013.

The operating performance and financial position of the Group's geographical and business segments are set forth in Note III.30 to the Condensed Consolidated Interim Financial Information.

Business Review

The following table sets forth the profit before income tax for each of the Group's business lines:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2013		For the six month period ended 30 June 2012	
	Amount	% of total	Amount	% of total
Commercial banking business				
Including: Corporate banking business	**59,398**	**53.88%**	59,303	61.14%
Personal banking business	**22,967**	**20.83%**	20,852	21.50%
Treasury operations	**23,465**	**21.28%**	13,441	13.86%
Investment banking and insurance	**1,813**	**1.64%**	1,218	1.26%
Others and elimination	**2,608**	**2.37%**	2,178	2.24%
Total	**110,251**	**100.00%**	96,992	100.00%

A detailed review of the Group's principal deposits and loans as at the end of June 2013 is summarised in the following table:

Unit: RMB million

Items	As at 30 June 2013	As at 31 December 2012	As at 31 December 2011
Corporate deposits			
Domestic: RMB	**4,141,762**	3,755,626	3,842,173
Foreign currency	**277,539**	288,324	194,682
Hong Kong, Macau, Taiwan, and overseas operations	**869,194**	769,575	657,460
Sub-total	**5,288,495**	4,813,525	4,694,315
Personal deposits			
Domestic: RMB	**3,501,494**	3,234,301	3,165,161
Foreign currency	**190,498**	187,452	184,810
Hong Kong, Macau, Taiwan, and overseas operations	**643,282**	659,387	585,111
Sub-total	**4,335,274**	4,081,140	3,935,082
Corporate loans			
Domestic: RMB	**3,572,078**	3,452,004	3,244,573
Foreign currency	**579,631**	488,518	573,882
Hong Kong, Macau, Taiwan, and overseas operations	**1,203,743**	1,039,877	906,850
Sub-total	**5,355,452**	4,980,399	4,725,305
Personal loans			
Domestic: RMB	**1,799,372**	1,617,123	1,390,343
Foreign currency	**1,099**	1,037	896
Hong Kong, Macau, Taiwan, and overseas operations	**283,710**	266,137	226,270
Sub-total	**2,084,181**	1,884,297	1,617,509

Commercial Banking Business

Domestic Commercial Banking Business

In the first half of 2013, the Bank's domestic commercial banking business recorded an operating income of RMB170.373 billion, an increase of RMB22.670 billion or 15.35% compared with the first half of 2012. The details are set forth below:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2013		For the six month period ended 30 June 2012	
	Amount	% of total	Amount	% of total
Corporate banking business	**91,844**	**53.91%**	88,292	59.78%
Personal banking business	**55,709**	**32.70%**	47,701	32.29%
Treasury operations	**22,820**	**13.39%**	11,710	7.93%
Total	**170,373**	**100.00%**	147,703	100.00%

Corporate Banking Business

Corporate Deposits Business

The Bank broadened its corporate deposit sources by targeting the upstream and downstream customers of industrial chains. Depending on its featured financial services such as cash management, international settlement, cross-border RMB business and supply-chain financing, the Bank pooled idle funds from direct financing projects on the capital markets. The Bank also continued to expand its customer base of administrative institutions and seized opportunities in key regions, industries and projects, resulting in stable growth in its deposits.

As at the end of June 2013, the Bank's domestic RMB-denominated corporate deposits totalled RMB4,141.762 billion, representing an increase of RMB386.136 billion or 10.28% compared with the prior year-end. The Bank's domestic foreign currency-denominated corporate deposits reached USD44.919 billion, a decrease of USD952 million or 2.08% compared with the prior year-end.

Corporate Loans Business

The Bank continued to reinforce its financial support for the development of the real economy, efficiently utilised the assets in stock and delivered stronger support to strategic emerging industries such as energy conservation and environmental protection, new energy, as well as industries essential to people's livelihood such as the cultural industry and agriculture. It continued to support industrial transformation and upgrading and technical reform projects and intensified its financial support to infrastructure construction, industrial development and other areas related to urbanisation. In addition, the Bank improved the structure of its real estate lending to support the Comfortable Housing Project. The Bank intensified the management of loans to local government financing vehicles ("LGFVs"), leading to a continuous decrease in the related amount and proportion of loan balance. It also strictly controlled loans to overcapacity industries, resulting in a decrease of 0.19 percentage point in the ratio of its credit balance to total loans compared with the prior year-end.

As at the end of June 2013, the Bank's domestic RMB-denominated corporate loans totalled RMB3,572.078 billion, representing an increase of RMB120.074 billion or 3.48% compared with the prior year-end. Domestic foreign currency-denominated corporate loans totalled USD93.811 billion, representing an increase of USD16.090 billion or 20.70% compared with the prior year-end, maintaining the leading position in the market.

Domestic Settlement and Cash Management Business

The Bank proactively pushed forward the product innovation and promotion of domestic settlement and cash management services. It launched and promoted products such as "Settlement Card for Corporate Customers" and "Voucher Printing through Self-service Terminals" to broaden the service channel. It also made efforts to develop "Agency Service for Central Treasury" to improve the service quality and facilitate the stable growth of deposits. The Bank optimised its Global Cash Management System and innovated its cross-border pooling mechanism for overseas export exchange deposits, as well as seeking to obtain cooperative bank eligibilities for a second pilot batch of multinational companies to take part in the centralised management of foreign exchange funds. With its global cash management business expanding to Hong Kong, Macau and 29 countries, the Bank was recognised as "Best Cash Management Bank" by *Trade Finance*, while BOCHK was granted the "Achievement Award for Best Cash Management Bank in Hong Kong" from *The Asian Banker*.

International Settlement and Trade Finance Business

By leveraging advantages in its traditional businesses, such as international settlement and trade finance, the Bank developed a series of innovative products, including the "Guarantee of Single Use Commercial Prepaid Card", "Import Factoring under Bank Policy" etc. The Bank utilised its advantages as a diversified platform, and actively provided clients with comprehensive and customised services, including commodity international settlement, financing and hedging. Based on a thorough understanding of customers' needs in the "1+N" supply chain finance, the Bank tailored its offering by delivering supply chain finance services and facilitating customers' trading activities worldwide. The Bank continued the construction of trade finance online channels, for example the direct bank-enterprise connection project, and continuously optimised the client experience. In the first half of 2013, the Group maintained a leading position in international settlement business. The transaction volume of international settlement business conducted by the Group reached USD1.56 trillion. In addition, the transaction volume of Two-factor Export Factoring reached USD3.513 billion, continuing to rank first worldwide. The Bank maintained its leading position in the guarantee market, with the balance of guarantees leading its peers. The Bank was recognised as the "Best Trade Finance Bank in China" by various local and international media, such as *Global Finance* and *Global Trade Review*. Notably, the Bank was the only domestic commercial bank to be honoured as "Best Structuralised Trade Financing Solution" by *The Asset*.

Financial Institutions Business

The Bank continued to strengthen its business cooperation with global financial institutions clients and led the market in financial institutions customer coverage. By deepening interbank cooperation, the Bank leveraged the advantages of its global network of more than 1,600 correspondent banks, built a comprehensive platform providing financial services in fields such as international settlement, bond financing and global cash management for multinational enterprises, thus supporting inward investors and "Going Global" companies. In the first half of 2013, the Bank's foreign exchange deposits from financial institutions continued to lead the market. Its market share in bancassurance and custodian business continued to rise, and its business volume of B-share clearing ranked first among its peers. The incoming international settlement business volume directed to the Bank by its overseas correspondent banks also ranked first. The Bank signed a Memorandum of Understanding regarding strategic cooperation with the London Metal Exchange (LME) and HKEx. The Bank also initiated the External RMB Payment Agent Service, breaking new ground in cross-border RMB business in the Hengqin area. Correspondent banks from 81 countries and regions across five continents have opened more than 900 cross-border RMB clearing accounts with the Bank, consolidating the Bank's leading position.

Medium and Small Business Finance

The Bank continuously optimised its medium and small business finance model, constructing a differential business process, credit authorisation and product system in order to provide efficient and convenient financial services to small and medium enterprises ("SMEs"). The Bank devoted efforts to deeply integrating information technology and core financial business to create a "mobile, electronic, and intelligent" credit factory model. By providing a 24/7, self-service-featured, and comprehensive financial services offering, the Bank continuously enhanced customer experience, enriched product structures, and gradually improved risk control capability. The Bank developed an innovative service model for micro-sized enterprises, characterised by whole-process risk control and comprehensive sale, to provide a fast and all-encompassing financing service. The "BOC Credit Factory" service model won the "China Outstanding Brand Building Award" from *The Asian Banker*.

As at the end of June 2013, the Bank's outstanding loans to domestic small-sized enterprises[3] amounted to RMB898.820 billion, up 9.28% compared with the prior year-end, which was higher than the average growth rate of total loans.

3 Small business loans statistical standards are executed in accordance with the *Issuance Announcement Related to Requirements of SMEs Categorization Standards* (The MIIT associated enterprise [2011] No. 300) issued by four departments including the Ministry of Industry and Information Technology, covering small-sized enterprise loans, micro enterprise loans and individual operational loans.

Investment Banking Business

The Bank remained committed to deepening cooperation with its clients through investment banking product innovation and business model optimisation. It continued the research and development ("R&D") of products such as "SIFA" (Structured Investing and Financing Advisory) to better serve diversified client needs. The Bank actively launched new wealth management products and asset management advisory services. It has been a pioneer in providing alternative solutions such as treasury management, asset liquidation, asset structure adjustment as well as investment referral advisory. The Bank actively participated in domestic mergers and acquisitions, and provided high quality financial services to "Going Global" companies.

In the first half of 2013, the revenue of the Bank's internal investment banking business ex-subsidiaries reached RMB16.5 billion. The Bank was awarded "Best Bank in Investment Banking", "Best Bank in Cross-border Financing", "Best Bank in M&A Advisory", and "Best Asset Management Project Innovation" by *Securities Times*.

Pension Business

Adhered to the requirement of the national social security system construction, the Bank continuously diversified its pension management products and improved the information system functionality to enhance customer experience. The Bank offered comprehensive pension services including enterprise annuity, occupational annuity, social security-related services and employee benefits plans.

As at the end of June 2013, the number of the Bank's pension customers exceeded 6,900. The number of individual pension accounts reached 2.1821 million, capital in custody amounted to RMB66.756 billion, increasing by 21.67% and 24.55% respectively compared with the prior year-end.

Personal Banking Business

Personal Deposits Business

The Bank pushed forward personal product innovation and adopted a segmented customer service model in order to provide customers with comprehensive, multi-levelled financial service. As at the end of June 2013, domestic RMB-denominated personal deposits amounted to RMB3,501.494 billion, an increase of RMB267.193 billion or 8.26% compared with the prior year-end. Domestic foreign currency-denominated personal deposits totalled USD30.831 billion, an increase of USD1.008 billion or 3.38% compared with the prior year-end.

Personal Loans Business

The Bank intensified its personal loans business restructuring and continued to enhance its residential mortgage loans business. It also promoted the development of personal business loans and personal consumer loans, and improved service capability in areas such as residential consumption and rural finance. The Bank actively developed online financing and electronic channels for personal loans in order to enhance customer service quality. As at the end of June 2013, domestic RMB-denominated personal loans stood at RMB1,799.372 billion, an increase of RMB182.249 billion or 11.27% compared with the prior year-end. The Bank maintained the leading position in personal auto loans and sponsored student loans.

Wealth Management and Private Banking Business

The Bank continuously optimised the development of its three-tier system of wealth management network, opening 5,742 wealth management centres, 229 prestigious wealth management centres and 22 private banking centres all over the Chinese mainland by the end of June 2013.

The Bank concentrated on accelerating the development of private banking business, fostered a strong brand reputation in high net worth individual (HNWI) services, provided prestigious global private banking services and consistently enriched its overseas asset management services under the brand of "Onshore and Offshore Balances Wealth Management". As at the end of June 2013, the number of the Group's private banking clients exceeded 50,000, and the scale of financial assets under management was over RMB500 billion. The Bank was awarded "Best Private Bank in China" by *Euromoney*.

Bank Cards Business

The Bank continuously enriched its credit card product categories, developed the overseas BOC Great Wall All Currency Credit Card, Traveller's Card for Hong Kong, Macau and Taiwan and Infinite Credit Card, providing customers with a safe, convenient and concessional cross-border payment service. The Bank took the lead in launching NFC mobile payment products and Flash Mini Cards, and promoted online payment products and Virtual Cards products targeting the youth segment. The Bank constantly perfected its mobile service platform and provided customers with online mobile services. The Bank expanded its instalment business scope and integrated them with the e-commerce platform, and optimised functions and procedures to improve customer experience.

The Bank comprehensively extended the range of IC debit card products such as the Great Wall Travelling Card, UnionPay Non-card Payment and China Railway Payment Card, which can be accepted by various channels, in order to enrich and develop the debit card product line and expand the range of application. The Bank promoted financial service system related to people's welfare and participated in more than 170 social insurance card projects in nearly 30 provinces and municipalities of China. By issuing an All-hospital Great Wall Health Card, the Bank provided all-purpose hospital-visiting services such as registration and payment in more than 50 hospitals. The Bank internationalised its debit card business, and released products in 15 overseas branches.

As at the end of 30 Jun 2013, the issuance amount and transaction volume of the bank cards of the Bank are set out below:

Unit: million cards/RMB billion, except percentages

	As at 30 Jun 2013	As at 31 Dec 2012	Change
Cumulative number of effective debit cards	**269.8023**	243.5021	10.80%
Cumulative number of effective credit cards	**39.7609**	36.2203	9.78%
Cumulative number of social security cards with financial functions	**29.4235**	20.7030	42.12%
	For the six month period ended 30 June 2013	**For the six month period ended 30 June 2012**	**Change**
Transaction amount of debit cards	**860.774**	588.580	46.25%
Transaction amount of credit cards	**457.854**	308.168	48.57%
RMB card merchant acquiring transaction amount	**1,495.685**	1,103.140	35.58%
Foreign currency card merchant acquiring transaction amount	**11.927**	13.731	(13.14%)

Financial Markets Business

Investments

The Bank continued to optimise the structure of its domestic and foreign currency-denominated securities investment portfolio, proactively managed its investment duration structure and expanded the channels of debenture bonds investments to increase portfolio returns. It undertook initiatives to cope with international financial market fluctuations, grasped opportunities to reduce its holdings of foreign currency-denominated bonds exposed to high risks and took advantage of US dollar interest rate hikes to adjust its US Treasuries investment strategy while successfully controlling interest rate risk. Through perfecting its investment assessment and decision-making mechanism and improving research and analysis skills, the Bank continuously enhanced its professional capability in portfolio management. The Bank strengthened centralised management of the Group's bond investment and improved risk control mechanisms so as to reduce portfolio risk.

Trading

The Bank continued to strengthen customer service capability. To accommodate customers' hedging needs, the Bank introduced portfolio products such as Par Forward FX purchase and sales against RMB as well as option products including silver options, risk reversal RMB options and dual-currency forwards. The Bank improved customer services and increased pricing efficiency. It successfully completed the first AUD/CNY direct deal in the interbank market. It introduced personal agency trading on the Shanghai Gold Exchange, and vigorously promoted gold leasing and precious metal forward products. In the first half of 2013, the Bank maintained its top ranking in client-based spot/forward FX purchase and sales against RMB with a market share of 22.6%. It ranked second in market share with RMB-denominated bond business volumes amounting to RMB8 trillion, while its gold transaction volume accounted for a 9.7% market share in the Shanghai Gold Exchange, ranking second in the market.

Client Business

The Bank intensified product development and upgraded product structure, offering new products such as the wealth management product "BOC Zhihui". The Bank improved operational mechanisms and strengthened risk control over wealth management products. It made greater efforts to provide a corporate bond financing service, broadened financing channels for SMEs and successfully issued SME Collective Note II (SMECNII). The Bank established an overseas bond underwriting platform and improved its bond distribution network, thereby successfully issuing bonds overseas for various domestic enterprises, which remarkably enhanced its direct financing service capability both at home and abroad.

Custody Business

The Bank continued to step up the research, development and promotion of custody services for asset management products by securities companies, insurance companies, pension funds and RQFII funds, as well as striving to upgrade its IT systems, so as to improve its custodian service capability. In response to market changes, the Bank provided custody services primarily for fixed income funds and secondarily for equity funds. It was the first to provide custody services for pension funds and insurance firms' discretionary mandates. The Bank devoted itself to maintaining its advantages in cross-border custody business sectors and won seven new RQFII clients. As at the end of June 2013, the assets under custody of the Group exceeded RMB4 trillion, maintaining its leading position in the industry.

Village Bank

BOC Fullerton Community Banks followed the state's strategy for agriculture, farmers and rural areas. With the aim of "focusing on rural area development, supporting farmers and small-sized enterprises, and growing together with communities", they continuously enhanced the financing service capability, and were committed to providing modern financial services to farmers, small and micro enterprises, individual merchants and the wage-earning class. As at the end of June 2013, the Bank owned 32 village banks and seven sub-branches. The balance of their deposits reached RMB2.83 billion, an increase of 24% compared with the prior year-end, and the loan balance amounted to RMB2.55 billion, an increase of 29%. The NPL ratio was 0.46%, attesting to the soundness of financial indicators.

Overseas Commercial Banking Business

Adhering to the guiding principle of specialised operations, centralised management and the integrated development of domestic and overseas businesses, the Bank seized opportunities arising from RMB internationalisation and Chinese enterprises' "Going Global" efforts. The Bank leveraged the overall advantages of the Group and accelerated the construction of an integrated global service system. Its overseas operating capability and service level continued to enhance.

The Bank's overseas commercial banking business achieved positive operating results. As at the end of June 2013, total assets and total liabilities of the Bank's commercial banking operations in Hong Kong, Macau, Taiwan and other countries reached USD489.643 billion and USD468.255 billion respectively, an increase of 5.03% and 5.30% compared with the prior year-end. Total customer deposits and total loans were USD277.266 billion and USD238.267 billion respectively, an increase of 5.28% and 15.79% compared with the prior year-end. Profit before income tax was USD2.799 billion, an increase of 7.74% compared with the same period of 2012, representing 15.83% of the Group's profit before income tax. The Bank's business scale, profitability and proportion in international operations maintained the leading position among domestic peers.

The global network of the Bank was further expanded. As at the end of June 2013, the Bank had established a total of 623 overseas institutions in Hong Kong, Macau, Taiwan and 37 countries, with ten new institutions established since the prior year-end. The Lisbon Branch was opened, representing the first operating branch in Portugal established by a Chinese bank. The establishment of Ulaanbaatar Representative Office was the first institution in Mongolia opened by a Chinese bank. The Bank established five tier-two institutions in Russia, Germany, Italy, Canada and Malaysia and opened China Desks in Egypt, Mongolia, Mexico and Kenya. In addition, it had established correspondent bank relationships with 1,600 overseas institutions in 179 countries and regions, further expanding its service network.

The Bank maintained its market leading position in cross-border RMB business. In the first half of 2013, the cross-border RMB settlement transaction volume of the Bank amounted to RMB1.71 trillion, an increase of 63% compared with the same period of 2012. Overseas institutions of the Bank completed cross-border RMB settlement business of over RMB930 billion, an increase of 77% compared with the same period of 2012. The Bank's cross-border RMB product system covers deposits, loans, international settlement, cash delivery, clearing, treasury operation, credit card, insurance and fund management, etc. Customers of this system are distributed in over 200 countries and regions, covering electric engineering, communication equipment, electronic products, transportation, chemical engineering, manufacturing, wholesale & retail and other industries. The Bank has become the first clearing bank for RMB business recognised by the Government of Luxembourg. The Taipei Branch formally provided services as a RMB clearing bank. It has opened RMB clearing accounts for 64 participating banks and completed RMB settlement and clearing business volumes of approximately RMB250 billion. RMB buying and selling in the Taipei Branch exceeded RMB10 billion.

BOCHK

BOCHK continued to implement a solid, balanced and sustainable growth strategy. It actively captured market opportunities and continued to optimise its asset/liability mix. Capitalising on its strengths in offshore RMB business, BOCHK further collaborated with the Group. Key financial and risk indicators remained solid with sound asset quality. As at the end of June 2013, BOCHK's total assets amounted to HKD1,834.661 billion and profit after tax reached HKD11.657 billion.

Continuous reinforcement of asset and liability management and satisfactory growth in core banking businesses. Leveraging on its leading edge in the Hong Kong market, BOCHK provided comprehensive financial products and services to its customers. Loans to customers and customer deposits grew at a steady pace. In the first half of 2013, BOCHK remained the top mandated arranger in the Hong Kong–Macau syndicated loan market. Capitalising on opportunities arising from the cross-border RMB business, BOCHK successfully conducted cross-border RMB loan business in the Qianhai area. With conscious effort to enhance loan pricing and control funding costs, net interest margin improved steadily. BOCHK also maintained its leading position in the number of new residential mortgage loans underwritten. It recorded satisfactory growth in the stock brokerage and funds distribution business and remained as the leader in China UnionPay card acquiring business and card issuing business in Hong Kong.

Providing high-quality offshore RMB services and maintaining its market leading position. BOCHK continued to optimise its clearing services. The introduction of time deposit service by the clearing bank and the extension of operating hours for RMB cross-border payments helped promote the healthy development of its RMB clearing business. It successfully completed the first CNY/USD cross-currency swap transaction using the CNY Hong Kong Interbank Offered Rate ("CNY HIBOR") as the pricing benchmark. It also acted as the arranger for the issuance of the first certificate of deposit with the CNY HIBOR as the benchmark rate, offering the market a wider choice of floating rate debt instruments. BOCHK has been designated as a market maker for USD/CNY futures for the Chicago Mercantile Exchange Group and Hong Kong Futures Exchange.

Strengthening and expanding diversified business platforms and continuously enriching product and service offerings. "BOCHK All Weather RMB High Yield Bond Fund" and "BOCHK All Weather HK & China Equity Fund" were launched to meet investors' demands in the Chinese mainland, Hong Kong and other regions in Asia. BOCHK partnered with FTSE Group to develop the new "FTSE-BOCHK Offshore RMB Bond Index Series" to provide investors with an industry standard benchmark. Its private banking business made remarkable progress and continued to enrich its exclusive product and service offerings to its clients.

Reinforcing differentiated service capability to enhance customer experience. BOCHK continued to implement the "Global Relationship Manager Programme". The Corporate Services Centre was set up to further improve service efficiencies and streamline account opening procedures. "Integrated Branches for Commercial Business" and "Business Integrated Account" continued to uplift BOCHK's service capability for SME customers. Cross-border wealth management services and product penetration were strengthened, enhancing the service capability of BOCHK Wealth Management. "i-Free Banking" was introduced to provide mass retail customers with comprehensive financial products and services via extensive channels. A selection of savings plans was launched to appeal to younger clientele.

(Please refer to the BOCHK Interim Report for a full review of BOCHK's business performance.)

Diversified Business Platform

The Bank's subsidiaries earnestly implemented the Group's integrated operational reform and development plan, fully leveraged their professional advantages, pushed forward customer development, deepened business cooperation, strengthened cross selling and product innovation so as to provide comprehensive, high quality financial services and maximise their contribution to the Group's strategy.

Investment Banking Business

BOCI

BOCI was committed to enhancing its global marketing services and supporting capability. It registered steady development in its equity underwriting and financial advisory business. Its leveraged and structured finance business grew steadily. BOCI's bond underwriting businesses continued to maintain a leading position in the Hong Kong market. The securities brokerage businesses remained stable. The assets under management of BOCI's private banking businesses recorded significant growth. Its financial institutions partnerships business and institutional sales business both made steady headway, as did the direct investment businesses. The global commodities business, which aims to provide comprehensive one-stop financial services with full spectrum of products to global and particularly Chinese resources companies, expanded rapidly. BOCI won a range of awards from publications including *The Banker, The Asset, World Finance, BENCHMARK* and *Asia Asset Management*.

BOCI China

BOCI China actively promoted its over-the-counter (OTC) business, asset securitisation business and SME financing business to push forward BOC's SME private equity fund-raising. It continued to expand its investor's service business and enhance its revenue structure. The total value of structural investment and financing projects reached RMB1.37 billion, with managed assets of more than RMB60 billion. BOCI China also devoted itself to enhancing its sales service and research capabilities, and obtained two new QFII customers in the first half of 2013. It also optimised the trading strategy of its capital business, and improved self-owned capital efficiency and balance-sheet management capability. Moreover, BOCI China accelerated business and product innovation and launched off-site account opening, structural investment and financing, and counter trading businesses.

BOCIM

BOCIM maintained excellent investment performance and held a leading position on both equity and fixed income products. Moreover, BOCIM enhanced its brand image by winning 12 prestigious awards from *China Securities Journal, Securities Times and Shanghai Securities News*. As at the end of June 2013, BOCIM managed 28 public-offered funds as well as other discretionary accounts, and actively explored advisory business, with total assets under management of RMB100 billion.

Insurance Business

BOCG Insurance

BOCG Insurance owns three branches and one business centre in Hong Kong, has been at the forefront of the general insurance market and ranked first amongst all Chinese capital insurance companies in Hong Kong. By strengthening cooperation with banking agents and improving linkages between banking and insurance businesses, BOCG Insurance's business through banking platforms accounted for 49.52% of its whole business volume, an increase of 6.19 percentage points compared with the prior year-end. Responding to bank customers' needs, the company promoted quality, low-risk personal insurance products, resulting in a growth of 10.31 percentage points in related written premiums as compared with the same period of 2012. It also accelerated business growth through electronic channels, e.g. promoting its insurance products through internet and cell phone applications.

BOCG Life

BOCG Life continued to optimise its product offerings, promotions and distribution models. It maintained its leading position in the RMB insurance market in Hong Kong. "Income Growth Annuity Insurance Plan", "RMB Universal Life Insurance Plan" and "Target 5 Years Insurance Plan Series" were well received by customers. The newly launched "UltiChoice Universal Life Insurance Plan" provides customers with both financial planning and whole life protection. A new RMB product "Wealth Conquer Universal Life Insurance Plan" was tailored for distribution through an independent financial advisor. This enabled BOCG Life to reach a new customer segment. BOCG Life ranked first in terms of new businesses in Hong Kong in the first quarter of 2013.

BOC Insurance

BOC Insurance continuously strengthened its product innovation and improved product competitiveness. In the first half of 2013, BOC Insurance developed seven products appropriate for bank and e-commerce channel sales, upgraded 12 traditional non-car insurance products, and further enhanced product competitiveness. It strengthened insurance claims and customer service by providing mobile survey services to clients in seven areas including Beijing, optimising the mechanism for handling straightforward cases and shortening the cycle of the car insurance claims. BOC Insurance actively enhanced customer experience and consumer rights protection, and further promoted customer satisfaction and brand reputation.

Investment Business

BOCG Investment

BOCG Investment continued to adjust and optimise its asset structure. Focusing on the finance, energy, consumer and healthcare sectors, BOCG Investment made every effort to promote its products, enrich its project database and maintain a stable business flow. BOCG Investment succeeded in acquiring high quality commercial real estate projects located in the core areas of major cities in China. BOCG investment also further strengthened post-investment management to enhance its ability to provide value-added services and value creation. In the first half of 2013, BOCG Investment approved new investments of HKD856 million, completed investments of HKD1.77 billion and generated an investment income of HKD1.099 billion.

BOC Aviation

As at the end of June 2013, BOC Aviation had a fleet of 223 owned and managed aircraft operated by 57 airliners worldwide. It has one of the youngest fleets in the industry with an average owned aircraft age of less than four years. BOC Aviation announced an agreement with Airbus for the purchase of 50 A320 Family aircraft, and completed two 10-year unsecured bond issues totalling USD550 million. Credit ratings agencies Fitch and S&P maintained their respective A- and BBB ratings for the company.

Channel Development

Outlet Development

The Bank unified outlets financial service standards and processes, developed comprehensive customer service manager teams and continuously enhanced the service capabilities of its outlets, in order to improve customer experience and enhance outlet service efficiency. The Bank also strived to enhance its corporate financial service capabilities by undertaking business reforms and enriching the variety of products provided in its outlets. Moreover, the Bank automated many of its services by providing more self-service facilities and functionalities, and sped up the shift from counter-based service to electronic-based service. It also implemented an electronic queuing system in its outlets and provided electronic forms for customers in order to shorten the processing time and customer waiting time.

As at the end of June 2013, the number of the Bank's operating outlets on the Chinese mainland reached 10,623, almost 2,000 of which are medium-to-large-sized fully functional outlets. Moreover, the Bank had 39,700 ATMs, 22,000 self-service terminals, and 12,000 self-service banks in operation, further enhancing self-service capabilities.

E-Banking

The Bank further developed and enhanced its e-banking service channels, including online banking, mobile banking, telephone banking, self-service banking and home banking. It also optimised product functions and business processes with the aim of improving customer experience. As a result, the number of e-banking customers increased steadily and transaction volume increased rapidly, which contributed to a continuous enhancement of the ability for e-banking channels to replace traditional channels. In the first half of 2013, the Bank's e-banking transaction volume reached RMB50.86 trillion, an increase of 24.47% compared to the same period of 2012. The substitution ratio of e-banking channels for traditional outlets rose to 77.22%. The current number of e-banking customers and rate of growth are shown in the table below:

Unit: million, except percentages

Items	As at 30 Jun 2013	As at 31 Dec 2012	Change
Number of corporate online banking customers	**2.0140**	1.8017	11.78%
Number of personal online banking customers	**96.6199**	91.4236	5.68%
Number of mobile banking customers	**47.1050**	41.8250	12.62%
Number of telephone banking customers	**82.9961**	76.3675	8.68%

The Bank further enriched and improved its online banking functions. It introduced new services to corporate clients such as supply chain orders financing, SME loans, foreign exchange quick settlement and bill pool while also optimising service functions such as account management, reconciliation service, express agency payment and international remittance. The Bank provided new services through personal online banking such as options, saving bonds, virtual credit card, precious metal deposits, and social security and public accumulation fund. It also optimised the service functions of personal online banking such as fund transfer, credit card, foreign exchange settlement and account management.

The Bank continued to promote innovation in mobile financial services. It launched a new application for the iPad that integrated a series of new services, including bill payments, loan query, fund and foreign exchange trading. To provide a novel and smooth interactive experience, the Bank comprehensively optimised the registration process, login mechanism and functional operations for mobile banking. The Bank piloted an innovative business model which allowed withdrawing cash based on mobile banking authentication, with the aim of supporting rural financial services and expanding its service range through mobile finance.

The Bank continued to enhance its e-commerce service efficiency. It added an online supply chain financing function to "BOC e-Commerce" to better serve bulk commodity trading. Its online payment of customs duties offered a 24/7 service. It also optimised many payment products such as B2B direct payment, B2B guarantee payment and B2C interbank acquiring. These efforts optimised the online payment processes and raised the success rate of paying behaviours.

Information Technology Development

The Bank continued to be driven by its steadfast commitment to technology-driven development and technology-guided financial innovation. Through its overseas information system transformation and integration project, the Bank strived to improve the completeness of the functionality, operational flexibility, processing timeliness and risk control effectiveness of its current information system. It also optimised its IT infrastructure and operational maintenance system, thus improving the security of its IT operations and global service capability.

The Bank capitalised on advanced technology and enhanced intelligent customer service and differentiated service capability to improve customer experience. The Bank improved the online electronic innovation platform, and began the construction of the Future Bank Flagship Store. It explored new models of online finance and continued to promote new product R&D and promotion. The Bank stepped up product innovation for its core banking system and launched personal intelligent call deposit, tiered interest calculation accounts, remittance packages, password-based remittance, etc.

Risk Management

In response to market changes, the Bank intensified proactive risk management to improve the Group's overall risk control capability.

Credit Risk Management

The Bank made deeper adjustments to its loan structure. It revised the guidelines for industry lending and improved the management of its credit portfolios. The Bank supported key fundamental industries such as energy and transportation, and delivered stronger guidance and support to the high-end manufacturing, cultural, modern agriculture and service industries and other industries essential to people's livelihood. Insisting on the guidelines for "green credit", the Bank proactively strengthened credit management in overcapacity industry.

The Bank strengthened its credit asset quality management. It continued to implement its asset quality monitoring and management system, integrating "post-lending management, risk classification, material risk event resolving and regular risk inspection". It closely tracked changes in the economic situation and risk status in key fields, so as to prevent systematic risk. By reinforcing the control over key industries, strengthening the supervision of key regions, adjusting strategies for customer credit management and intensifying efforts to exit or reduce loans to potentially high-risk customers, the Bank realised forward-looking and proactive management. It closely monitored the quality of its overseas credit assets, and emphasised country risk management for potentially high-risk countries and regions.

The Bank strengthened the management of loans to LGFVs, strictly controlled the gross scale according to regulatory requirements and further regulated the management of newly extended loans, exited loans and existing loans. It implemented the government's policies and regulatory measures in the real estate sector, stepped up the tracking, research and analysis of policies and markets, and intensified the closed management of funds. It also conducted stress testing on real estate loans in order to identify risks in a timely manner. The Bank reinforced risk management for its trade finance and letter of guarantee business and imposed stricter control over risks across the whole business process. In addition, the Bank identified group customers with high risks to control the loan concentration risk.

The Bank also strengthened the management of large-amount non-performing loans ("NPLs") and expanded the channels of NPL disposal. The Bank further promoted the integrated management and post-lending re-evaluation of credit collaterals.

The Bank continued to strictly implement differentiated policies for personal housing mortgage loans, monitored and analysed personal credit asset quality regularly and strengthened risk control over personal loans and bank card business.

The Bank measured and managed the quality of its credit assets in accordance with the *Guideline for Loan Credit Risk Classification* issued by CBRC. As at the end of June 2013, the Group's NPLs totalled RMB69.467 billion, an increase of RMB4.019 billion compared with the prior year-end. The NPL ratio stood at 0.93%, down 0.02 percentage point compared with the prior year-end.

Five-category loan classification

Unit: RMB million, except percentages

Items	As at 30 June 2013 Amount	As at 30 June 2013 % of total	As at 31 December 2012 Amount	As at 31 December 2012 % of total
Group				
Pass	**7,179,991**	**96.51%**	6,591,713	96.03%
Special-mention	**190,175**	**2.56%**	207,535	3.02%
Substandard	**29,085**	**0.39%**	28,643	0.42%
Doubtful	**26,349**	**0.35%**	24,276	0.35%
Loss	**14,033**	**0.19%**	12,529	0.18%
Total	**7,439,633**	**100.00%**	6,864,696	100.00%
NPLs	**69,467**	**0.93%**	65,448	0.95%
Domestic				
Pass	**5,705,725**	**95.86%**	5,300,574	95.36%
Special-mention	**179,614**	**3.02%**	195,352	3.51%
Substandard	**27,739**	**0.47%**	27,210	0.49%
Doubtful	**25,246**	**0.42%**	23,254	0.42%
Loss	**13,856**	**0.23%**	12,292	0.22%
Total	**5,952,180**	**100.00%**	5,558,682	100.00%
NPLs	**66,841**	**1.12%**	62,756	1.13%

Migration ratio

Unit:%

Items	For the six month period ended 30 June 2013	2012	2011
Pass	**0.76**	2.61	2.56
Special-mention	**7.50**	15.31	12.94
Substandard	**22.97**	44.55	55.42
Doubtful	**16.02**	8.48	5.68

Note: Migration ratios for the six month period ended 30 June 2013 are not annualised.

In accordance with International Accounting Standard No. 39, loans and advances to customers are considered impaired, and allowances are made accordingly, if there is objective evidence of impairment resulting in a measurable decrease in estimated future cash flows from loans and advances. As at the end of June 2013, the Group reported identified impaired loans of RMB69.356 billion, an increase of RMB3.901 billion compared with the prior year-end. The impaired loans to total loans ratio was 0.93%, down 0.02 percentage point compared with the prior year-end.

The Bank focused on controlling borrower concentration risk and was in full compliance with regulatory requirements on borrower concentration.

Unit: %

Main regulatory ratios	Regulatory Standard	As at 30 June 2013	As at 31 December 2012	As at 31 December 2011
Loan concentration ratio of the largest single borrower	≤10	**2.2**	2.6	3.1
Loan concentration ratio of the ten largest borrowers	≤50	**15.0**	16.9	18.9

Notes:

1 Loan concentration ratio of the largest single borrower = total outstanding loans to the largest single borrower/net regulatory capital

2 Loan concentration ratio of the ten largest borrowers = total outstanding loans to the top ten borrowers/net regulatory capital
Of which, during the reporting period, net regulatory capital is calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Yin Jian Hui Ling [2012] No. 1); and net regulatory capital of 2012 and prior years are calculated in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks* (Yin Jian Hui Ling [2004] No. 2).

Please refer to Note III.15 and Note IV.1 to the Condensed Consolidated Interim Financial Information for detailed information on the geographical distribution of loans and classification of identified impaired loans.

Market Risk Management

The Bank further improved its market risk management by continuously strengthening its market risk monitoring and early warning systems at the Group level, enhancing market risk management for the trading book and banking book, and continuously optimising its limit structure and risk monitoring procedures.

In line with the principle of uniform management, the Bank intensified risk monitoring and analysis of the Group's overall trading business, continuously upgraded the quantification and transmission mechanisms for risk appetite in the trading businesses of the Bank, and improved the market risk management of the trading businesses of its domestic and overseas branches and subsidiaries. It conducted forward-looking analysis of the market and exercised proactive risk management based on regulatory requirements and market dynamics. The Bank assessed the interest rate risk of the banking book mainly through analysis of interest rate re-pricing gaps, adjusted the structure of assets and liabilities based on changes in the market situation in a timely manner, and controlled the fluctuation of net interest income within an acceptable level. Moreover, the Bank further reinforced the centralised management of the Group's bond portfolios, made timely adjustments to bond investment strategies and conducted quantitative analysis on the risks of debenture bond portfolios, and maintained the asset quality of debenture bond portfolios. In terms of the management of exchange rate risk, the Bank controlled its foreign exchange exposure effectively by ensuring currency matching between its fund source and application, and timely settlement of exchange. Please refer to Note IV.2 to the Condensed Consolidated Interim Financial Information for detailed information on market risk.

Liquidity Risk Management

The purpose of liquidity risk management in the Bank is to effectively identify, measure, monitor and control liquidity risk at the Group level, Head Office, domestic and overseas branches, subsidiary banks and subsidiary companies, and ensure that liquidity demand can be satisfied in a timely manner at a reasonable cost.

Adhering to the principle of balanced "liquidity, safety and profitability", the Bank developed liquidity risk management policies and processes. It improved relevant policies and rules, regularly inspected liquidity risk limits, and enhanced the liquidity risk early warning system. By stepping up liquidity portfolio management and the Group's liquidity risk control, the Bank remained forward-looking in its liquidity risk management. In addition, it improved the liquidity stress testing plan and conducted stress testing quarterly. The testing results showed that the Bank has adequate ability to mitigate stress in distressed scenarios.

As at the end of June 2013, the Bank's liquidity position met regulatory requirements, as shown in the table below:

Unit:%

		Regulatory standard	As at 30 June 2013	As at 31 December 2012	As at 31 December 2011
Liquidity ratio	RMB	≥25	**45.1**	49.8	47.0
	Foreign currency	≥25	**52.6**	65.2	56.2
Excess reserve ratio	RMB	–	**3.3**	3.2	2.9
	Foreign currency	–	**23.1**	27.7	24.3
Inter-bank ratio	Inter-bank borrowings ratio	≤8	**0.2**	1.6	0.82
	Inter-bank loans ratio	≤8	**3.0**	2.6	2.25

Notes:

1 Liquidity ratio is the indicator of the Group's liquidity; excess reserve ratio and inter-bank ratio are the indicators of liquidity for the Bank's domestic operations.

2 Liquidity ratio = current assets/current liabilities. Liquidity ratio is calculated in accordance with the relevant provisions of PBOC and CBRC.
3 RMB excess reserve ratio = (reserve in excess of the mandatory requirements + cash)/(balance of deposits + remittance payables)
4 Foreign currency excess reserve ratio = (reserve in excess of the mandatory requirements + cash + due from banks and due from overseas branches and subsidiaries)/balance of deposits
5 Inter-bank borrowings ratio = total RMB inter-bank borrowings from other banks and financial institutions/total RMB deposits
6 Inter-bank loans ratio = total RMB inter-bank loans to other banks and financial institutions/total RMB deposits

Reputational Risk Management

The Bank implemented the *Guidelines for Reputational Risk Management of Commercial Banks* formulated by CBRC, and followed its policy on reputational risk management. It pushed forward the building of a reputational risk management system, improved the management framework and processes, and thus raised the Group's reputational risk management level.

In the first half of 2013, the Bank stepped up the judgement, identification, assessment and control of reputational risk, emphasised on prevention, and controlled and mitigated reputational risk from the source. The Bank closely monitored public opinions and dealt effectively with reputational risk events. It kept an eye on the development of new media such as microblog and WeChat, and enhanced reputational risk management strategies related to new patterns of information dissemination.

Internal Control and Operational Risk Management

Internal Control

The Bank leveraged its "three lines of defence" to improve the effectiveness of internal control. The Bank improved its first line of defence by strengthening the internal control awareness and capabilities of branches, business departments and staff at various levels. By enhancing transmission mechanisms for rules and regulations, the Bank strengthened the implementation of internal control measures, thereby improving the effectiveness of its second line of defence. The Bank's internal audit function is the third line of defence of internal control. Being risk-oriented and focused on the Bank's priorities, it fully performed its role by consolidating the work basis, intensifying off-site tasks and improving supervision and inspection measures. Closely tracking business lines that are vulnerable to economic and financial situations, strategically critical and/or highly regulated, the Internal Audit inspected and assessed the appropriateness and effectiveness of the Group's comprehensive risk management and internal control, hence continuously enhancing the Group's risk control capability.

Operational Risk Management

The Bank continued to make progress towards the implementation of New Basel Capital Accord's operational risk management projects, and improved the Group's operational risk management system. The Bank enhanced the depth of tool application and enhanced its IT system for operational risk management, and promoted the establishment of Group Operational Risk Monitoring and Analysis Platform to monitor risks. It also conducted operational risk management evaluation and capital measurement by adopting the Standardised

Approach, and initiated the development of advanced measurement approach for operational risks, to enhance refined management. The Bank actively responded to the adverse impact arising from changes in the market by identifying, assessing, controlling and mitigating risks. It also strengthened its fraud risk prevention and control to enhance forward-looking management. In the first half of 2013, the Bank succeeded in preventing 89 fraud attempts valued at RMB229 million, and maintained a low occurrence of fraud risk and other operational risk events.

Compliance Management

The Bank proactively monitored compliance risk and enhanced the Group's overall compliance risk management capabilities so as to increase the Group's overall level of compliance. It monitored risk information such as the latest regulatory requirements, inspections and assessments imposed on the Group and carried out comprehensive assessment and research on compliance risk. Business departments and legal and compliance departments of all institutions cooperated with each other to implement the regulatory requirements, resulting in the orderly functioning of the prevention and control mechanism for regulatory sanctions of the Group. The Bank stressed the importance of group-wide sharing of compliance risk information, ensured the timely circulation and report of the Group's overall compliance risk profile and material risk events, and conducted assessments on the compliance risk management capability of the Group.

The Bank adopted strict anti-money laundering ("AML") management rules. In accordance with the latest recommendations of the Financial Action Task Force (FATF) and domestic regulatory requirements, and referring to AML risk events of international peers, the Bank identified and assessed potential money laundering risks and developed and implemented a three-year AML plan. It also tracked and studied external sanction policies to assess and prevent risks in a timely manner, continued to improve the regulations on sanction compliance, and intensified risk prevention measures for cross-border remittance, foreign personal customers, correspondent bank customers and other high-risk areas. Domestically, the Bank continued to conduct off-site monitoring on suspicious transaction reporting and established a self-building mechanism for suspicious transaction models. Overseas, the Bank streamlined its AML requirements, developed an overseas AML IT system and gradually introduced it to overseas institutions, thus improving their capability to manage AML risks.

The Bank managed its connected transactions and internal transactions. It continued to upgrade its connected transaction monitoring system and promoted the smooth functioning of all management mechanisms for connected transactions. The Bank followed the administrative measures for internal transactions to implement control at the Group level. It organised the information monitoring and reporting of the Group's internal transactions via the information reporting platform.

New Basel Capital Accord Implementation

The Bank placed great emphasis on New Basel Capital Accord implementation. In line with the principles of "adaptability and applicability", it simultaneously implemented Basel II & III and engaged in the construction of the G-SIFI system. It combined the implementation of regulatory requirements with refined, specialised and quantitative risk management, and promoted the in-depth application of achievements in New Basel Capital Accord implementation, to improve the strategic response ability and propel business transformation.

The Bank pushed forward the implementation of the *Capital Rules for Commercial Banks (Provisional)*, strengthened leadership in this regard, improved the working mechanism and intensified resource inputs and publicity and training. The Bank has largely completed the first-phase work for Basel II implementation and has achieved the coordinated advancement of Pillar I, II and III. It has also rectified problems identified by CBRC's assessment, cooperated with CBRC's regulatory and cross-border inspections. The Bank has applied to CBRC to implement advanced capital management approaches. Specifically, the Bank has sought approval to apply a foundation internal rating based (FIRB) approach to non-retail credit risk, an internal rating based ("IRB") approach to retail credit risk, an internal model approach to market risk and a standardised approach to operational risk. The Bank accelerated preparations for the implementation of an advanced IRB approach for non-retail credit risk and an advanced measurement approach (AMA) for operational risk.

The Bank consolidated its data base, reduced data redundancy and promoted a uniform and regulated data standard in a bid to strengthen data sharing and raise the data service level of business departments and branches. It reinforced coordinated management over development, upgrading, monitoring and maintenance of risk measurement models, and enhanced its self-improving capability. The Bank also improved the IRB approach to economic capital measurement and management, and established a model validation framework covering all kinds of risks to perform well in model validation. Focusing on the quantification and communication of risk appetite, the Bank made great efforts to apply the New Basel Capital Accord and stress testing. It advanced the construction of the economic capital model under the New Basel Capital Accord, deepened its performance appraisal of economic capital and included such indicators as risk-adjusted return on capital (RAROC) and economic value added (EVA) into the performance appraisal system of the branches and business lines of the Bank. The Bank also substantially reinforced the use of various risk measurement tools across the entire credit procedure to support the Bank's transformative development.

Capital Management

The *Capital Rules for Commercial Banks (Provisional)*, which was formally implemented in 2013, readjusted the definition of capital and calculation of risk-weighted assets. Under the new measures, the Group's capital adequacy ratio was 12.14%, tier 1 capital adequacy ratio was 9.28%, and core tier 1 capital adequacy ratio was 9.27% as at the end of June 2013. The series of capital adequacy ratios was decreased compared with those of the end of March 2013, mainly because of the one-time deduction of the 2012 dividend in the second quarter of 2013. As the Bank's retained profit grows, the capital adequacy ratios are expected to rebound in the second half of the year.

Guided by the latest capital regulations, the Bank continuously optimised its on- and off-balance sheet asset structure. It stuck to the principle of enhancing a bank-wide capital constraint and encouraged efforts in optimising business structure. Specific measures were taken, including increasing capital allocation to the capital-lite businesses, devoting great efforts to developing fee-based business, rationally controlling the rise of off-balance sheet risk assets, strictly limiting the size of high-risk-weighted assets, and requiring more guarantee and pledge risk mitigation during the credit process, etc., so as to reduce capital charges efficiently. The Bank will take the opportunity to issue RMB60 billion qualified write-down Tier-2 capital instruments, to improve its capital adequacy level.

Social Responsibilities

The Bank performed its corporate social responsibilities and devoted itself to serving and rewarding society. It played an active role in building a harmonious society by supporting disaster relief, education, art and cultural initiatives and contributing to communities affected by poverty.

Yaan in Sichuan Province was hit by a 7.0 magnitude earthquake on 20 April 2013. The Bank launched an emergency response mechanism immediately and donated RMB5 million to the quake-stricken area through the Sichuan Provincial Government. In addition, the Bank set up a special counter and provided a green channel for relief funds, and ensured the smooth provision of financial services. As at the end of June 2013, domestic and overseas institutions and employees of the Bank donated over RMB12 million in various forms to the disaster area.

The Bank continuously conducted and promoted a government-sponsored student loan programme. It has accumulatively granted loans of RMB19.0 billion to help over 1.5 million students with financial difficulties to finish school. The Bank supported the public welfare programme "Rainbow Bridge" co-organised by China Next Generation Education Foundation and Americans Promoting Study Abroad for two consecutive years, which helped 50 outstanding Chinese and American students to participate in cross-border short-term study and cultural exchange programmes. The Bank supported the Caijing Magazine scholarship programme for four consecutive years to help the growth of young journalists. It donated funds to set up the Tan Kah Kee Young Scientist Award as well as the Tan Kah Kee Science Award, encouraging China's outstanding young scientists to achieve breakthroughs in science and technology. The Bank embarked on a fifth round of strategic cooperation with the National Centre for the Performing Arts and supported its orchestra in its 2013 Asia Tour, thus promoting international cultural exchange.

The Bank assisted in tackling poverty in response to local conditions. Supporting poverty alleviation for the 11th consecutive year in four counties located in the north of Xianyang, Shaanxi Province, namely, Yongshou, Changwu, Chunhua and Xunyi, it carried out 124 programmes related to the relocation, construction and repair of primary and secondary school buildings, providing water for people and livestock, and donated relief funding totalling RMB44.1984 million. The Bank sponsored the "Mother's Health Express Train" public welfare programme, donated 48 mobile medical cars to poverty-stricken areas in Shandong, Anhui, Hubei and Shaanxi provinces, and helped improve local women's quality of life, driving the healthy development of China's woman-related undertakings.

The Bank's fulfilment of its social responsibilities was widely recognised by society. In the third Social Responsibility Report Competition hosted by the China Banking Association, the Bank received the "Social Responsibility — Best People's Livelihood Award" and the "Public Charity Outstanding Programme Award". It was listed among the "Top 100 Listed State-owned Enterprises by Corporate Social Responsibility" by Nanfang Media Group for the fifth consecutive year. It received the title of "Top Ten Women-caring Enterprises" selected by the China Women's Development Foundation and China Philanthropy Research Institute.

Outlook

During the second half of 2013, the global economy is expected to continue a mild recovery. Facing a complex and challenging economic and financial situation both at home and abroad, the Bank will make solid progress in all initiatives, aiming to provide a superior customer experience, enhance its market competitiveness and improve operation performance.

Seek profit from structural adjustments. The Bank will accelerate the pace of adjusting its client structure, improve efficiencies in service provision and decision-making, and push forward business expansion with MSMEs and individual customers. The Bank will speed up adjustments to its debt structure to improve stability of funding sources. It will drive forward its core businesses such as settlement, clearing and cash management and actively develop its supply chain finance offering so as to expand the scale of pooled idle funds. The Bank will deepen efforts to adjust its asset structure, revitalise the deployment of existing fund resources while making full use of new resources, optimise the orientation of its credit strategies and effectively support economic transformation and advancement in service of the development of the real economy. Moreover, the Bank will step up adjustments to its income structure to fully leverage the Bank's professional expertise, enhance efforts in product innovation, and improve return on capital.

Seek efficiencies from improved mechanisms. The Bank will further optimise its resource allocation mechanism, strengthen and improve capital management, adhere to the concept of "capital-efficient profitability", and focus on businesses where high overall income can be realised while tying up relatively smaller amount of capital. It will also strengthen and enhance cost management so as to continuously improve operating efficiency. The Bank will further improve incentive and constraint mechanism and optimise assessment systems. It will also strengthen and improve its liquidity management to ensure an appropriate balance between safety, liquidity and profitability.

Seek new markets by operating globally. The Bank will build a global service capability and enhance collaboration between its domestic and overseas operations. It will continuously improve systematic collaboration mechanisms to strengthen global service capability. The Bank will seize the strategic opportunities presented by RMB internationalisation to improve the Bank's competitive edge in RMB cross-border business. In addition, the Bank will vigorously expand its globally integrated clearing system and build itself into a main channel bank for cross-border RMB business. It will enhance business synergy across the Group to leverage the advantages of its diversified platforms and improve the Group's comprehensive service level and market competitiveness to maximise the Group's profitability.

Seek asset quality through risk management. The Bank will enhance its forecasting abilities to strictly safeguard its risk defences and ensure the stability of asset quality. It will continue to strengthen risk prevention and control in key areas. The Bank will also improve risk management, support business development, optimise authorisation mechanisms and enhance the process of credit review and approval. The Bank will improve risk quantification capabilities and improve the risk measurement system. It will also strengthen internal control to reduce operational risk.

Seek growth impetus from infrastructure development. The Bank will push forward the e-banking project and promote the construction of service channels. It will speed up the construction of electronic channels, starting with mobile finance. The Bank will continue to enhance information technology development, upgrade core banking system functionality and push forward integration and transformation of overseas technology system. It will upgrade service capabilities and push forward the centralised processing projects and construction of service platform.

Changes in Share Capital and Shareholdings of Shareholders

Disclosure of Shareholding under A-Share Regulations

Changes in Share Capital during the Reporting Period

Unit: Share

		1 January 2013		Increase/decrease during the reporting period					30 June 2013	
		Number of shares	Percentage	Issue of new shares	Bonus shares	Shares transferred from the surplus reserve	Others	Sub-total	Number of shares	Percentage
I.	**Shares subject to selling restrictions**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
II.	**Shares not subject to selling restrictions**	**279,147,343,265**	**100.00%**	**–**	**–**	**–**	**178,401**	**178,401**	**279,147,521,666**	**100.00%**
1.	RMB-denominated ordinary shares	195,525,066,870	70.04%	–	–	–	178,401	178,401	195,525,245,271	70.04%
2.	Domestically listed foreign shares									
3.	Overseas listed foreign shares	83,622,276,395	29.96%	–	–	–	–	–	83,622,276,395	29.96%
4.	Others									
III.	**Total**	**279,147,343,265**	**100.00%**	**–**	**–**	**–**	**178,401**	**178,401**	**279,147,521,666**	**100.00%**

Notes:

1 As at 30 June 2013, the Bank had issued a total of 279,147,521,666 shares, including 195,525,245,271 A Shares and 83,622,276,395 H Shares.

2 As at 30 June 2013, none of the A Shares and H Shares of the Bank were subject to selling restrictions.

3 During the reporting period, 178,401 shares were converted from the A-Share Convertible Bonds of the Bank.

4 "Shares subject to selling restrictions" refers to shares held by shareholders who are subject to restrictions on selling in accordance with laws, regulations and rules or undertakings.

Number of Shareholders and Shareholdings

Number of shareholders as at 30 June 2013: 1,022,900 (including 798,737 A-Share Holders and 224,163 H-Share Holders)

Top ten shareholders as at 30 June 2013 | Unit: Share

No.	Name of shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total share capital	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of shares
1	Central Huijin Investment Ltd.	83,301,843	189,135,494,928	67.75%	–	None	State	A
2	HKSCC Nominees Limited	(19,434,227)	81,625,125,068	29.24%	–	Unknown	Foreign legal person	H
3	The Bank of Tokyo-Mitsubishi UFJ Ltd.	–	520,357,200	0.19%	–	Unknown	Foreign legal person	H
4	Dalian Huaxin Trust Co., Ltd.	93,664,035	124,931,383	0.04%	–	None	Domestic non state-owned legal person	A
5	Shenhua Group Corporation Limited	–	99,999,900	0.04%	–	None	State-owned legal person	A
5	Aluminum Corporation of China	–	99,999,900	0.04%	–	None	State-owned legal person	A
7	China Southern Power Grid Co., Ltd.	–	90,909,000	0.03%	–	None	State-owned legal person	A
8	Taiping Life Insurance Company Limited — dividend — group insurance dividend	30,097,278	87,784,609	0.03%	–	None	State-owned legal person	A
9	CSOP FTSE China A50 ETF	8,549,900	60,285,572	0.02%	–	None	Foreign legal person	A
10	China Universal CSI Index Securities Investment Fund	(4,632,006)	58,318,197	0.02%	–	None	Domestic non state-owned legal person	A

The number of shares held by H-Share Holders was recorded in the register of members kept by the H-Share Registrar of the Bank.

HKSCC Nominees Limited acted as the nominee for all institutional and individual investors that maintain an account with it as at 30 June 2013. The aggregate number of H Shares held by HKSCC Nominees Limited included the shares held by National Council for Social Security Fund.

The Bank is not aware of any connected relations or concerted action among the aforementioned shareholders.

Convertible Bonds

Overview of Convertible Bonds Issuance

With the approval of CBRC (Yinjianfu [2010] No. 148) and CSRC (Zhengjianxuke [2010] No. 723), the Bank issued RMB40 billion A-Share Convertible Bonds on 2 June 2010. With the approval of SSE (Shangzhengfazi [2010] No. 17), such Convertible Bonds have been listed on SSE since 18 June 2010.

Convertible Bondholders and Guarantors

Number of convertible bondholders as at 30 June 2013	16,152
Guarantor of the Bank's Convertible Bonds	None

Top ten convertible bondholders as at 30 June 2013

No.	Name of convertible bondholders	Amount of Convertible Bonds held as at the end of the reporting period (RMB)	Percentage of total unconverted Convertible Bonds
1	An-Bang Insurance Group Co., Ltd. — traditional insurance products	2,198,342,000	5.50%
2	China Oil & Foodstuffs Corporation	1,040,000,000	2.60%
3	Guotai Junan Securities Co., Ltd.	1,027,348,000	2.57%
4	Government of Singapore Investment Corporation Pte. Ltd.	866,594,000	2.17%
5	Bosera Convertible Bond Enhanced Debt Securities Investment Fund	839,156,000	2.10%
6	China Credit Trust Co., Ltd. — BoComm Fixed Income Stand Alone Trust	829,671,000	2.07%
7	Industrial Global Convertible Bond Mixed Style Securities Investment Fund	786,417,000	1.97%
8	The First Capital Security Co., Ltd.	780,289,000	1.95%
9	CITIC Securities Co., Ltd.	713,957,000	1.78%
10	UBS AG	641,841,000	1.60%

Changes in Convertible Bonds during the Reporting Period

Unit: RMB

Name of Convertible Bonds	Before the change	Increase/decrease				After the change
		Conversion	Redemption	Back-sell	Others	
Bank of China A-Share Convertible Bonds	39,999,328,000	533,000	–	–	–	39,998,795,000

Accumulated Conversion of Convertible Bonds during the Reporting Period

Amount of conversion during the reporting period (RMB)	533,000
Number of converted shares during the reporting period (share)	178,401
Accumulated converted shares (share)	358,935
Proportion of accumulated converted shares to total shares before conversion	0.000132%
Amount of unconverted Convertible Bonds (RMB)	39,998,795,000
Proportion of unconverted Convertible Bonds to total issued Convertible Bonds	99.9970%

Previous Adjustments of Conversion Price

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Reasons of adjustments	Media of disclosure
4 June 2010	RMB3.88 per share	31 May 2010	2009 profit distribution	*China Securities Journal, Shanghai Securities News, Security Times, Securities Daily* and the websites of SSE, HKEx and the Bank
16 November 2010	RMB3.78 per share	11 November 2010	A Share Rights Issue	
16 December 2010	RMB3.74 per share	13 December 2010	H Share Rights Issue	
10 June 2011	RMB3.59 per share	3 June 2011	2010 profit distribution	
13 June 2012	RMB3.44 per share	6 June 2012	2011 profit distribution	
29 March 2013	RMB2.99 per share	27 March 2013	Downward adjustment approved by the shareholders	
18 June 2013	RMB2.82 per share	6 June 2013	2012 profit distribution	
Conversion price at the end of reporting period			RMB2.82 per share	

Note: *Securities Daily* became the Bank's selected newspaper for information disclosure from 1 January 2012.

The Bank's Outstanding Debts, Creditworthiness and Availability of Cash for Repayment of Debts in Future Years

Dagong Global Credit Rating Co., Ltd. has evaluated the Bank's Convertible Bonds and provided an updated credit rating report (Da Gong Bao SD[2013] No. 204) which reaffirmed an AAA credit rating on the Bank's Convertible Bonds. Dagong Global Credit Rating Co., Ltd believes that the Bank is able to provide significantly strong support to the repayment of its Convertible Bonds issued in 2010.

The Bank is one of China's large-scale state-owned commercial banks. The Bank's business covers commercial banking, investment banking, insurance, direct investment and investment management, etc., providing comprehensive and quality financial services to personal and corporate customers worldwide. The Bank's risk management capability has continuously improved along with its enhanced capital base and overall operational sophistication. The Bank's adequate capital, stable mix of assets and liabilities and healthy profitability provide a solid foundation for the repayment of its various debts.

Guided by a sound corporate governance mechanism, the Bank is transparent in its financials, efficient in its management and prudent in its operations. The Bank has healthy liquidity and no historical record of default. The Bank will further enhance its management and develop its business in the future and is capable of repaying debts in a timely manner.

Significant Changes to the Profitability, Asset Condition and Creditworthiness of the Convertible Bonds Guarantor

Not applicable.

Disclosure of Shareholding under H-Share Regulation

Substantial Shareholder Interests

The register maintained by the Bank pursuant to section 336 of the SFO recorded that, as at 30 June 2013, the following entities were substantial shareholders (as defined in the SFO) having the following interests in the Bank:

Name of shareholder	Capacity	Number of shares held/Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A Shares	Percentage of total issued H Shares	Percentage of total issued share capital
Central Huijin Investment Ltd.[1]	Beneficial owner	188,553,352,005	A	96.43%	–	67.55%
National Council for Social Security Fund	Beneficial owner	7,518,157,041	H	–	8.99%	2.69%
BlackRock, Inc.[2]	Interest of controlled corporations	5,676,089,142	H	–	6.79%	2.03%
JPMogan Chase & Co.[3]	Beneficial owner	598,318,179	H	–	0.72%	0.21%
		132,612,149(S)[4]	H	–	0.16%	0.05%
	Investment Manager	581,310,115	H	–	0.70%	0.21%
	Custodian corporation/ approved lending agent	3,017,861,927(P)[4]	H	–	3.61%	1.08%
	Total	4,197,490,221	H	–	5.02%	1.50%
		132,612,149(S)[4]	H	–	0.16%	0.05%
		3,017,861,927(P)[4]	H	–	3.61%	1.08%

Notes:

1 The above interest of Huijin reflects its latest disclosure of interest made pursuant to the SFO, which does not include its increase in holding of the Bank's A Shares from 2011 to the end of the reporting period.

2 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., which in turn holds the entire issued share capital of BlackRock Financial Management, Inc. Accordingly, BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have the same interests in the Bank as BlackRock Financial Management, Inc. under the SFO. Blackrock, Inc. holds a long position of 5,676,089,142 H Shares through BlackRock Financial Management, Inc. and other corporations controlled by it. Among the total, 18,093,000 H Shares are held through derivatives.

3 JP Morgan Chase & Co. holds the entire issued share capital of JP Morgan Chase Bank, N.A. Accordingly, JP Morgan Chase & Co. is deemed to have the same interests in the Bank as JP Morgan Chase Bank, N.A. under the SFO. JP Morgan Chase & Co. holds a long position of 4,197,490,221 H Shares and a short position of 132,612,149 H Shares of the Bank through JP Morgan Chase Bank, N.A. and other corporations controlled by it. Among the aggregate interests in the long position of 4,197,490,221 H Shares, 3,017,861,927 H Shares are held in the lending pool and 79,113,000 H Shares are held through derivatives. Among the aggregate interests in the short position of 132,612,149 H Shares, 99,612,149 H Shares are held through derivatives.

4 "S" denotes short position, "P" denotes lending pool.

All the interests stated above represented long positions except where stated otherwise. Save as disclosed above, as at 30 June 2013, no other interests or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Directors, Supervisors, Senior Management and Staff

Directors, Supervisors and Senior Management

Board of Directors

Name	Position	Name	Position
TIAN Guoli	Chairman	WANG Yong	Non-executive Director
LI Lihui	Vice Chairman and President	Anthony Francis NEOH	Independent Director
LI Zaohang	Executive Director and Executive Vice President	HUANG Shizhong	Independent Director
WANG Yongli	Executive Director and Executive Vice President	HUANG Danhan	Independent Director
SUN Zhijun	Non-executive Director	CHOW Man Yiu, Paul	Independent Director
LIU Lina	Non-executive Director	Jackson TAI	Independent Director
JIANG Yansong	Non-executive Director	Nout WELLINK	Independent Director
ZHANG Xiangdong	Non-executive Director	LU Zhengfei	Independent Director
ZHANG Qi	Non-executive Director		

Notes:

1 The information listed in the above table pertains to the incumbent directors.

2 Due to the needs of national financial work, Mr. XIAO Gang ceased to serve as Chairman of the Board of Directors, Executive Director, Chairman and member of the Strategic Development Committee of the Board of Directors of the Bank as of 17 March 2013.

3 Mr. TIAN Guoli began to serve as Chairman of the Board of Directors, Executive Director, Chairman and member of the Strategic Development Committee of the Board of Directors of the Bank as of 31 May 2013, with a term of office of three years until the date of the Bank's Annual General Meeting in 2016.

4 Mr. WANG Yong began to serve as Non-executive Director, member of the Strategic Development Committee and the Audit Committee of the Board of Directors of the Bank as of 15 July 2013, with a term of office of three years until the date of the Bank's Annual General Meeting in 2016.

5 Mr. ZHANG Xiangdong began to serve as a member of the Personnel and Remuneration Committee and ceased to serve as a member of the Audit Committee of the Board of Directors of the Bank as of 15 July 2013.

6 Mr. Jackson TAI began to serve as a member of the Risk Policy Committee of the Board of Directors of the Bank as of 15 July 2013.

7 Mr. LU Zhengfei began to serve as Independent Director, member of the Audit Committee, the Personnel and Remuneration Committee and the Connected Transactions Control Committee of the Board of Directors of the Bank as of 31 July 2013, with a term of office of three years until the date of the Bank's Annual General Meeting in 2016.

8 The 2013 First Extraordinary General Meeting of the Bank held on 26 March 2013 approved the appointment of Mr. WANG Shiqiang as Non-executive Director of the Bank. On 17 April 2013, Mr. WANG Shiqiang passed away in Beijing. By 17 April 2013, CBRC had not approved Mr. WANG Shiqiang's qualifications as a director. Mr. WANG Shiqiang had not taken office as Non-executive Director of the Bank. Therefore, the Bank's work related to the appointment of Mr. WANG Shiqiang has been terminated.

9 During the reporting period, none of the directors held any share or Convertible Bond of the Bank.

Board of Supervisors

Name	Position	Name	Position
LI Jun	Chairman of the Board of Supervisors	LIU Xiaozhong	Employee Supervisor
WANG Xueqiang	Shareholder Supervisor	XIANG Xi	Employee Supervisor
LIU Wanming	Shareholder Supervisor	MEI Xingbao	External Supervisor
DENG Zhiying	Employee Supervisor	BAO Guoming	External Supervisor

Notes:

1 The information listed in the above table pertains to the incumbent supervisors.

2 During the reporting period, there is no change of supervisors of the Bank.

3 During the reporting period, none of the supervisors held any share or Convertible Bond of the Bank.

Senior Management

Name	Position	Name	Position
LI Lihui	Vice Chairman and President	ZHU Shumin	Executive Vice President
LI Zaohang	Executive Director and Executive Vice President	YUE Yi	Executive Vice President
ZHANG Lin	Secretary of Party Discipline Committee	CHIM Wai Kin	Chief Credit Officer
WANG Yongli	Executive Director and Executive Vice President	LIU Yanfen	Chief Audit Officer
CHEN Siqing	Executive Vice President	FAN Yaosheng	Secretary to the Board of Directors

Notes:

1 The information listed in the above table pertains to the incumbent senior management members.

2 During the reporting period, there is no change of senior management members of the Bank.

3 During the reporting period, none of the senior management members held any share or Convertible Bond of the Bank.

Organisational Management, Human Resources Development and Management

Organisational Management

As at 30 June 2013, the Bank had a total of 11,409 domestic and overseas branches, subsidiaries and outlets, including 10,786 branches, subsidiaries and outlets in the Chinese mainland and 623 branches, subsidiaries and representative offices in Hong Kong, Macau, Taiwan and other countries. The Bank's commercial banking business had 37 tier-one and direct branches, 306 tier-two branches and 10,279 outlets in the Chinese mainland.

Geographic Distribution of Organisations and Employees

Unit: RMB million/unit/person, except percentages

Items	Assets		Organisations		Employees	
	Total assst	% of total	Number of branches and outlets	% of total	Number of employees	% of total
Northern China	3,904,042	26.63%	1,739	15.24%	54,507	18.25%
Northeastern China	664,077	4.53%	949	8.32%	25,890	8.67%
Eastern China	3,351,825	22.86%	3,604	31.59%	91,447	30.62%
Central and Southern China	2,324,830	15.86%	2,791	24.46%	68,145	22.82%
Western China	1,179,405	8.04%	1,703	14.93%	36,429	12.20%
Hong Kong, Macau and Taiwan	2,100,773	14.33%	512	4.49%	18,330	6.14%
Other countries	1,136,529	7.75%	111	0.97%	3,873	1.30%
Elimination	(1,405,275)					
Total	**13,256,206**	**100.00%**	**11,409**	**100.00%**	**298,621**	**100.00%**

Note: The proportion of geographic assets was based on the data before elimination.

Human Resources Development and Management

As at 30 June 2013, the Bank had 298,621 employees. There were 276,418 employees in the Chinese mainland, of which 271,743 (including 56,378 external contractual staff) worked in the domestic commercial banking operations. There were 22,203 employees in the Bank's operations in Hong Kong, Macau, Taiwan and other countries. As at 30 June 2013, the Bank had incurred retirement expenses for a total of 6,454 retirees.

In the first half of 2013, in line with the Group's development strategy and annual priorities, the Bank focused on its grassroots and front-line operations, deepened systemic reforms, optimised human resources allocation and strengthened talent development. By establishing an appraising system for its domestic branches, the Bank optimised its grassroots organisations resources allocation models. The Bank strengthened control of employee headcount and formulated policies and measures to promote staff structure adjustment and to encourage employees to develop careers in grassroots organisations. In order to motivate the internal dynamics, the Bank innovated its remuneration resources allocation mechanism, improved its performance management system and intensified its employee incentive and restraint measures. The Bank continued to promote talent cultivation and development programmes, and further enhanced talent pool building. The Bank formulated its training and development plan for 2013–2015 and continued to carry out both core and scarce talent development projects. During the first half of 2013, 25,831 training courses were offered with 975,161 class participants in the Bank's domestic commercial banking operations.

Corporate Governance

The Bank considers excellent corporate governance as an important goal. The Bank strictly complied with the state laws and regulations, relevant regulatory requirements and listing rules of the Chinese mainland and Hong Kong. It closely observed trends in regulatory changes in China and abroad and took the initiative to explore innovative models and methods of corporate governance.

During the reporting period, the Bank continued to protect the rights of shareholders, and fully disclosed information of shareholders concern through regular reports and the websites of the Bank and the stock exchanges. The 2012 Annual General Meeting was held in Beijing and Hong Kong by way of video conference, allowing shareholders from both places to attend in person. The shareholders' meeting adopted online voting for A-Share Holders to ensure that minority shareholders were properly informed and able to participate and make decisions.

During the reporting period, the Bank further improved its corporate governance mechanism and amended its Articles of Association to revise and improve relevant provisions concerning profit distribution. The Board of Directors paid much attention to enhancing directors' continuous professional development, conducting directors' on-site research exercises and improving communication mechanisms, thus continuously enhancing the efficiency and decision making capability of the Board of Directors.

Corporate Governance Compliance

During the reporting period, the Bank's corporate governance was fully in line with the *Company Law* and the relevant provisions of CSRC.

During the reporting period, the Bank strictly observed the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Hong Kong Listing Rules. The Bank has complied with the provisions of the Code and has substantially complied with most of the recommended best practices set out in the Code.

Shareholders' Meeting

On 26 March 2013, the Bank held its 2013 First Extraordinary General Meeting in Beijing. This meeting considered and approved three proposals including the proposal to elect non-executive director of the Bank, the proposal on downward adjustment to the conversion price of the A-Share convertible bonds of the Bank and the proposal to amend the Articles of Association of the Bank. The proposal on downward adjustment to the conversion price of the A-Share convertible bonds of the Bank and the proposal to amend the Articles of Association of the Bank were special resolutions.

On 29 May 2013, the Bank held its 2012 Annual General Meeting in Beijing and Hong Kong by way of video conference. This meeting considered and approved 20 proposals including the 2012 work report of the Board of Directors, the 2012 work report of the Board of Supervisors, the 2012 annual financial statements, the 2012 profit distribution plan, the 2013 annual budget, the election of directors, the election of supervisors, and the issuance of qualified write-down Tier-2 capital instruments, etc. The proposal on the issuance of qualified write-down Tier-2 capital instruments was a special resolution.

All of the aforementioned shareholders' meetings were convened and held in strict compliance with the relevant laws and regulations as well as the listing rules of the Chinese mainland and Hong Kong. The Bank's directors, supervisors and senior management members attended the meetings and communicated with shareholders on issues of their concern. The Bank published announcements on the resolutions and legal opinions of the aforementioned shareholders' meetings pursuant to regulatory requirements in a timely manner.

Directors and the Board of Directors

Currently, the Board of Directors comprises seventeen members. There are four executive directors, six non-executive directors and seven independent directors. The number of independent directors is no less than one-third of the total number of directors.

Independent Director Mr. CHOW Man Yiu, Paul began to serve as independent director of China Mobile Limited as of 30 May 2013. Chairman of the Bank Mr. TIAN Guoli began to serve as Chairman and Non-executive Director of BOCHK (Holdings) and BOCHK as of 4 June 2013. Save as disclosed above, to the best knowledge of the Bank, information of the Bank's directors including their appointments is the same as that disclosed in the 2012 Annual Report of the Bank and the announcements regarding the appointments of directors during the reporting period.

During the reporting period, the Bank convened four on-site meetings of the Board of Directors on 30 January, 26 March, 25 April and 29 May respectively. At these meetings, the Board of Directors mainly considered and approved proposals related to the 2012 work report of the Board of Directors, the 2012 profit distribution plan, the issuance of qualified write-down Tier-2 capital instruments, the 2012 internal control self-assessment report, the 2012 corporate social responsibility report, 2012 Annual Report, 2013 First Quarter Report, 2013 performance targets for the Group, the nomination of candidates for directors and the election of Mr. TIAN Guoli as Chairman of the Bank. It also listened to reports, including reports related to the consolidated management and other matters.

During the reporting period, the Bank convened three meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors considered and approved the announcement regarding the resignation of Mr. XIAO Gang as chairman of the Board of Directors and other proposals.

The Board of Directors has set up the Strategic Development Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee, and the Connected Transactions Control Committee to assist it in performing different aspects of its functions. The positions of Chairman and President of the Bank are assumed by two persons. Independent directors serve as chairmen of the Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and the Connected Transactions Control Committee. The work performance of each special committee during the reporting period was as follows:

Committee	Work Performance
Strategic Development Committee	The Committee held two meetings, in which it mainly reviewed and approved the proposal on profit distribution for 2012 and the proposal on issuing qualified write-down capital instruments.
Audit Committee	The Committee held two meetings, in which it mainly reviewed and approved the work plan and budget for 2013. It also reviewed the 2012 Financial Report, the 2013 First Quarter Financial Report, the 2012 internal control assessment report, the internal control management proposal for 2012 and matters concerning requesting the Annual General Meeting to approve the appointment of the external auditor for 2013. In addition, it listened to the report on the major inspections of internal audit in 2012 and the work report on transition of external auditor.
Risk Policy Committee	The Committee held three meetings, including one via written resolution. The meetings mainly reviewed and approved the Market Risk (Level A) Limits, Banking Book Interest Rate Risk (Level A) Limits, Liquidity Risk Management Policy (2013 edition), Data Management Framework Policy (2013 edition), Country Risk Management Measures (2013 edition), and credit proposals with amounts beyond the approval authority of senior management. The Committee also regularly reviewed the risk reports of the Group level and progress reports regarding the Bank's implementation of the New Basel Capital Accord.
Personnel and Remuneration Committee	The Committee held four meetings, in which it reviewed and approved proposals regarding the nomination of Mr. TIAN Guoli as Executive Director of the Bank, the election of Mr. TIAN Guoli as Chairman of the Board of Directors of the Bank, and the re-election of Mr. LI Lihui as Vice Chairman of the Bank as well as proposals on the performance evaluation and remuneration distribution plan for the Chairman of the Board of Directors, executive directors and senior management members for 2012. It also reviewed and approved the 2013 performance targets for the Group, 2013 performance targets for the Chairman of the Board of Directors, the President and other senior management members, proposal on the nomination of candidates for non-executive directors and independent directors of the Bank, and the proposal on re-appointment of Ms. YEUNG Cheung Ying as Company Secretary of the Bank. It reviewed the remuneration distribution plan for the Chairman of the Board of Supervisors and supervisors for 2012.
Connected Transactions Control Committee	The Committee held one meeting, in which it reviewed several proposals, including the statement of connected transactions of the Bank in 2012 and the special report on funds provided to controlling shareholders and related parties in 2012.

Supervisors and the Board of Supervisors

The Board of Supervisors is composed of eight supervisors, including three shareholder supervisors (including Chairman of the Board of Supervisors), three employee supervisors and two external supervisors.

The Board of Supervisors performed its supervision duties according to relevant laws and reviewed proposals seriously. During the reporting period, the Duty Performance and Due Diligence Supervision Committee held one meeting and the Finance and Internal Control Supervision Committee of the Board of Supervisors held two meetings. The two special committees reviewed related proposals respectively in advance for submission to the Board of Supervisors. The Board of Supervisors held three meetings, in which it reviewed and approved proposals such as the assessment opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors and the senior management and its members in 2012, the 2012 Annual Report, the 2012 Internal Control Assessment Report, the 2013 First Quarter Report and the work plan of the Board of Supervisors for 2013, etc.

During the reporting period, the Bank's Board of Supervisors carried out the assessment on the duty performance and due diligence of the Board of Directors, the senior management and its members in 2012, continuously strengthened the communication with the Bank's related departments and external auditors, regularly heard special reports on financial and risk management, earnestly performed its financial supervision duties and made timely suggestions. The Board of Supervisors also carried out special investigations into subjects such as the construction of the internal dynamics, the improvement in outlets' efficiency and the management of the Bank's wealth management business, with a view to focusing on the Bank's business development priorities and challenges, weak aspects in operational management and the effectiveness of risk management and internal control.

Senior Management

In the first half of 2013, the senior management of the Bank drove forward the Bank's operations in accordance with the powers bestowed upon them by the Articles of Association and the authorisations of the Board of Directors. Based on the annual performance objectives approved by the Board of Directors, the senior management centered on effectiveness, focused on upgrading the Bank's structure and improving risk management so as to propel the sound development of various businesses and the continuous enhancement of the Bank's performance.

During the reporting period, the senior management of the Bank held nine regular meetings of the Group Executive Committee, in which it discussed and decided upon a series of significant matters, including the Bank's business development, IT construction, product innovation and business process improvement. It also convened sixty-one special meetings to arrange for matters relating to corporate banking, personal banking, financial markets, risk management and internal control, overseas development and integrated operations.

The senior management of the Bank presides over the Corporate Banking Committee, Personal Banking Committee, Financial Markets Committee, Asset and Liability Management Committee, Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, Securities Investment and Management Committee and the Asset Disposal Committee), Operation Service Committee and the Procurement Review Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Group Executive Committee, and strived to push forward the sound development of various operations of the Bank.

Significant Events

Formulation and Implementation of Profit Distribution Policy

In 2009, the Bank amended its Articles of Association by stating that the Bank should maintain the continuity and stability of its profit distribution policy. The Board of Directors held a meeting on 24 March 2011 to amend the dividend distribution policy. The independent directors fully expressed their opinions. The Board of Directors agreed that the dividend would be distributed at 35%–45% of the Group's yearly net profits from 2010 to 2013. This resolution was duly disclosed. The procedure to amend the dividend distribution policy was compliant and transparent, in line with the provisions of the Articles of Association and other applicable rules and regulations.

During the reporting period, the Bank amended its Articles of Association. This amendment further specified the Bank's profit distribution principles, policy and adjustment procedures, consideration of the profit distribution plan and other matters. The amendment stated that the Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive. The cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the shareholders of the Bank.

The Bank distributed dividends for 2012 in strict compliance with its Articles of Association, dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Profit Distribution during the Reporting Period

The 2012 Annual General Meeting considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB13.187 billion; appropriation to general and regulatory reserves of RMB50.667 billion; no appropriation to the discretionary reserve; considering the Bank's business performance, financial position, and the capital requirements for future development of the Bank, RMB0.175 per share (before tax) is distributed as cash dividend to A-Share Holders and H-Share Holders whose names appear on the register of shareholders of the Bank as at the close of market on 17 June 2013, amounting to approximately RMB48.851 billion (before tax) in total. The dividend distribution was completed on 12 July 2013. The Bank did not distribute an interim dividend for the period ended 30 June 2013, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

Corporate Governance

For details of the corporate governance of the Bank, please refer to the section on Corporate Governance contained in this report.

Purchase and Sale of Assets, and Merger and Acquisition

During the reporting period, the Bank undertook no material purchase or sale of assets, or merger or acquisition.

Material Litigation and Arbitration Cases and Issues of Common Media Queries

The Bank was involved in certain litigation and arbitration cases in its regular course of business. In addition, because of the scope and scale of the Bank's international operations, the Bank is from time to time subject to a variety of claims made by plaintiffs under the laws of various jurisdictions in which the Bank operates, including those sensitive allegations such as anti-money laundering. After consulting legal professionals, the senior management holds that none of the litigation and arbitration cases will have a significant impact on the financial position or operating results of the Bank at the current stage.

During the reporting period, there was no material issue attracting common media queries.

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For the details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note III.29 of the Condensed Consolidated Interim Financial Information.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take any significant custody of, sub-contract or lease any material business assets from other companies, or allow its material business assets to be subject to such arrangements that are required to be disclosed.

Material Guarantee Business

As approved by PBOC and CBRC, the Bank's guarantee business is an off-balance-sheet item in the ordinary course of the Bank's business. The Bank operates the guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in accordance with the risks of guarantee business and carried out this business accordingly. During the reporting period, save as disclosed, the Bank did not enter into any material guarantee business that is required to be disclosed.

Other Major Contracts

During the reporting period, the Bank had no other major contract that is required to be disclosed.

Undertakings

During the reporting period, to the best of the Bank's knowledge, there was no breach of material undertakings by the Bank or its shareholders holding shares of more than 5% of the Bank.

Disciplinary Action Imposed on the Bank, its Directors, Supervisors, Senior Management Members and Shareholders Holding Shares of More Than 5% of the Bank

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or shareholders holding shares of more than 5% of the Bank were subject to investigation, administrative punishment or censure by CSRC or were publicly reprimanded by any stock exchange. No other regulatory administration has imposed any penalty on the Bank that had a material impact on the Bank's operation.

Alert of and Explanations for Predicted Loss in Net Profit for the Period from the Beginning of the Year to the End of the Next Reporting Period or Substantial Change Compared with the Same Period of the Previous Year

Not applicable.

Misappropriation of Funds for Non-operating Purposes by Controlling Shareholder and Its Related Parties

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or its controlling shareholder's related parties for non-operating purposes.

Use of Raised Funds

All proceeds raised from initial public offerings, the issuances of subordinated bonds and Convertible Bonds and the Rights Issue of A Shares and H Shares have been used to replenish the Bank's capital and increase the level of capital adequacy. No further capital was raised during the reporting period of the Bank.

For details, please refer to the related announcements or publications on the websites of SSE, HKEx and the Bank and the Notes to the Condensed Consolidated Interim Financial Information.

Purchase, Sale or Redemption of the Bank's Shares

As at 30 June 2013, the total number of the Bank's treasury shares was approximately 40.97 million.

Implementation of Stock Incentive Plan during the Reporting Period

The Bank approved a long-term incentive policy, including the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan, at the Board meeting and the Extraordinary Shareholders' Meeting held in November 2005. To date, the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan have not been implemented.

Shares in Other Listed Companies and Financial Enterprises Held by the Bank

Investment Securities

The investment securities held by the Bank and its subsidiaries during the regular course of business are as follows:

No.	Type of securities	Securities code	Company/securities name	Initial investment cost (unit: RMB)	Securities held at period beginning	Securities held at period end	Carrying value at period end (unit: RMB)	Proportion of the total investment securities at period end	Gains/(losses) during the reporting period (unit: RMB)
1	Fund	2828 HK	HS H-SHARE ETF	245,308,926	164	3,322,083	250,088,623	5.88%	5,143,606
2	Stock	939 HK	CCB	257,481,557	15,220,809	54,875,726	239,892,864	5.64%	(5,285,013)
3	Stock	MA	MasterCard Inc.	6,702,574	55,679	57,805	205,156,620	4.82%	29,429,160
4	Stock	386 HK	SINOPEC CORP	158,279,357	28,000	38,306,680	166,325,833	3.91%	5,606,248
5	Stock	1398 HK	ICBC	165,883,673	2,384,936	41,807,221	162,851,763	3.83%	2,832,068
6	Stock	857 HK	PETROCHINA	125,043,926	5,246,151	16,262,411	106,875,752	2.51%	(17,863,413)
7	Stock	1288 HK	ABC	101,158,175	3,829,143	38,346,544	97,749,942	2.30%	2,425,426
8	Stock	600519	Kweichow Moutai Co., Ltd.	89,267,294	–	499,995	96,849,313	2.28%	411,550
9	Stock	000001	PingAn Bank Co., Ltd.	93,904,988	–	7,679,952	77,088,257	1.81%	1,554,373
10	Stock	2628 HK	CHINA LIFE	64,969,047	213,408	3,939,770	57,746,915	1.36%	2,890,997
Other investment securities held at period end				2,620,626,988	–	–	2,794,618,201	65.66%	(251,745,489)
Gains/(losses) of investment securities sold during the reporting period				–	–	–	–	–	77,386,097
Total				3,928,626,505	–	–	4,255,244,083	100.00%	(147,214,390)

Notes:

1 The table lists the top ten investment securities held by the Group in descending order according to their carrying value at period end.

2 Investment securities listed in this table include stocks, warrants, convertible bonds and open-ended and close-ended funds, which are classified under financial assets at fair value through profit or loss.

3 "Other investment securities held at period end" refers to investment securities other than the top ten investment securities listed above held by the Group by the end of the reporting period.

4 The units of measures are "share" for stocks, "unit" for funds.

Stocks of Other Listed Companies Held by the Group

Stock code	Securities name	Initial investment cost (unit: RMB)	Stocks held at period beginning (unit: share)	Proportion of total capital of the invested company at period beginning	Stocks held at period end (unit: share)	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase/ (decrease) of equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
2008 HK	PHOENIX TV	310,476,073	412,000,000	8.30%	412,000,000	8.30%	899,265,808	–	82,049,800	Available for sale equity investment	Joint-stock reform
549 HK	QIFENG FIBER	55,068,521	94,841,726	10.95%	94,841,726	10.95%	23,798,539	–	(7,479,541)	Available for sale equity investment	Joint-stock reform
Total		365,544,594	–	–	–	–	923,064,347	–	74,570,259	–	

Notes:

1 The table lists stocks of listed companies in which the Group had a shareholding of 5% or above, which are classified as long-term equity investments or available for sale equity securities.

2 "Gains during the reporting period" refers to the relevant investment's contribution to the Group's consolidated profits for the period.

Equity Investments in Unlisted Financial Companies Held by the Group

Company name	Initial investment cost (unit: RMB)	Equity held at period beginning (unit: share)	Proportion of total capital of the invested company at period beginning	Equity held at period end (unit: share)	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase of the equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
JCC Financial Company Limited	95,522,601	–	13%	–	13%	241,314,414	19,409,991	–	Investment in associates and joint ventures	Investment
China Bond Insurance Co., Ltd.	992,101,572	–	14%	–	14%	1,168,745,758	–	5,269,338	Available for sale equity investment	Investment
The Debt Management Company Limited	13,224	1,660	11%	1,660.00	11%	13,224	–	–	Available for sale equity investment	Investment
Hunan Valin Iron &Steel Group Finance Co., Ltd.	57,337,995	–	10%	–	10%	92,409,414	3,297,623	–	Investment in associates and joint ventures	Investment
Total	1,144,975,392	–	–	–	–	1,502,482,810	22,707,614	5,269,338	–	–

Notes:

1 Financial companies include securities firms, commercial banks, insurance companies, futures companies, trust companies, etc.

2 The table lists equity investments in unlisted financial companies in which the Group held a proportion of 5% or more of the total shares.

3 Carrying value is value after the reduction of impairment allowance.

4 "Gains during the reporting period" refers to the relevant investment's contribution to the Group's consolidated profits for the period.

The Audit Committee

The Audit Committee of the Bank is composed of nine members, including Non-executive Directors Ms. SUN Zhijun, Mr. WANG Yong and Independent Directors Mr. Anthony Francis NEOH, Mr. HUANG Shizhong, Ms. HUANG Danhan, Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI, Mr. Nout WELLINK and Mr. LU Zhengfei. Independent Director Mr. HUANG Shizhong serves as Chairman of the Audit Committee. Acting in line with the principle of independence, the Committee assists the Board of Directors in supervising the Group's financial reporting, internal control, and internal and external audit.

The Audit Committee reviewed the interim results of the Bank. The Bank's external auditor conducted a review of the interim financial statements in accordance with the International Standards on Review Engagements No. 2410. The Audit Committee discussed matters relating to the accounting standards and practices adopted in the financial statements, internal control and financial reporting.

Appointment or Termination of External Auditors

The Bank has appointed Ernst & Young Hua Ming (LLP) as its external auditor for the year 2013. Ernst & Young Hua Ming (LLP) offers auditing service on the Bank's financial statements in accordance with CAS as well as internal control auditing. Ernst & Young Hua Ming (LLP) entrusts Ernst & Young to offer auditing service on the Bank's financial statements in accordance with IFRS.

Directors and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries was party to any arrangements that would enable the Bank's directors and supervisors, or their respective spouses or children below the age of 18, to benefit by acquiring shares in, or debentures of, the Bank or any other body corporate.

Directors and Supervisors' Interests in Shares, Underlying Shares and Debentures

To the best knowledge of the Bank, as at 30 June 2013, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated, amended and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "Management Rules") to govern securities transactions by directors, supervisors and senior management members of the Bank. The terms of the Management Rules are more stringent than the mandatory standards set out in the Model Code. The Bank has made specific enquiries with all directors and supervisors, all of whom confirmed that they have complied with the standards set out in both the Management Rules and the Model Code throughout the reporting period.

Compliance with International Accounting Standard No. 34

The 2013 interim report of the Bank is in compliance with International Accounting Standard No.34 — Interim Financial Reporting.

Interim Report

Shareholders may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (Address: 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) to request the interim report prepared under IFRS or go to the Bank's office address for copies (Chinese version) prepared under CAS. The Chinese and/or English versions of this interim report are also available at the following websites: www.boc.cn, www.sse.com.cn and www.hkexnews.hk.

Should there be any queries about how to obtain copies of this interim report or access the document on the Bank's website, please dial the Bank's H-Share Registrar at: (852) 2862 8688 or the Bank's hotlines at (86)10-6659 2638.

Report on Review of Interim Financial Information

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Board of Directors of Bank of China Limited
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 65 to 145, which comprises the condensed consolidated statement of financial position of Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and 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 a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Ernst & Young
Certified Public Accountants

Hong Kong
29 August 2013

Interim Financial Information

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Condensed Consolidated Income Statement

For the six month period ended 30 June 2013 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2013	2012
		Unaudited	Unaudited
			(Restated)*
Interest income	III.1	**249,870**	253,121
Interest expense	III.1	**(112,582)**	(129,067)
Net interest income		**137,288**	124,054
Fee and commission income	III.2	**48,473**	36,721
Fee and commission expense	III.2	**(2,992)**	(2,471)
Net fee and commission income		**45,481**	34,250
Net trading gains	III.3	**3,918**	5,461
Net gains on investment securities		**414**	1,052
Other operating income	III.4	**19,150**	14,848
Operating income		**206,251**	179,665
Operating expenses	III.5	**(82,209)**	(73,661)
Impairment losses on assets	III.7	**(14,142)**	(9,237)
Operating profit		**109,900**	96,767
Share of results of associates and joint ventures		**351**	225
Profit before income tax		**110,251**	96,992
Income tax expense	III.8	**(26,079)**	(22,108)
Profit for the period		**84,172**	74,884
Attributable to:			
Equity holders of the Bank		**80,721**	71,483
Non-controlling interests		**3,451**	3,401
		84,172	74,884
Earnings per share for profit attributable to equity holders of the Bank during the period (Expressed in RMB per ordinary share)	III.9		
— Basic		**0.29**	0.26
— Diluted		**0.28**	0.25

* For details of the restatement, please refer to the basis of presentation and principal accounting policies.

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six month period ended 30 June 2013 (Amount in millions of Renminbi, unless otherwise stated)

	For the six month period ended 30 June	
	2013	2012
	Unaudited	Unaudited
		(Restated)*
Profit for the period	**84,172**	74,884
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Fair value (losses)/gains on available for sale financial assets:		
Amount recorded in equity	**(5,632)**	5,604
Less: related income tax impact	**1,148**	(1,378)
Amount transferred to the income statement	**(123)**	(707)
Less: related income tax impact	**23**	289
	(4,584)	3,808
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	**(15)**	(46)
Less: related income tax impact	**4**	(1)
	(11)	(47)
Exchange differences from the translation of foreign operations	**(3,975)**	626
Less: net amount transferred to the income statement from other comprehensive income	**239**	238
	(3,736)	864
Other	**23**	29
Subtotal	**(8,308)**	4,654
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans	**1**	143
Less: related income tax impact	**(14)**	(25)
Subtotal	**(13)**	118
Other comprehensive income for the period, net of tax	**(8,321)**	4,772
Total comprehensive income for the period	**75,851**	79,656
Total comprehensive income attributable to:		
Equity holders of the Bank	**74,240**	75,557
Non-controlling interests	**1,611**	4,099

* For details of the restatement, please refer to the basis of presentation and principal accounting policies.

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2013 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2013 Unaudited	As at 31 December 2012 Audited
ASSETS			
Cash and due from banks and other financial institutions	III.10	**660,147**	775,574
Balances with central banks	III.11	**1,957,640**	1,934,297
Placements with and loans to banks and other financial institutions	III.12	**583,525**	447,299
Government certificates of indebtedness for bank notes issued		**75,638**	70,554
Precious metals		**138,838**	150,534
Financial assets at fair value through profit or loss	III.13	**72,317**	71,590
Derivative financial assets	III.14	**47,805**	40,188
Loans and advances to customers, net	III.15	**7,273,636**	6,710,040
Investment securities	III.16	**2,092,487**	2,138,934
— Available for sale		**680,154**	686,400
— Held to maturity		**1,135,720**	1,183,080
— Loans and receivables		**276,613**	269,454
Investment in associates and joint ventures		**12,582**	12,382
Property and equipment	III.17	**150,603**	150,324
Investment properties	III.18	**17,340**	17,142
Deferred income tax assets	III.23	**20,939**	21,292
Other assets	III.19	**152,709**	140,465
Total assets		**13,256,206**	12,680,615

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2013 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2013 Unaudited	As at 31 December 2012 Audited
LIABILITIES			
Due to banks and other financial institutions		**1,198,238**	1,553,192
Due to central banks		**159,785**	130,022
Bank notes in circulation		**75,703**	70,733
Placements from banks and other financial institutions		**422,100**	313,004
Derivative financial liabilities	III.14	**41,311**	32,457
Due to customers	III.20	**9,876,196**	9,173,995
— at amortised cost		**9,766,504**	9,009,978
— at fair value		**109,692**	164,017
Bonds issued	III.21	**213,011**	199,133
Other borrowings		**30,637**	34,045
Current tax liabilities		**25,311**	34,994
Retirement benefit obligations		**5,327**	5,642
Deferred income tax liabilities	III.23	**3,200**	3,838
Other liabilities	III.24	**319,054**	268,018
Total liabilities		**12,369,873**	11,819,073
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		**279,148**	279,147
Capital reserve		**115,473**	115,451
Treasury shares		**(104)**	(15)
Statutory reserves		**65,550**	65,362
General and regulatory reserves		**132,175**	131,909
Undistributed profits	III.26	**274,302**	242,899
Reserve for fair value changes of available for sale securities	III.25	**3,959**	7,276
Currency translation differences		**(20,525)**	(17,352)
		849,978	824,677
Non-controlling interests		**36,355**	36,865
Total equity		**886,333**	861,542
Total equity and liabilities		**13,256,206**	12,680,615

Approved and authorised for issue by the Board of Directors on 29 August 2013.

The accompanying notes form an integral part of this interim financial information.

TIAN Guoli
Director

LI Lihui
Director

Condensed Consolidated Statement of Changes in Equity

For the six month period ended 30 June 2013 (Amount in millions of Renminbi, unless otherwise stated)

		Unaudited									
		Attributable to equity holders of the Bank									
	Note	Share capital	Capital reserve	Statutory reserves	General and regulatory reserves	Undistributed profits	Reserve for fair value changes of available for sale securities	Currency translation differences	Treasury shares	Non-controlling interests	Total
As at 1 January 2013		279,147	115,451	65,362	131,909	242,899	7,276	(17,352)	(15)	36,865	861,542
Profit for the period		–	–	–	–	80,721	–	–	–	3,451	84,172
Other comprehensive income		–	22	–	–	(13)	(3,317)	(3,173)	–	(1,840)	(8,321)
Total comprehensive income for the period		–	22	–	–	80,708	(3,317)	(3,173)	–	1,611	75,851
Capital paid in by owners		1	–	–	–	–	–	–	–	92	93
Appropriation to statutory reserves		–	–	188	–	(188)	–	–	–	–	–
Appropriation to general and regulatory reserves		–	–	–	266	(266)	–	–	–	–	–
Dividends	III.26	–	–	–	–	(48,851)	–	–	–	(2,213)	(51,064)
Net change in treasury shares		–	–	–	–	–	–	–	(89)	–	(89)
As at 30 June 2013		279,148	115,473	65,550	132,175	274,302	3,959	(20,525)	(104)	36,355	886,333

The accompanying notes form an integral part of this interim financial information.

For the six month period ended 30 June 2013 (Amount in millions of Renminbi, unless otherwise stated)

		Unaudited (Restated)*									
		Attributable to equity holders of the Bank									
	Note	Share capital	Capital reserve	Statutory reserves	General and regulatory reserves	Undistributed profits	Reserve for fair value changes of available for sale securities	Currency translation differences	Treasury shares	Non-controlling interests	Total
As at 1 January 2012		279,147	115,403	52,165	81,243	210,599	3,642	(18,260)	(25)	33,223	757,137
Profit for the period as restated		–	–	–	–	71,483	–	–	–	3,401	74,884
Other comprehensive income as restated		–	(14)	–	–	124	3,287	677	–	698	4,772
Total comprehensive income for the period		–	(14)	–	–	71,607	3,287	677	–	4,099	79,656
Appropriation to statutory reserves		–	–	100	–	(100)	–	–	–	–	–
Appropriation to general and regulatory reserves		–	–	–	188	(188)	–	–	–	–	–
Dividends		–	–	–	–	(43,268)	–	–	–	(1,908)	(45,176)
Exercise of subsidiary share options		–	–	–	–	–	–	–	–	2	2
Net change in treasury shares		–	–	–	–	–	–	–	(8)	–	(8)
Other		–	–	–	–	–	–	–	–	6	6
As at 30 June 2012		279,147	115,389	52,265	81,431	238,650	6,929	(17,583)	(33)	35,422	791,617
Profit for the period as restated		–	–	–	–	68,173	–	–	–	2,689	70,862
Other comprehensive income as restated		–	61	–	–	(348)	347	231	–	417	708
Total comprehensive income for the period		–	61	–	–	67,825	347	231	–	3,106	71,570
Appropriation to statutory reserves		–	–	13,087	–	(13,087)	–	–	–	–	–
Appropriation to general and regulatory reserves		–	–	–	50,479	(50,479)	–	–	–	–	–
Dividends		–	–	–	–	–	–	–	–	(1,663)	(1,663)
Net change in treasury shares		–	–	–	–	–	–	–	18	–	18
Other		–	1	10	(1)	(10)	–	–	–	–	–
As at 31 December 2012		279,147	115,451	65,362	131,909	242,899	7,276	(17,352)	(15)	36,865	861,542

* For details of the restatement, please refer to the basis of presentation and principal accounting policies.

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six month period ended 30 June 2013 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2013	**2012**
	Note	**Unaudited**	**Unaudited**
			(Restated)*
Cash flows from operating activities			
Profit before income tax		**110,251**	96,992
Adjustments:			
Impairment losses on assets		**14,142**	9,237
Depreciation of property and equipment		**6,427**	5,776
Amortisation of intangible assets and other assets		**1,270**	1,101
Net gains on disposal of property and equipment, intangible assets and other long-term assets		**(282)**	(247)
Net gains on disposal of investment in subsidiaries, associates and joint ventures		**(61)**	(93)
Share of results of associates and joint ventures		**(351)**	(225)
Interest income arising from investment securities		**(31,571)**	(30,324)
Dividends arising from investment securities		**(348)**	(187)
Net gains on de-recognition of investment securities		**(414)**	(1,052)
Interest expense arising from bonds issued		**4,197**	3,577
Accreted interest on impaired loans		**(311)**	(181)
Net changes in operating assets and liabilities:			
Net increase in balances with central banks		**(98,905)**	(70,152)
Net (increase)/decrease in due from and placements with and loans to banks and other financial institutions		**(179,793)**	81,274
Net decrease/(increase) in precious metals		**11,696**	(22,432)
Net (increase)/decrease in financial assets at fair value through profit or loss		**(2,849)**	4,789
Net increase in loans and advances to customers		**(577,196)**	(412,007)
Net decrease/(increase) in other assets		**19,921**	(42,265)
Net (decrease)/increase in due to banks and other financial institutions		**(354,954)**	211,299
Net increase in due to central banks		**29,763**	34,493
Net increase in placements from banks and other financial institutions		**109,096**	1,570
Net increase in due to customers		**714,455**	664,603
Net (decrease)/increase in other borrowings		**(3,408)**	3,620
Net increase in other liabilities		**10,879**	22,192
Cash (outflow)/inflow from operating activities		**(218,346)**	561,358
Income tax paid		**(34,595)**	(29,876)
Net cash (outflow)/inflow from operating activities		**(252,941)**	531,482

* For details of the restatement, please refer to the basis of presentation and principal accounting policies.

The accompanying notes form an integral part of this interim financial information.

For the six month period ended 30 June 2013 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2013	2012
		Unaudited	Unaudited
			(Restated)*
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**3,567**	391
Proceeds from disposal of investment in subsidiaries, associates and joint ventures		**213**	1,443
Dividends received		**386**	220
Interest income received from investment securities		**30,359**	27,615
Proceeds from disposal/maturity of investment securities		**598,028**	610,625
Increase in investment in subsidiaries, associates and joint ventures		**(201)**	(505)
Purchase of property and equipment, intangible assets and other long-term assets		**(12,740)**	(7,482)
Purchase of investment securities		**(585,141)**	(689,264)
Net cash inflow/(outflow) from investing activities		**34,471**	(56,957)
Cash flows from financing activities			
Proceeds from issuance of bonds		**27,645**	1,182
Repayments of debts issued		**(30,046)**	(261)
Cash payments for interest on bonds issued		**(4,410)**	(4,280)
Dividend payments to equity holders of the Bank		**–**	(11,799)
Dividend payments to non-controlling interests		**(2,213)**	(1,845)
Other net cash flows from financing activities		**3**	–
Net cash outflow from financing activities		**(9,021)**	(17,003)
Effect of exchange rate changes on cash and cash equivalents		**(17,636)**	(1,941)
Net (decrease)/increase in cash and cash equivalents		**(245,127)**	455,581
Cash and cash equivalents at beginning of the period		**1,072,283**	1,017,368
Cash and cash equivalents at end of the period	III.28	**827,156**	1,472,949

* For details of the restatement, please refer to the basis of presentation and principal accounting policies.

The accompanying notes form an integral part of this interim financial information.

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2013 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2012.

Standards, amendments and interpretations effective in 2013

On 1 January 2013, the Group adopted the following new standards, amendments and interpretations.

IAS 1 Amendments	Presentation of Financial Statements — Other Comprehensive Income
IAS 19 Amendments	Employee Benefits
IFRS 7 Amendments	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 27 (Revised)	Separate Financial Statements
IAS 28 (Revised)	Investment in Associates and Joint Ventures
IFRS 13	Fair Value Measurement
IFRS 10, IFRS 11 and IFRS 12 Amendments	Transition Guidance
Annual Improvements 2009–2011 cycle (issued in May 2012)	

The Group adopted the IAS 1 Amendments — Presentation of Financial Statements: Other Comprehensive Income in 2013. It requires separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The adoption of IAS 1 Amendments does not have any impact on the Group's operating results and financial position.

The Group adopted the IAS 19 Amendments — Employee Benefits in 2013. The Group restated the actuarial gains and losses recognized in prior year. The impact of the adoption of the amendment decreased the profit after income tax by RMB118 million for the six month period ended 30 June 2012 and increased the profit after income tax by RMB224 million for the year ended 2012; meanwhile, the impact of the restatement increased the other comprehensive income by RMB118 million for the six month period ended 30 June 2012 and decreased the other comprehensive income by RMB224 million for the year ended 31 December 2012.

The adoption of other standards, amendments and interpretations does not have a significant impact on the operating results, financial position or comprehensive income of the Group.

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2013

		Effective for annual periods beginning on or after
IAS 32 Amendments	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 Amendments	Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 Amendments	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9, IFRS 9 Amendments and IFRS 7 Amendment	Financial Instruments and Financial Instruments: Disclosures	1 January 2015
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Investment Entities	1 January 2014

The Group is considering the impact of these standards and amendments on the consolidated financial statements.

II CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2012.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	For the six month period ended 30 June	
	2013	**2012**
Interest income		
Loans and advances to customers	**185,061**	182,328
Investment securities and financial assets at fair value through profit or loss	**32,580**	31,359
Due from central banks	**13,129**	13,884
Due from and placements with and loans to banks and other financial institutions	**19,100**	25,550
Subtotal	**249,870**	253,121
Interest expense		
Due to customers	**(87,110)**	(96,270)
Due to and placements from banks and other financial institutions	**(20,860)**	(28,913)
Bonds issued and others	**(4,612)**	(3,884)
Subtotal	**(112,582)**	(129,067)
Net interest income (1)	**137,288**	124,054
Interest income accrued on impaired financial assets (included within interest income)	**382**	289

(1) Included within "interest income" and "interest expense" are RMB248,794 million (2012: RMB252,025 million) and RMB110,802 million (2012: RMB113,378 million) for financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

2 Net fee and commission income

	For the six month period ended 30 June	
	2013	**2012**
Agency commissions	**10,902**	6,827
Bank card fees	**8,438**	6,759
Settlement and clearing fees	**8,029**	7,124
Credit commitment fees	**7,374**	6,211
Consultancy and advisory fees	**5,790**	2,124
Spread income from foreign exchange business	**3,539**	3,369
Custodian and other fiduciary service fees	**1,545**	1,055
Other	**2,856**	3,252
Fee and commission income	**48,473**	36,721
Fee and commission expense	**(2,992)**	(2,471)
Net fee and commission income	**45,481**	34,250

3 Net trading gains

	For the six month period ended 30 June	
	2013	**2012**
Net gains from foreign exchange and foreign exchange products	**3,772**	4,580
Net (losses)/gains from interest rate products	**(285)**	486
Net gains from equity products	**19**	71
Net gains from commodity products	**412**	324
Total [(1)]	**3,918**	5,461

(1) Included in "Net trading gains" above for the six month period ended 30 June 2013 are losses of RMB1,256 million in relation to financial assets and financial liabilities designated at fair value through profit or loss (2012: gains of RMB142 million).

4 Other operating income

	For the six month period ended 30 June	
	2013	**2012**
Insurance premiums		
— Life insurance contracts	**4,303**	2,549
— Non-life insurance contracts	**2,054**	1,365
Revenue from sale of precious metals products	**7,666**	5,895
Aircraft leasing income	**2,365**	2,006
Gains on disposal of property and equipment, intangible assets and other assets	**289**	262
Dividend income	**401**	221
Changes in fair value of investment properties (Note III.18)	**147**	1,008
Gains on disposal of subsidiaries, associates and joint ventures	**61**	93
Other	**1,864**	1,449
Total	**19,150**	14,848

5 Operating expenses

	For the six month period ended 30 June	
	2013	**2012**
Staff costs (Note III.6)	**34,344**	29,841
General operating and administrative expenses (1)	**15,974**	15,934
Business tax and surcharges	**11,846**	11,220
Depreciation and amortisation	**6,696**	6,024
Insurance benefits and claims		
— Life insurance contracts	**3,637**	3,047
— Non-life insurance contracts	**991**	876
Cost of sales of precious metals products	**7,137**	5,416
Other	**1,584**	1,303
Total	**82,209**	73,661

(1) Included in the general operating and administrative expenses are operating lease expenses of RMB2,910 million and other premises and equipment related expenses (mainly comprised of property management and building maintenance expenses) of RMB4,351 million (2012: RMB2,518 million and RMB4,258 million, respectively).

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

6 Staff costs

	For the six month period ended 30 June	
	2013	**2012**
Salary, bonus and subsidy	**24,832**	21,591
Staff welfare	**603**	723
Retirement benefits	**94**	96
Social insurance, including:		
Medical	**1,140**	971
Pension	**2,644**	2,254
Annuity	**748**	501
Unemployment	**193**	180
Injury at work	**70**	59
Maternity insurance	**88**	71
Housing funds	**2,085**	1,738
Labour union fee and staff education fee	**892**	796
Reimbursement for cancellation of labour contract	**5**	15
Other	**950**	846
Total	**34,344**	29,841

7 Impairment losses on assets

	For the six month period ended 30 June	
	2013	**2012**
Loans and advances (1)		
— Individually assessed	**1,366**	740
— Collectively assessed	**12,517**	8,478
Subtotal	**13,883**	9,218
Investment securities (2)		
— Available for sale	**(13)**	(12)
— Held to maturity	**(22)**	4
Subtotal	**(35)**	(8)
Other	**294**	27
Total	**14,142**	9,237

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

7 Impairment losses on assets (Continued)

(1) Details of movements in allowances for loans and advances are disclosed in Note III.15.

(2) Impairment charges/(reversal) on investment securities:

	For the six month period ended 30 June	
	2013	**2012**
US Subprime mortgage related debt securities	**(94)**	(136)
US Alt-A mortgage-backed securities	**(17)**	(6)
US Non-Agency mortgage-backed securities	**(33)**	(44)
Other securities	**109**	178
Net reversal	**(35)**	(8)

8 Income tax expense

	For the six month period ended 30 June	
	2013	**2012**
Current income tax		
— Chinese mainland income tax	**21,838**	18,669
— Hong Kong profits tax	**1,859**	1,685
— Macau, Taiwan and other countries and regions taxation	**1,440**	1,126
Subtotal	**25,137**	21,480
Deferred income tax (Note III.23.4)	**942**	628
Total	**26,079**	22,108

Provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Bank and each of its subsidiaries established in Chinese mainland and supplementary PRC tax on overseas operations as determined in accordance with the relevant PRC income tax rules and regulations.

Taxation on profits of Hong Kong, Macau, Taiwan and other countries and regions has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

8 Income tax expense (Continued)

The tax rate on the Group's profit before tax differs from the theoretical amount that would arise using the basic Chinese mainland tax rate of the Bank as follows:

	For the six month period ended 30 June	
	2013	**2012**
Profit before income tax	**110,251**	96,992
Tax calculated at the applicable statutory tax rate	**27,563**	24,248
Effect of different tax rates on Hong Kong, Macau, Taiwan and other countries and regions	**(1,518)**	(1,210)
Supplementary PRC tax on overseas income	**1,806**	666
Income not subject to tax [(1)]	**(2,967)**	(2,473)
Items not deductible for tax purposes [(2)]	**1,133**	1,001
Other	**62**	(124)
Income tax expense	**26,079**	22,108

(1) Income not subject to tax mainly comprises interest income from PRC Treasury bonds.

(2) Non-deductible items primarily include losses resulting from write-off of certain non-performing loans, and marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

9 Earnings per share (basic and diluted)

Basic earnings per share

Basic earnings per share was computed by dividing the profit attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the six month period ended 30 June	
	2013	**2012**
Profit attributable to equity holders of the Bank	**80,721**	71,483
Weighted average number of ordinary shares in issue (in million shares)	**279,137**	279,113
Basic earnings per share (in RMB per share)	**0.29**	0.26

9 Earnings per share (basic and diluted) (Continued)

Basic earnings per share (Continued)

Weighted average number of ordinary shares in issue (in million shares)

	For the six month period ended 30 June	
	2013	**2012**
Issued ordinary shares as at 1 January	**279,147**	279,147
Weighted average number of shares conversed from bonds	**–**	–
Weighted average number of treasury shares	**(10)**	(34)
Weighted average number of ordinary shares in issue	**279,137**	279,113

Diluted earnings per share

Diluted earnings per share was computed by dividing the adjusted profit attributable to the equity holders of the Bank based on assuming conversion of all dilutive potential shares for the six month period by the adjusted weighted average number of ordinary shares in issue. The Bank has convertible bonds as dilutive potential ordinary shares.

	For the six month period ended 30 June	
	2013	**2012**
Profit attributable to equity holders of the Bank	**80,721**	71,483
Add: interest expense on convertible bonds, net of tax, outstanding as at 30 June	**537**	493
Profit used to determine diluted earnings per share	**81,258**	71,976
Adjusted weighted average number of ordinary shares in issue (in million shares)	**279,137**	279,113
Add: weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	**12,595**	11,190
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	**291,732**	290,303
Diluted earnings per share (in RMB per share)	**0.28**	0.25

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

10 Cash and due from banks and other financial institutions

	As at 30 June 2013	As at 31 December 2012
Cash	**69,688**	72,475
Due from banks in Chinese mainland	**558,169**	617,598
Due from other financial institutions in Chinese mainland	**1,729**	2,525
Due from banks in Hong Kong, Macau, Taiwan and other countries and regions	**29,685**	82,796
Due from other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	**876**	180
Total	**660,147**	775,574

11 Balances with central banks

	As at 30 June 2013	As at 31 December 2012
Mandatory reserves (1)	**1,572,136**	1,476,088
Surplus reserves (2)	**230,670**	204,943
Other deposits (3)	**154,834**	253,266
Total	**1,957,640**	1,934,297

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong, Macau, Taiwan and other countries and regions where it has operations. As at 30 June 2013, mandatory reserve funds placed with the PBOC were calculated at 20.0% (31 December 2012: 20.0%) and 5.0% (31 December 2012: 5.0%) of qualified RMB deposits and foreign currency deposits from customers of branches in Chinese mainland of the Bank respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amount of mandatory reserve funds placed with the central banks of other jurisdiction are determined by local regulations.

(2) This mainly represented the surplus reserve funds placed with the PBOC by branches in Chinese mainland of the Group.

(3) This mainly represented balances, other than mandatory reserves and surplus reserves, placed with central banks by operations in Hong Kong, Macau, Taiwan and other countries and regions.

12 Placements with and loans to banks and other financial institutions

	As at 30 June 2013	As at 31 December 2012
Placements with and loans to:		
Banks in Chinese mainland	**370,291**	233,865
Other financial institutions in Chinese mainland	**159,107**	122,332
Banks in Hong Kong, Macau, Taiwan and other countries and regions	**54,330**	91,305
Subtotal (1)	**583,728**	447,502
Allowance for impairment losses	**(203)**	(203)
Total	**583,525**	447,299
Impaired placements	**203**	203
Percentage of impaired placements to total placements with and loans to banks and other financial institutions	**0.03%**	0.05%

(1) "Placements with and loans to banks and other financial institutions" include balances arising from reverse repo agreements and collateralised financing agreements. These are presented by collateral type as follows:

	As at 30 June 2013	As at 31 December 2012
Debt securities		
— Governments	**44,805**	38,924
— Policy banks	**53,015**	54,698
— Financial institutions	**–**	4,426
— Corporate	**80**	–
Subtotal	**97,900**	98,048
Bills	**12,386**	–
Total	**110,286**	98,048

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

13 Financial assets at fair value through profit or loss

	As at 30 June 2013	As at 31 December 2012
Trading financial assets		
Debt securities		
Issuers in Chinese mainland		
— Government	**1,902**	1,362
— Public sector and quasi-governments	**–**	10
— Policy banks	**5,221**	6,060
— Financial institutions	**603**	148
— Corporate	**3,430**	2,761
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**16,408**	17,282
— Public sector and quasi-governments	**153**	148
— Financial institutions	**578**	274
— Corporate	**4,144**	4,403
	32,439	32,448
Other		
Fund investments and others	**234**	265
Equity securities	**1,413**	488
Subtotal	**34,086**	33,201
Financial assets designated at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	**67**	71
— Policy banks	**1,827**	1,893
— Financial institutions	**375**	196
— Corporate	**5,230**	4,758
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**297**	332
— Public sector and quasi-governments	**372**	384
— Financial institutions	**20,189**	21,025
— Corporate	**3,590**	3,666
	31,947	32,325
Other		
Fund investments	**474**	515
Loans	**4,496**	4,566
Equity securities	**1,314**	983
Subtotal	**38,231**	38,389
Total	**72,317**	71,590
Analysed as:		
Listed in Hong Kong	**13,910**	12,024
Listed outside Hong Kong	**28,191**	29,732
Unlisted	**30,216**	29,834
Total	**72,317**	71,590

14 Derivative financial instruments

The Group enters into foreign currency exchange rate, interest rate, equity, credit or precious metals and other commodity related derivative financial instruments for trading, hedging, asset and liability management and on behalf of customers.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with fair value of instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, credit spreads, or equity/commodity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

	As at 30 June 2013			As at 31 December 2012		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps [1]	**2,113,608**	**31,444**	**(22,658)**	2,025,786	29,962	(20,715)
Currency options	**119,400**	**465**	**(379)**	56,881	201	(235)
Subtotal	**2,233,008**	**31,909**	**(23,037)**	2,082,667	30,163	(20,950)
Interest rate derivatives						
Interest rate swaps	**682,949**	**6,555**	**(6,299)**	645,376	7,785	(9,001)
Interest rate options	**581**	**–**	**(3)**	1,917	–	(3)
Interest rate futures	**771**	**5**	**(1)**	249	2	–
Subtotal	**684,301**	**6,560**	**(6,303)**	647,542	7,787	(9,004)
Equity derivatives	**6,310**	**248**	**(232)**	4,721	22	(106)
Commodity derivatives	**145,574**	**9,088**	**(11,739)**	148,365	2,216	(2,397)
Total [2]	**3,069,193**	**47,805**	**(41,311)**	2,883,295	40,188	(32,457)

(1) These exchange rate derivatives primarily include foreign exchange transactions with customers; foreign exchange transactions to manage foreign currency exchange risks arising from customers; and foreign currency exchange transactions entered into as part of the asset and liability management and funding requirements.

(2) The derivative financial instruments above include those designated as hedging instruments by the Group.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

15 Loans and advances to customers, net

15.1 Analysis of loans and advances to customers

	As at 30 June 2013	As at 31 December 2012
Corporate loans and advances		
— Loans and advances	**5,169,478**	4,813,749
— Discounted bills	**185,974**	166,650
Subtotal	**5,355,452**	4,980,399
Personal loans		
— Mortgages	**1,463,290**	1,348,359
— Credit cards	**192,534**	160,865
— Other	**428,357**	375,073
Subtotal	**2,084,181**	1,884,297
Total loans and advances	**7,439,633**	6,864,696
Allowance for impairment losses		
— Individually assessed	**(38,517)**	(38,537)
— Collectively assessed	**(127,480)**	(116,119)
Total allowance for impairment losses	**(165,997)**	(154,656)
Loans and advances to customers, net	**7,273,636**	6,710,040

15.2 Analysis of loans and advances to customers by geographical area, industry, collateral type and analysis of overdue loans and advances to customers is presented in Note IV.1.1.

15 Loans and advances to customers, net (Continued)

15.3 Analysis of loans and advances to customers by collective and individual allowance assessments

	Loans and advances for which allowance is collectively assessed [1]	Identified impaired loans and advances [2]			Total	Identified impaired loans and advances as % of total loans and advances
		for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal		
As at 30 June 2013						
Total loans and advances	**7,370,277**	**19,692**	**49,664**	**69,356**	**7,439,633**	**0.93%**
Allowance for impairment losses	**(115,177)**	**(12,303)**	**(38,517)**	**(50,820)**	**(165,997)**	
Loans and advances to customers, net	**7,255,100**	**7,389**	**11,147**	**18,536**	**7,273,636**	
As at 31 December 2012						
Total loans and advances	6,799,241	15,106	50,349	65,455	6,864,696	0.95%
Allowance for impairment losses	(106,918)	(9,201)	(38,537)	(47,738)	(154,656)	
Loans and advances to customers, net	6,692,323	5,905	11,812	17,717	6,710,040	

(1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(2) Identified impaired loans and advances are loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either:

- individually (including mainly significant corporate loans and advances over a certain amount which are impaired); or
- collectively (portfolios of individually insignificant homogenous loans which share similar credit risk characteristics, including insignificant corporate loans and advances and personal loans which are impaired).

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

15 Loans and advances to customers, net (Continued)

15.4 Reconciliation of allowance account for impairment losses on loans and advances to customers

	Six month period ended 30 June 2013	Year ended 31 December 2012
As at 1 January	**154,656**	139,676
Impairment losses for the period/year	**41,131**	52,490
Reversal	**(27,248)**	(33,404)
Written off and transfer out	**(1,999)**	(4,209)
Recovery of loans and advances written off in previous years	**318**	666
Unwind of discount on allowance	**(311)**	(363)
Exchange differences	**(550)**	(200)
As at 30 June/31 December	**165,997**	154,656

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 Investment securities

	As at 30 June 2013	As at 31 December 2012
Investment securities available for sale		
Debt securities		
Issuers in Chinese mainland		
— Government	**65,831**	80,361
— Public sector and quasi-governments	**3,533**	2,950
— Policy banks	**80,796**	77,224
— Financial institutions	**56,746**	45,852
— Corporate	**128,515**	81,716
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**104,992**	171,057
— Public sector and quasi-governments	**41,965**	40,156
— Financial institutions	**133,971**	129,297
— Corporate	**31,540**	26,106
	647,889	654,719
Equity securities	**24,361**	24,041
Fund investments and others	**7,904**	7,640
Total investment securities available for sale [(1)]	**680,154**	686,400
Debt securities held to maturity		
Issuers in Chinese mainland		
— Government	**631,707**	645,607
— Public sector and quasi-governments	**15,760**	15,350
— Policy banks	**248,908**	259,900
— Financial institutions	**37,380**	38,969
— Corporate	**127,608**	141,317
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**60,951**	64,561
— Public sector and quasi-governments	**4,183**	4,439
— Financial institutions	**6,465**	10,613
— Corporate	**3,035**	2,630
	1,135,997	1,183,386
Allowance for impairment losses	**(277)**	(306)
Total debt securities held to maturity [(2)]	**1,135,720**	1,183,080
Debt securities classified as loans and receivables		
Issuers in Chinese mainland		
— China Orient Bond	**160,000**	160,000
— Special Purpose Treasury Bond	**42,500**	42,500
— Financial institutions	**27,284**	20,979
— Certificate and Saving-type Treasury Bonds and others	**32,565**	32,492
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Public sector and quasi-governments	**13,802**	11,638
— Financial institutions	**518**	1,319
— Corporate	**9**	591
	276,678	269,519
Allowance for impairment losses	**(65)**	(65)
Total debt securities classified as loans and receivables	**276,613**	269,454
Total investment securities	**2,092,487**	2,138,934

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 Investment securities (Continued)

	As at 30 June 2013	As at 31 December 2012
Analysed as follows:		
Investment securities available for sale		
Debt securities		
— Listed in Hong Kong	**31,042**	21,871
— Listed outside Hong Kong	**290,127**	303,350
— Unlisted	**326,720**	329,498
Equity, fund and others		
— Listed in Hong Kong	**4,172**	4,242
— Listed outside Hong Kong	**287**	279
— Unlisted	**27,806**	27,160
Debt securities held to maturity		
— Listed in Hong Kong	**2,310**	2,520
— Listed outside Hong Kong	**994,922**	1,076,690
— Unlisted	**138,488**	103,870
Debt securities classified as loans and receivables		
— Unlisted	**276,613**	269,454
Total	**2,092,487**	2,138,934
Listed in Hong Kong	**37,524**	28,633
Listed outside Hong Kong	**1,285,336**	1,380,319
Unlisted	**769,627**	729,982
Total	**2,092,487**	2,138,934

(1) The Group's accumulated impairment charge on debt, equity securities and other available for sale held as at 30 June 2013 amounted to RMB3,026 million and RMB4,300 million, respectively (31 December 2012: RMB3,591 million and RMB4,260 million, respectively).

(2) The market values of the above listed held to maturity securities are set out below:

	As at 30 June 2013		As at 31 December 2012	
	Carrying value	Market value	Carrying value	Market Value
Debt securities held to maturity				
Listed in Hong Kong	**2,310**	**2,371**	2,520	2,634
Listed outside Hong Kong	**994,922**	**988,795**	1,076,690	1,072,920

17 Property and equipment

	Six month period ended 30 June 2013				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	82,142	54,120	23,744	53,586	213,592
Additions	142	509	2,980	7,916	11,547
Transfer from investment properties, net (Note III.18)	11	–	–	–	11
Construction in progress transfer in/(out)	854	234	(3,972)	2,884	–
Disposals	(251)	(512)	(107)	(4,010)	(4,880)
Exchange differences	(602)	(125)	(96)	(888)	(1,711)
As at 30 June	82,296	54,226	22,549	59,488	218,559
Accumulated depreciation					
As at 1 January	(22,268)	(33,883)	–	(5,931)	(62,082)
Depreciation charge	(1,234)	(4,191)	–	(1,002)	(6,427)
Disposals	245	494	–	605	1,344
Exchange differences	121	86	–	98	305
As at 30 June	(23,136)	(37,494)	–	(6,230)	(66,860)
Allowance for impairment losses					
As at 1 January	(765)	–	(252)	(169)	(1,186)
Impairment losses	–	–	–	(34)	(34)
Disposals	4	–	5	112	121
Exchange differences	–	–	–	3	3
As at 30 June	(761)	–	(247)	(88)	(1,096)
Net book value					
As at 1 January	59,109	20,237	23,492	47,486	150,324
As at 30 June	58,399	16,732	22,302	53,170	150,603

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 Property and equipment (Continued)

	Year ended 31 December 2012				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	78,989	47,415	19,840	46,584	192,828
Additions	781	8,290	11,194	6,481	26,746
Transfer to investment properties, net (Note III.18)	(979)	–	–	–	(979)
Construction in progress transfer in/(out)	4,346	485	(6,932)	2,101	–
Disposals	(973)	(2,080)	(328)	(1,395)	(4,776)
Exchange differences	(22)	10	(30)	(185)	(227)
As at 31 December	82,142	54,120	23,744	53,586	213,592
Accumulated depreciation					
As at 1 January	(20,819)	(28,317)	–	(4,411)	(53,547)
Depreciation charge	(2,405)	(7,566)	–	(1,786)	(11,757)
Disposals	954	2,000	–	247	3,201
Exchange differences	2	–	–	19	21
As at 31 December	(22,268)	(33,883)	–	(5,931)	(62,082)
Allowance for impairment losses					
As at 1 January	(775)	–	(252)	(20)	(1,047)
Impairment losses	(3)	–	(4)	(150)	(157)
Disposals	13	–	4	1	18
Exchange differences	–	–	–	–	–
As at 31 December	(765)	–	(252)	(169)	(1,186)
Net book value					
As at 1 January	57,395	19,098	19,588	42,153	138,234
As at 31 December	59,109	20,237	23,492	47,486	150,324

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Investment properties

	Six month period ended 30 June 2013	Year ended 31 December 2012
As at 1 January	**17,142**	14,616
Additions	**260**	560
Transfer from/(to) property and equipment, net (Note III.17)	**(11)**	979
Disposals	**–**	(113)
Fair value changes (Note III.4)	**147**	1,006
Exchange differences	**(198)**	94
As at 30 June/31 December	**17,340**	17,142

19 Other assets

	As at 30 June 2013	As at 31 December 2012
Interest receivable	**60,357**	54,188
Accounts receivable and prepayments	**66,804**	63,022
Intangible assets	**3,292**	3,119
Land use rights	**9,064**	9,239
Long-term deferred expense	**3,727**	3,929
Repossessed assets [(1)]	**1,116**	1,124
Goodwill	**1,767**	1,796
Other	**6,582**	4,048
Total	**152,709**	140,465

(1) Repossessed assets

The Group obtained repossessed assets by taking possession of collateral held as security due to default. Such repossessed assets are as follows:

	As at 30 June 2013	As at 31 December 2012
Commercial properties	**1,275**	1,265
Residential properties	**152**	136
Other	**703**	788
	2,130	2,189
Allowance for impairment	**(1,014)**	(1,065)
Repossessed assets, net	**1,116**	1,124

The total book value of repossessed assets disposed for the six month period ended 30 June 2013 amounted to RMB87 million (for the year ended 31 December 2012: RMB180 million). The Group plans to dispose of the repossessed assets held at 30 June 2013 by auction, bidding or transfer.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

20 Due to customers

	As at 30 June 2013	As at 31 December 2012
At amortised cost		
Demand deposits		
Corporate deposits	**2,555,431**	2,506,854
Personal deposits	**1,770,383**	1,634,545
Subtotal	**4,325,814**	4,141,399
Time deposits		
Corporate deposits	**2,643,745**	2,216,104
Personal deposits	**2,544,518**	2,373,145
Subtotal	**5,188,263**	4,589,249
Certificates of deposit	**203,828**	226,867
Other deposits	**48,599**	52,463
Total due to customers at amortised cost	**9,766,504**	9,009,978
At fair value		
Structured deposits		
Corporate deposits	**89,319**	90,567
Personal deposits	**20,373**	73,450
Total due to customers at fair value (1)	**109,692**	164,017
Total due to customers (2)	**9,876,196**	9,173,995

(1) Due to customers measured at fair value are structured deposits designated at fair value through profit or loss at inception.

There were no significant changes in the Group's credit risk and therefore there were no significant gains or losses attributable to changes in the Group's credit risk for these financial liabilities designated at fair value through profit or loss during the six month period ended 30 June 2013 and the year ended 31 December 2012.

(2) Due to customers included margin deposits for security received by the Group as at 30 June 2013 of RMB500,129 million (31 December 2012: RMB373,305 million).

21 Bonds issued

During the six month period ended 30 June 2013 and the year ended 31 December 2012, the movement of the liability component of A-share convertible bonds issued by the Bank is as follows:

	Six month period ended 30 June 2013	Year ended 31 December 2012
Liability component as at 1 January	**38,199**	37,201
Accretion	**488**	998
Amounts converted to shares	**(1)**	–
Liability component as at 30 June/31 December	**38,686**	38,199

Convertible bonds with a principal amount of RMB533,000 were converted into 178,401 ordinary A shares during the six month period ended 30 June 2013.

22 Share appreciation rights plan

No share appreciation rights were granted since the inception of the plan.

23 Deferred income taxes

23.1 Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are related to the same fiscal authority. The table below includes the deferred income tax assets and liabilities of the Group after offsetting qualifying amounts and related temporary differences:

	As at 30 June 2013		As at 31 December 2012	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	**78,953**	**20,939**	80,481	21,292
Deferred income tax liabilities	**(16,888)**	**(3,200)**	(21,075)	(3,838)
	62,065	**17,739**	59,406	17,454

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

23 Deferred income taxes (Continued)

23.2 Deferred income tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at 30 June 2013		As at 31 December 2012	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	**93,502**	**23,436**	89,120	22,339
Pension, retirement benefits and salary payable	**16,959**	**4,240**	20,670	5,167
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	**21,673**	**5,418**	12,756	3,185
Fair value changes of available for sale investment securities credited to equity	**2,265**	**482**	301	72
Other temporary differences	**3,646**	**803**	3,521	864
Subtotal	**138,045**	**34,379**	126,368	31,627
Deferred income tax liabilities				
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	**(24,772)**	**(6,193)**	(14,431)	(3,614)
Fair value changes of available for sale investment securities charged to equity	**(2,896)**	**(726)**	(7,140)	(1,491)
Depreciation of property and equipment	**(9,642)**	**(1,655)**	(8,975)	(1,690)
Revaluation of property and investment properties	**(9,308)**	**(1,828)**	(9,010)	(1,742)
Other temporary differences	**(29,362)**	**(6,238)**	(27,406)	(5,636)
Subtotal	**(75,980)**	**(16,640)**	(66,962)	(14,173)
Net	**62,065**	**17,739**	59,406	17,454

As at 30 June 2013, deferred tax liabilities relating to temporary differences of RMB45,294 million associated with the Group's investment in subsidiaries have not been recognised (31 December 2012: RMB38,902 million).

23 Deferred income taxes (Continued)

23.3 The movements of the deferred income tax are as follows:

	Six month period ended 30 June 2013	Year ended 31 December 2012
As at 1 January	**17,454**	16,298
(Charged)/Credited to the income statement (Note III.8)	**(942)**	2,025
Credited/(charged) to equity	**1,161**	(855)
Other	**66**	(14)
As at 30 June/31 December	**17,739**	17,454

23.4 The deferred income tax charge in the condensed consolidated income statement comprises the following temporary differences:

	For the six month period ended 30 June	
	2013	**2012**
Asset impairment allowances	**1,097**	1,780
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	**(346)**	(261)
Pension, retirement benefits and salary payable	**(913)**	(1,089)
Other temporary differences	**(780)**	(1,058)
Total	**(942)**	(628)

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

24 Other liabilities

	As at 30 June 2013	As at 31 December 2012
Items in the process of clearance and settlement	**22,416**	29,918
Interest payable	**116,569**	107,486
Insurance liabilities		
— Life insurance contracts	**47,729**	43,732
— Non-life insurance contracts	**6,704**	5,877
Salary and welfare payable	**18,876**	23,191
Dividend payable (Note III.26)	**48,851**	–
Provision	**2,010**	2,091
Short position in debt securities	**11,599**	14,061
Deferred Income	**5,698**	4,398
Other	**38,602**	37,264
Total	**319,054**	268,018

25 Reserve for fair value changes of available for sale securities

	Six month period ended 30 June 2013	Year ended 31 December 2012
As at 1 January	**7,276**	3,642
Net changes in fair value	**(4,150)**	5,833
Share of associates' reserve for fair value changes of available for sale securities	**(15)**	(33)
Net impairment charges/(reversal) transferred to the income statement	**(13)**	158
Net fair value changes transferred to the income statement on de-recognition	**(409)**	(2,182)
Deferred income taxes	**945**	(739)
Other	**325**	597
As at 30 June/31 December	**3,959**	7,276

26 Dividends

A dividend of RMB0.175 per share in respect of the profit for the year ended 31 December 2012 amounting to RMB48,851 million was approved by the equity holders of the Bank at the Annual General Meeting held on 29 May 2013. None of this amount was distributed during the six month period ended 30 June 2013. The undistributed portion was recorded in other liabilities (Note III.24) as at 30 June 2013. Such dividend was distributed on 12 July 2013 after the appropriate withholding of individual and enterprise income taxes.

27 Contingent liabilities and commitments

27.1 Legal proceedings and arbitrations

As at 30 June 2013, the Group was involved in certain legal proceedings and arbitrations arising from its normal business operations. In addition, in terms of the range and scale of its international operations, the Group may face a wide variety of legal proceedings within different jurisdictions, including sensitive issues related to anti-money laundering. As at 30 June 2013, provisions of RMB683 million (31 December 2012: RMB746 million) were made based on court judgements or the advice of counsel. After consulting legal professionals, senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

27.2 Assets pledged

Assets pledged by the Group as collateral for placement, repurchase, short positions, derivative transactions with other banks and financial institutions and for local statutory requirements are set forth in the table below. These transactions are conducted under standard and normal business terms.

	As at 30 June 2013	As at 31 December 2012
Debt securities	**216,039**	156,784
Bills	**3,408**	885
Total	**219,447**	157,669

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

27 Contingent liabilities and commitments (Continued)

27.3 Collateral accepted

The Group accepts securities collateral that are permitted to sell or re-pledge in connection with its placements and reverse repurchase agreements with banks and other financial institutions. As at 30 June 2013, the fair value of collateral received from banks and financial institutions accepted by the Group amounted to RMB5,522 million (31 December 2012: RMB9,831 million). As at 30 June 2013, the Group had sold or re-pledged such collateral accepted amounted to RMB10 million (31 December 2012: RMB10 million). These transactions are conducted under standard terms and in the normal course of business.

27.4 Capital commitments

	As at 30 June 2013	As at 31 December 2012
Property and equipment		
— Contracted but not provided for	**74,762**	70,044
— Authorised but not contracted for	**7,366**	8,124
Intangible assets		
— Contracted but not provided for	**736**	650
— Authorised but not contracted for	**37**	1
Total	**82,901**	78,819

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

27 Contingent liabilities and commitments (Continued)

27.5 Operating leases

Under irrevocable operating lease contracts, the minimum rental payments that should be paid by the Group in the future are summarised as follows:

	As at 30 June 2013	As at 31 December 2012
Within 1 year	**5,137**	8,003
Between 1 and 2 years	**4,187**	4,115
Between 2 and 3 years	**3,313**	3,363
Over 3 years	**8,111**	8,698
Total	**20,748**	24,179

27.6 Treasury bonds redemption commitments

The Bank is entrusted by the Ministry of Finance of the People's Republic of China ("MOF") to underwrite certain Treasury bonds. The investors of these Treasury bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The MOF will not provide funding for the early redemption of these Treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 30 June 2013, the outstanding principal value of the Treasury bonds sold by the Bank amounted to RMB34,744 million (31 December 2012: RMB35,050 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption before the maturity dates of these bonds through the Bank will not be material.

27.7 Credit commitments

	As at 30 June 2013	As at 31 December 2012
Loan commitments (1)		
— with an original maturity of under 1 year	**95,467**	79,689
— with an original maturity of 1 year or over	**617,260**	645,725
Letters of guarantee issued (2)	**803,962**	791,156
Bank bill acceptance	**458,849**	396,460
Accepted bill of exchange under letters of credit	**260,582**	203,106
Letters of credit issued	**178,715**	176,337
Other	**26,832**	25,032
Total (3)	**2,441,667**	2,317,505

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

27 Contingent liabilities and commitments (Continued)

27.7 Credit commitments (Continued)

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Undrawn credit card limits are not included in loan commitments. As at 30 June 2013, the undrawn credit card limits of the Group amounted to RMB373,082 million (31 December 2012: RMB325,940 million).

(2) Letters of guarantee issued include financial guarantees and performance guarantees. These obligations on the Group to make payment are dependent on the outcome of a future event.

(3) Credit risk weighted amounts of credit commitments

As at 30 June 2013, the credit risk weighted amounts of credit commitments of the Group amounted to RMB786,463 million (31 December 2012: RMB754,824 million).

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparties and the maturity characteristics. The risk weights used range from 0% to 100% for commitments.

28 Note to the condensed consolidated statement of cash flows

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with an original maturity of less than three months:

	As at 30 June 2013	**As at 30 June 2012**
Cash and due from banks and other financial institutions	**202,052**	426,552
Balances with central banks	**371,201**	638,072
Placements with and loans to banks and other financial institutions	**209,024**	353,800
Short term bills and notes	**44,879**	54,525
Total	**827,156**	1,472,949

29 Related party transactions

29.1 China Investment Corporation ("CIC") was established on 29 September 2007 with registered capital of RMB1,550,000 million. CIC is a wholly State-owned company engaging in foreign currency investment management. The Group is subject to the control of the State Council of the PRC Government through CIC and its wholly owned subsidiary, Central Huijin Investment Ltd. ("Huijin").

The Group entered into banking transactions with CIC in the normal course of its business at commercial terms.

29.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

Registered capital	RMB828,209 million
Location of registration	Beijing
Capital shares in the Bank	67.75%
Voting right in the Bank	67.75%
Nature	Wholly State-owned company
Principal activities	Investment in major State-owned financial institutions on behalf of the State
National organisation code	71093296-1

(2) Transactions with Huijin

The Group enters into banking transactions with Huijin in the normal course of its business at commercial terms.

Due to Huijin

	Six month period ended 30 June 2013	**Year ended 31 December 2012**
As at 1 January	**28,036**	15,933
Received during the period/year	**1,270**	55,023
Repaid during the period/year	**(15,591)**	(42,920)
As at 30 June/31 December	**13,715**	28,036

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

29 Related party transactions (Continued)

29.2 Transactions with Huijin and companies under Huijin (Continued)

(2) Transactions with Huijin (Continued)

Bonds issued by Huijin

As at 30 June 2013, the Bank held "government-backed bonds held to maturity" issued by Huijin in the carrying value of RMB5,769 million (31 December 2012: RMB5,749 million). These bonds have maturity of not more than 30 years and bear fixed interest rates, payable annually. Purchasing of these bonds was in the ordinary course of business of the Group, complying with requirements of related regulations and corporate governance.

(3) Transactions with companies under Huijin

Companies under Huijin include its equity interests in subsidiaries, joint ventures and associates in certain other bank and non-bank entities in the PRC. The Group enters into banking transactions with these companies in the normal course of business at commercial terms which include mainly purchase and sale of debt securities, money market transactions and derivative transactions.

The Group's outstanding balances with these companies were as follows:

	As at 30 June 2013	As at 31 December 2012
Due from banks and other financial institutions	**66,755**	108,139
Placements with and loans to banks and other financial institutions	**97,915**	99,286
Financial assets at fair value through profit or loss and investment securities	**220,615**	216,367
Derivative financial assets	**546**	996
Loans and advances to customers	**3,943**	1,649
Due to banks and other financial institutions	**(140,345)**	(244,237)
Placements from banks and other financial institutions	**(77,706)**	(50,595)
Derivative financial liabilities	**(715)**	(722)
Credit commitments	**744**	549

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

29 Related party transactions (Continued)

29.3 Transactions with government authorities, agencies, affiliates and other State-controlled entities

The State Council of the PRC Government directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other State-controlled entities. The Group enters into extensive banking transactions with these entities in the normal course of business at commercial terms.

Transactions conducted with government authorities, agencies, affiliates and other State-controlled entities include purchase and redemption of investment securities issued by government agencies, underwriting and distribution of Treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit placing and taking.

29.4 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business at commercial terms. These include loans and advances, deposit taking and other normal banking businesses. The main outstanding balances with associates and joint ventures as of the respective period/year end dates are stated below:

	As at 30 June 2013	As at 31 December 2012
Loans and advances to customers	**803**	711
Due to customers, banks and other financial institutions	**(4,124)**	(3,384)
Credit commitments	**1,405**	1,414

29.5 Transactions with the Annuity Fund

Apart from the obligations for defined contributions to Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the six month period ended 30 June 2013 and the year ended 31 December 2012.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

29 Related party transactions (Continued)

29.6 Transactions with key management personnel

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 and Executive Officers.

The Group enters into banking transactions with key management personnel in the normal course of business. During the six month period ended 30 June 2013 and the year ended 31 December 2012, there were no material transactions and balances with key management personnel on an individual basis.

30 Segment reporting

The Group manages its business from both geographic and business perspective. From the geographic perspectives, the Group operates in three principal regions: Chinese mainland, Hong Kong, Macau and Taiwan, and other countries and regions. From the business perspective, the Group provides services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information presented includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Funding is provided to and from individual business segments through treasury operations as part of the asset and liability management process. The pricing of these transactions is based on market rates. The transfer price takes into account the specific features and maturities of the product. Internal transactions are eliminated on consolidation.

Geographical segments

Chinese mainland — Corporate banking, personal banking, treasury operations and insurance services are performed in Chinese mainland.

Hong Kong, Macau and Taiwan — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong, Macau and Taiwan. The business of this segment is centralised in BOC Hong Kong (Group) Limited ("BOC Hong Kong Group").

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Segment reporting (Continued)

Geographical segments (Continued)

Other countries and regions — Corporate and personal banking services are provided in other countries and regions. Significant locations include New York, London, Singapore and Tokyo.

Business segments

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

Personal banking — Services to retail customers including saving deposits, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency service.

Treasury operations — Consisting of foreign exchange transactions, customer-based interest rate and foreign exchange derivative transactions, money market transactions, proprietary trading and asset and liability management. The results of this segment include the inter-segment funding income and expenses, results from interest bearing assets and liabilities; and foreign currency translation gains and losses.

Investment banking — Consisting of debt and equity underwriting and financial advisory, sales and trading of securities, stock brokerage, investment research and asset management services, and private equity investment services.

Insurance — Underwriting of general and life insurance business and insurance agency services.

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

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Segment reporting (Continued)

The Group as at and for the six month period ended 30 June 2013

		Hong Kong, Macau and Taiwan					
	Chinese mainland	BOC Hong Kong Group	Other	Subtotal	Other countries and regions	Elimination	Total
Interest income	224,321	15,291	5,557	20,848	10,144	(5,443)	249,870
Interest expense	(105,027)	(4,373)	(3,707)	(8,080)	(4,918)	5,443	(112,582)
Net interest income	119,294	10,918	1,850	12,768	5,226	–	137,288
Fee and commission income	39,891	4,924	2,257	7,181	2,155	(754)	48,473
Fee and commission expense	(978)	(1,467)	(390)	(1,857)	(583)	426	(2,992)
Net fee and commission income	38,913	3,457	1,867	5,324	1,572	(328)	45,481
Net trading gains	3,244	489	313	802	(128)	–	3,918
Net gains on investment securities	288	81	17	98	28	–	414
Other operating income (1)	10,286	4,724	4,038	8,762	131	(29)	19,150
Operating income	172,025	19,669	8,085	27,754	6,829	(357)	206,251
Operating expenses (1)	(69,302)	(7,922)	(3,707)	(11,629)	(1,635)	357	(82,209)
Impairment losses on assets	(12,731)	(298)	(476)	(774)	(637)	–	(14,142)
Operating profit	89,992	11,449	3,902	15,351	4,557	–	109,900
Share of results of associates and joint ventures	–	(1)	352	351	–	–	351
Profit before income tax	89,992	11,448	4,254	15,702	4,557	–	110,251
Income tax expense							(26,079)
Profit for the period							84,172
Segment assets	10,767,637	1,430,944	657,247	2,088,191	1,136,529	(748,733)	13,243,624
Investment in associates and joint ventures	–	46	12,536	12,582	–	–	12,582
Total assets	10,767,637	1,430,990	669,783	2,100,773	1,136,529	(748,733)	13,256,206
Include: non-current assets (2)	90,309	20,846	71,911	92,757	4,947	(161)	187,852
Segment liabilities	10,075,777	1,332,629	603,570	1,936,199	1,106,469	(748,572)	12,369,873
Other segment items:							
Intersegment net interest (expense)/income	(2,189)	535	1,385	1,920	269	–	–
Intersegment net fee and commission income	48	55	314	369	(89)	(328)	–
Capital expenditure	2,957	201	9,419	9,620	127	–	12,704
Depreciation and amortisation	6,005	364	1,212	1,576	116	–	7,697
Credit commitments	2,345,789	118,280	99,654	217,934	222,014	(344,070)	2,441,667

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Segment reporting (Continued)

The Group as at 31 December 2012 and for the six month period ended 30 June 2012

		Hong Kong, Macau and Taiwan					
	Chinese mainland	BOC Hong Kong Group	Other	Subtotal	Other countries and regions	Elimination	Total
Interest income	228,499	14,888	4,576	19,464	9,567	(4,409)	253,121
Interest expense	(120,433)	(4,457)	(3,561)	(8,018)	(5,025)	4,409	(129,067)
Net interest income	108,066	10,431	1,015	11,446	4,542	–	124,054
Fee and commission income	29,450	4,329	1,868	6,197	1,753	(679)	36,721
Fee and commission expense	(789)	(1,224)	(371)	(1,595)	(472)	385	(2,471)
Net fee and commission income	28,661	3,105	1,497	4,602	1,281	(294)	34,250
Net trading gains	3,856	1,108	424	1,532	73	–	5,461
Net gains on investment securities	586	387	60	447	19	–	1,052
Other operating income (1)	7,469	3,582	3,723	7,305	74	–	14,848
Operating income	148,638	18,613	6,719	25,332	5,989	(294)	179,665
Operating expenses (1)	(61,660)	(7,288)	(3,486)	(10,774)	(1,521)	294	(73,661)
Impairment losses on assets	(8,520)	(59)	(374)	(433)	(284)	–	(9,237)
Operating profit	78,458	11,266	2,859	14,125	4,184	–	96,767
Share of results of associates and joint ventures	–	–	225	225	–	–	225
Profit before income tax	78,458	11,266	3,084	14,350	4,184	–	96,992
Income tax expense							(22,108)
Profit for the period							74,884
Segment assets	10,196,577	1,453,681	582,307	2,035,988	1,087,203	(651,535)	12,668,233
Investment in associates and joint ventures	–	49	12,333	12,382	–	–	12,382
Total assets	10,196,577	1,453,730	594,640	2,048,370	1,087,203	(651,535)	12,680,615
Include: non-current assets (2)	93,313	21,210	68,087	89,297	5,316	(161)	187,765
Segment liabilities	9,531,288	1,353,345	529,274	1,882,619	1,056,540	(651,374)	11,819,073
Other segment items:							
Intersegment net interest (expense)/income	(313)	882	589	1,471	(1,158)	–	–
Intersegment net fee and commission income	156	63	359	422	(284)	(294)	–
Capital expenditure	2,429	251	4,615	4,866	126	–	7,421
Depreciation and amortisation	5,341	376	1,057	1,433	103	–	6,877
Credit commitments	2,216,766	113,970	95,454	209,424	178,453	(287,138)	2,317,505

(1) "Other operating income" includes insurance premium income earned, and "operating expenses" include insurance benefits and claims.

(2) "Non-current assets" include property and equipment, investment properties and other long-term assets.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Segment reporting (Continued)

The Group as at and for the six month period ended 30 June 2013

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	142,084	80,900	54,461	530	876	554	(29,535)	249,870
Interest expense	(67,355)	(41,094)	(32,561)	(191)	–	(916)	29,535	(112,582)
Net interest income/(expense)	74,729	39,806	21,900	339	876	(362)	–	137,288
Fee and commission income	27,833	15,281	4,569	1,320	–	222	(752)	48,473
Fee and commission expense	(1,249)	(929)	(291)	(286)	(861)	(13)	637	(2,992)
Net fee and commission income	26,584	14,352	4,278	1,034	(861)	209	(115)	45,481
Net trading gains	28	264	3,682	144	(533)	328	5	3,918
Net gains on investment securities	15	3	357	–	28	11	–	414
Other operating income	361	7,735	480	30	6,730	4,644	(830)	19,150
Operating income	101,717	62,160	30,697	1,547	6,240	4,830	(940)	206,251
Operating expenses	(33,263)	(34,110)	(7,393)	(736)	(5,335)	(2,312)	940	(82,209)
Impairment (losses)/reversal on assets	(9,056)	(5,083)	161	–	(3)	(161)	–	(14,142)
Operating profit	59,398	22,967	23,465	811	902	2,357	–	109,900
Share of results of associates and joint ventures	–	–	–	104	(4)	251	–	351
Profit before income tax	59,398	22,967	23,465	915	898	2,608	–	110,251
Income tax expense								(26,079)
Profit for the period								84,172
Segment assets	5,737,221	2,184,151	5,079,855	56,996	71,329	225,200	(111,128)	13,243,624
Investment in associates and joint ventures	–	–	–	2,638	(1)	9,999	(54)	12,582
Total assets	5,737,221	2,184,151	5,079,855	59,634	71,328	235,199	(111,182)	13,256,206
Segment liabilities	6,392,942	4,427,446	1,357,616	51,378	63,572	187,884	(110,965)	12,369,873
Other segment items:								
Intersegment net interest (expense)/income	(6,766)	28,871	(21,933)	60	47	(279)	–	–
Intersegment net fee and commission income	5	72	–	–	(619)	657	(115)	–
Capital expenditure	910	1,007	48	24	10	10,705	–	12,704
Depreciation and amortisation	2,607	3,268	534	45	24	1,219	–	7,697

30 Segment reporting (Continued)

The Group as at 31 December 2012 and for the six month period ended 30 June 2012

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	152,441	73,876	55,397	544	856	306	(30,299)	253,121
Interest expense	(75,226)	(37,951)	(44,978)	(215)	–	(996)	30,299	(129,067)
Net interest income/(expense)	77,215	35,925	10,419	329	856	(690)	–	124,054
Fee and commission income	20,787	11,295	3,873	1,087	1	176	(498)	36,721
Fee and commission expense	(1,051)	(768)	(212)	(246)	(604)	(13)	423	(2,471)
Net fee and commission income	19,736	10,527	3,661	841	(603)	163	(75)	34,250
Net trading gains	269	242	4,363	229	313	43	2	5,461
Net gains on investment securities	20	4	883	–	104	41	–	1,052
Other operating income	155	5,954	328	35	4,277	4,804	(705)	14,848
Operating income	97,395	52,652	19,654	1,434	4,947	4,361	(778)	179,665
Operating expenses	(31,173)	(29,488)	(6,403)	(850)	(4,453)	(2,072)	778	(73,661)
Impairment (losses)/reversal on assets	(6,919)	(2,312)	190	–	(24)	(172)	–	(9,237)
Operating profit	59,303	20,852	13,441	584	470	2,117	–	96,767
Share of results of associates and joint ventures	–	–	–	154	10	63	(2)	225
Profit before income tax	59,303	20,852	13,441	738	480	2,180	(2)	96,992
Income tax expense								(22,108)
Profit for the period								74,884
Segment assets	5,589,896	2,009,137	4,831,145	53,797	65,409	232,835	(113,986)	12,668,233
Investment in associates and joint ventures	–	–	–	2,561	–	9,876	(55)	12,382
Total assets	5,589,896	2,009,137	4,831,145	56,358	65,409	242,711	(114,041)	12,680,615
Segment liabilities	6,214,916	4,117,118	1,341,361	48,545	57,680	153,279	(113,826)	11,819,073
Other segment items:								
Intersegment net interest (expense)/income	(9,772)	28,369	(18,164)	43	47	(523)	–	–
Intersegment net fee and commission income	–	45	–	–	(409)	439	(75)	–
Capital expenditure	752	838	40	15	18	5,758	–	7,421
Depreciation and amortisation	2,385	2,873	470	46	17	1,086	–	6,877

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT

1 Credit risk

1.1 Loans and advances

(1) Concentrations of risk for loans and advances to customers

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

Group

	As at 30 June 2013		As at 31 December 2012	
	Amount	% of total	Amount	% of total
Chinese mainland	**5,952,180**	**80.01%**	5,558,682	80.98%
Hong Kong, Macau and Taiwan	**906,047**	**12.18%**	828,844	12.07%
Other countries and regions	**581,406**	**7.81%**	477,170	6.95%
Total loans and advances to customers	**7,439,633**	**100.00%**	6,864,696	100.00%

Chinese mainland

	As at 30 June 2013		As at 31 December 2012	
	Amount	% of total	Amount	% of total
Northern China	**930,269**	**15.63%**	872,120	15.69%
Northeastern China	**431,772**	**7.25%**	399,844	7.19%
Eastern China	**2,450,852**	**41.18%**	2,277,622	40.98%
Central and Southern China	**1,420,430**	**23.86%**	1,350,778	24.30%
Western China	**718,857**	**12.08%**	658,318	11.84%
Total loans and advances to customers	**5,952,180**	**100.00%**	5,558,682	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(ii) Analysis of loans and advances to customers by customer type

	As at 30 June 2013			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans				
— Trade bills	**833,378**	**143,356**	**254,144**	**1,230,878**
— Other	**3,318,331**	**495,342**	**310,901**	**4,124,574**
Personal loans	**1,800,471**	**267,349**	**16,361**	**2,084,181**
Total loans and advances to customers	**5,952,180**	**906,047**	**581,406**	**7,439,633**

	As at 31 December 2012			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans				
— Trade bills	742,084	117,522	187,826	1,047,432
— Other	3,198,438	460,263	274,266	3,932,967
Personal loans	1,618,160	251,059	15,078	1,884,297
Total loans and advances to customers	5,558,682	828,844	477,170	6,864,696

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

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

Group

	As at 30 June 2013		As at 31 December 2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	**1,569,740**	**21.10%**	1,482,664	21.60%
Commerce and services	**1,126,510**	**15.14%**	1,007,853	14.68%
Transportation, storage and postal services	**702,286**	**9.44%**	674,260	9.82%
Real estate	**602,755**	**8.10%**	554,618	8.08%
Production and supply of electricity, heating, gas and water	**389,683**	**5.24%**	396,230	5.77%
Mining	**314,023**	**4.22%**	307,358	4.48%
Water, environment and public utility management	**207,876**	**2.79%**	215,711	3.14%
Financial services	**170,099**	**2.29%**	109,977	1.60%
Construction	**128,326**	**1.72%**	114,449	1.67%
Public utilities	**70,052**	**0.94%**	70,380	1.03%
Other	**74,102**	**1.00%**	46,899	0.68%
Subtotal	**5,355,452**	**71.98%**	4,980,399	72.55%
Personal loans				
Mortgages	**1,463,290**	**19.67%**	1,348,359	19.65%
Credit cards	**192,534**	**2.59%**	160,865	2.34%
Other	**428,357**	**5.76%**	375,073	5.46%
Subtotal	**2,084,181**	**28.02%**	1,884,297	27.45%
Total loans and advances to customers	**7,439,633**	**100.00%**	6,864,696	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry (Continued)

Chinese mainland

	As at 30 June 2013		As at 31 December 2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	**1,361,950**	**22.88%**	1,293,806	23.28%
Commerce and services	**768,357**	**12.91%**	693,405	12.47%
Transportation, storage and postal services	**618,972**	**10.40%**	590,014	10.61%
Real estate	**388,535**	**6.53%**	362,212	6.52%
Production and supply of electricity, heating, gas and water	**365,794**	**6.15%**	372,558	6.70%
Mining	**193,474**	**3.25%**	188,847	3.40%
Water, environment and public utility management	**207,852**	**3.49%**	215,658	3.88%
Financial services	**53,406**	**0.90%**	47,441	0.85%
Construction	**110,951**	**1.86%**	98,796	1.78%
Public utilities	**65,476**	**1.10%**	64,696	1.16%
Other	**16,942**	**0.28%**	13,089	0.24%
Subtotal	**4,151,709**	**69.75%**	3,940,522	70.89%
Personal loans				
Mortgages	**1,240,990**	**20.85%**	1,132,027	20.36%
Credit cards	**183,518**	**3.08%**	151,006	2.72%
Other	**375,963**	**6.32%**	335,127	6.03%
Subtotal	**1,800,471**	**30.25%**	1,618,160	29.11%
Total loans and advances to customers	**5,952,180**	**100.00%**	5,558,682	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

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

Group

	As at 30 June 2013		As at 31 December 2012	
	Amount	% of total	Amount	% of total
Unsecured loans	**2,229,695**	**29.97%**	2,020,733	29.44%
Guaranteed loans	**1,321,013**	**17.76%**	1,177,880	17.16%
Collateralised and other secured loans				
— loans secured by property and other immovable assets	**2,845,564**	**38.25%**	2,705,738	39.41%
— other pledged loans	**1,043,361**	**14.02%**	960,345	13.99%
Total loans and advances to customers	**7,439,633**	**100.00%**	6,864,696	100.00%

Chinese mainland

	As at 30 June 2013		As at 31 December 2012	
	Amount	% of total	Amount	% of total
Unsecured loans	**1,615,267**	**27.14%**	1,487,652	26.76%
Guaranteed loans	**1,126,153**	**18.91%**	1,045,941	18.82%
Collateralised and other secured loans				
— loans secured by property and other immovable assets	**2,446,169**	**41.10%**	2,343,563	42.16%
— other pledged loans	**764,591**	**12.85%**	681,526	12.26%
Total loans and advances to customers	**5,952,180**	**100.00%**	5,558,682	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2013			As at 31 December 2012		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	**66,929**	**96.50%**	**1.12%**	62,844	96.01%	1.13%
Hong Kong, Macau and Taiwan	**1,583**	**2.28%**	**0.17%**	1,691	2.58%	0.20%
Other countries and regions	**844**	**1.22%**	**0.15%**	920	1.41%	0.19%
Total	**69,356**	**100.00%**	**0.93%**	65,455	100.00%	0.95%

Chinese mainland

	As at 30 June 2013			As at 31 December 2012		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	**10,012**	**14.96%**	**1.08%**	10,535	16.76%	1.21%
Northeastern China	**3,760**	**5.62%**	**0.87%**	3,516	5.59%	0.88%
Eastern China	**29,178**	**43.59%**	**1.19%**	23,476	37.36%	1.03%
Central and Southern China	**20,079**	**30.00%**	**1.41%**	20,372	32.42%	1.51%
Western China	**3,900**	**5.83%**	**0.54%**	4,945	7.87%	0.75%
Total	**66,929**	**100.00%**	**1.12%**	62,844	100.00%	1.13%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers (Continued)

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2013			As at 31 December 2012		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**56,487**	**81.45%**	**1.05%**	55,090	84.16%	1.11%
Personal loans	**12,869**	**18.55%**	**0.62%**	10,365	15.84%	0.55%
Total	**69,356**	**100.00%**	**0.93%**	65,455	100.00%	0.95%

Chinese mainland

	As at 30 June 2013			As at 31 December 2012		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**54,192**	**80.97%**	**1.31%**	52,695	83.85%	1.34%
Personal loans	**12,737**	**19.03%**	**0.71%**	10,149	16.15%	0.63%
Total	**66,929**	**100.00%**	**1.12%**	62,844	100.00%	1.13%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers (Continued)

(iii) Impaired loans and advances by geographical area and industry

	As at 30 June 2013			As at 31 December 2012		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Manufacturing	**22,510**	**32.46%**	**1.65%**	22,410	34.24%	1.73%
Commerce and services	**12,210**	**17.61%**	**1.59%**	9,359	14.30%	1.35%
Transportation, storage and postal services	**11,197**	**16.14%**	**1.81%**	12,658	19.34%	2.15%
Real estate	**2,825**	**4.07%**	**0.73%**	2,670	4.08%	0.74%
Production and supply of electricity, heating, gas and water	**4,053**	**5.84%**	**1.11%**	3,843	5.87%	1.03%
Mining	**225**	**0.32%**	**0.12%**	232	0.35%	0.12%
Water, environment and public utility management	**28**	**0.04%**	**0.01%**	29	0.04%	0.01%
Financial services	**4**	**0.01%**	**0.01%**	4	0.01%	0.01%
Construction	**614**	**0.89%**	**0.55%**	572	0.87%	0.58%
Public utilities	**379**	**0.55%**	**0.58%**	691	1.05%	1.07%
Other	**147**	**0.21%**	**0.87%**	227	0.35%	1.73%
Subtotal	**54,192**	**78.14%**	**1.31%**	52,695	80.50%	1.34%
Personal loans						
Mortgages	**4,414**	**6.36%**	**0.36%**	4,127	6.31%	0.36%
Credit cards	**3,253**	**4.69%**	**1.77%**	2,308	3.53%	1.53%
Other	**5,070**	**7.31%**	**1.35%**	3,714	5.67%	1.11%
Subtotal	**12,737**	**18.36%**	**0.71%**	10,149	15.51%	0.63%
Total for Chinese mainland	**66,929**	**96.50%**	**1.12%**	62,844	96.01%	1.13%
Hong Kong, Macau, Taiwan and other countries and regions	**2,427**	**3.50%**	**0.16%**	2,611	3.99%	0.20%
Total	**69,356**	**100.00%**	**0.93%**	65,455	100.00%	0.95%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers (Continued)

(iv) Impaired loans and advances and related allowance by geographical area

	As at 30 June 2013			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	**66,929**	**(37,298)**	**(12,209)**	**17,422**
Hong Kong, Macau and Taiwan	**1,583**	**(665)**	**(75)**	**843**
Other countries and regions	**844**	**(554)**	**(19)**	**271**
Total	**69,356**	**(38,517)**	**(12,303)**	**18,536**

	As at 31 December 2012			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	62,844	(37,187)	(9,121)	16,536
Hong Kong, Macau and Taiwan	1,691	(693)	(74)	924
Other countries and regions	920	(657)	(6)	257
Total	65,455	(38,537)	(9,201)	17,717

For description of allowances on identified impaired loans and advances, refer to Note III. 15.3.

(3) Loans and advances rescheduled

Rescheduling (referring to loans and other assets that have been restructured and renegotiated) is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, rescheduled credit terms as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or the assumption of the loan by a borrower with better repayment ability.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(3) Loans and advances rescheduled (Continued)

All rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "special-mention" upon review if certain criteria are met. If the rescheduled loans fall overdue or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "doubtful" or below. All rescheduled loans within surveillance period are determined to be impaired as at 30 June 2013 and 31 December 2012.

As at 30 June 2013 and 31 December 2012, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area

	As at 30 June 2013	**As at 31 December 2012**
Chinese mainland	**84,518**	68,357
Hong Kong, Macau and Taiwan	**4,880**	5,407
Other countries and regions	**1,558**	1,131
Subtotal	**90,956**	74,895
Less: total loans and advances to customers which have been overdue for less than 3 months	**(36,629)**	(29,819)
Total loans and advances to customers which have been overdue for more than 3 months	**54,327**	45,076
Individually assessed impairment allowance — for loans and advances to customers which have been overdue for more than 3 months	**(29,281)**	(26,559)

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities

The table below represents an analysis of the carrying value of debt securities by credit or issuer rating and credit risk characteristics.

	As at 30 June 2013					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	–	–	750,937	2,820	–	753,757
— Public sector and quasi-governments	21,793	–	–	–	–	21,793
— Policy banks	–	–	29,833	311,919	–	341,752
— Financial institutions	17,706	595	499	73,903	24,685	117,388
— Corporate	188,765	19	33,237	43,214	17,810	283,045
— China Orient	160,000	–	–	–	–	160,000
Subtotal	388,264	614	814,506	431,856	42,495	1,677,735
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	45,414	129,078	5,149	3,007	182,648
— Public sector and quasi-governments	261	25,973	33,601	371	226	60,432
— Financial institutions	2,156	29,011	57,627	55,467	17,334	161,595
— Corporate	10,495	1,773	1,980	19,259	8,691	42,198
Subtotal (1)	12,912	102,171	222,286	80,246	29,258	446,873
Total (2)	401,176	102,785	1,036,792	512,102	71,753	2,124,608

(1) Included mortgage backed securities as follows:

	As at 30 June 2013					
	Unrated	AAA	AA	A	Lower than A	Total
US Subprime mortgage related debt securities	–	206	264	659	2,431	3,560
US Alt-A mortgage-backed securities	–	10	4	48	756	818
US Non-Agency mortgage-backed securities	–	12	82	144	1,152	1,390
Total	–	228	350	851	4,339	5,768

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities (Continued)

	As at 31 December 2012					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	–	–	784,499	1,668	–	786,167
— Public sector and quasi-governments	20,810	–	–	–	–	20,810
— Policy banks	–	–	27,749	322,328	–	350,077
— Financial institutions	2,434	360	88	75,966	22,296	101,144
— Corporate	183,358	19	4,224	40,036	16,586	244,223
— China Orient	160,000	–	–	–	–	160,000
Subtotal	366,602	379	816,560	439,998	38,882	1,662,421
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	55,367	141,303	54,857	1,705	253,232
— Public sector and quasi-governments	11,725	25,338	19,139	209	310	56,721
— Financial institutions	874	31,867	62,982	49,985	16,680	162,388
— Corporate	8,717	2,008	1,729	17,397	7,413	37,264
Subtotal (1)	21,316	114,580	225,153	122,448	26,108	509,605
Total (2)	387,918	114,959	1,041,713	562,446	64,990	2,172,026

(1) Included mortgage backed securities as follows:

	As at 31 December 2012					
	Unrated	AAA	AA	A	Lower than A	Total
US Subprime mortgage related debt securities	–	306	487	573	2,849	4,215
US Alt-A mortgage-backed securities	–	15	5	60	840	920
US Non-Agency mortgage-backed securities	–	15	92	106	1,585	1,798
Total	–	336	584	739	5,274	6,933

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities (Continued)

(2) The Group's available for sale and held to maturity debt securities are individually assessed for impairment. The Group's accumulated impairment charges on available for sale and held to maturity debt securities at 30 June 2013 amounted to RMB3,026 million and RMB277 million, respectively (31 December 2012: RMB3,591 million and RMB306 million). The carrying values of the available for sale and held to maturity debt securities considered impaired as at 30 June 2013 were RMB4,748 million and RMB562 million, respectively (31 December 2012: RMB5,856 million and RMB638 million).

1.3 Derivatives

The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions and are calculated with reference to the guidelines issued by the CBRC or the Hong Kong Monetary Authority as appropriate and are dependent on, among other factors, the creditworthiness of the customers and the maturity characteristics of each type of contract.

The credit risk weighted amounts of derivative financial instruments are as follows:

	As at 30 June 2013	As at 31 December 2012
Exchange rate derivatives		
Currency forwards and swaps, and cross-currency interest rate swaps	**13,477**	8,610
Currency options	**100**	58
Interest rate derivatives		
Interest rate swaps	**3,988**	4,073
Equity derivatives	**84**	31
Commodity derivatives	**33**	9
	17,682	12,781

The credit risk weighted amounts stated above have not taken into account any effects of netting arrangements.

1.4 Repossessed assets

The Group obtained assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note III.19.

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk

2.1 Market risk measurement techniques and limits

(1) Trading book

Market risk in trading book is managed by establishing Value at Risk (VaR) limits. Total exposures, stress testing and utilisation of VaR are monitored on a daily basis for each trading desk and dealer.

VaR is used to estimate the largest potential loss arising from adverse market movements in a specific holding period and within a certain confidence level.

VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, BOCHK (Holdings) and BOCI. The Bank, BOCHK (Holdings) and BOCI used a 99% level of confidence (therefore 1% statistical probability that actual losses could be greater than the VaR estimate) and a historical simulation model to calculate the VaR estimate. The holding period of the VaR calculations is one day. To enhance the Group's market risk management, the Group has established the market risk data mart, which enabled a group level trading book VaR calculation on a daily basis.

Accuracy and reliability of the VaR model is verified by daily back-testing the VaR result on trading book. The back-testing results are regularly reported to senior management.

Stress testing is performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. The Group sets stress testing limits, adjusts and enhances the scenarios for stress testing taking into account financial market fluctuations in order to capture the potential impact of market price fluctuations and volatility on the trading book, enhancing the Group's market risk management capabilities.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

The table below shows the VaR of the trading book by type of risk for the six month periods ended 30 June 2013 and 2012:

Unit: USD million

	Six month period ended 30 June					
	2013			2012		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	**2.40**	**3.02**	**1.84**	2.53	3.65	1.73
Foreign exchange risk	**0.40**	**1.76**	**0.14**	1.93	7.63	1.40
Volatility risk	**0.02**	**0.09**	**0.00**	0.04	0.08	0.01
Total of the Bank's trading VaR	**2.47**	**3.13**	**1.88**	2.95	7.94	2.09

The Bank's VaR for the six month periods ended 30 June 2013 and 2012 was calculated on the Group's trading positions, excluding those of BOCHK (Holdings) and BOCI and excluding foreign currency against RMB transactions.

The reporting of risk in relation to bullion is included in foreign exchange risk above. The exposure of the Bank to potential price movement in other commodity financial instruments and the related potential impact to the Bank's income statement are considered to be insignificant.

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

Unit: USD million

	Six month period ended 30 June					
	2013			2012		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	**2.09**	**2.80**	**1.14**	2.18	3.81	1.24
Foreign exchange risk	**1.91**	**3.56**	**1.32**	2.08	3.25	1.31
Equity risk	**0.13**	**0.31**	**0.00**	0.06	0.29	0.00
Commodity risk	**0.02**	**0.09**	**0.00**	0.02	0.13	0.00
Total of BOCHK (Holdings)'s trading VaR	**2.65**	**3.49**	**1.79**	3.09	4.35	2.18
BOCI's trading VaR [1]						
Equity derivatives unit	**0.93**	**1.81**	**0.34**	0.48	1.04	0.21
Fixed income unit	**1.21**	**1.84**	**0.75**	1.16	2.21	0.76
Total of BOCI's trading VaR	**1.65**	**2.50**	**0.99**	1.40	2.31	0.69

[1] BOCI monitors its trading VaR for equity derivatives unit and fixed income unit separately, which include equity risk, interest rate risk and foreign exchange risk.

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

(2) Banking book

The banking book is exposed to interest rate risk arising from mismatches in maturities, repricing periods and inconsistent adjustments between the benchmark interest rates of assets and liabilities. The Group manages interest rate risk in the banking book primarily through an interest rate repricing gap analysis. The interest rate gap analysis is set out in Note IV.2.2 and also covers the trading book.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis

The tables below summarise the Group's exposure to interest rate risks. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 30 June 2013						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	176,931	65,499	344,704	1,358	–	71,655	660,147
Balances with central banks	1,888,318	68	65	–	–	69,189	1,957,640
Placements with and loans to banks and other financial institutions	229,159	73,419	275,894	5,053	–	–	583,525
Government certificates of indebtedness for bank notes issued	–	–	–	–	–	75,638	75,638
Precious metals	–	–	–	–	–	138,838	138,838
Financial assets at fair value through profit or loss	6,894	9,732	9,708	29,203	13,197	3,583	72,317
Derivative financial assets	–	–	–	–	–	47,805	47,805
Loans and advances to customers, net	1,610,583	1,650,022	3,723,789	66,788	60,876	161,578	7,273,636
Investment securities							
— Available for sale	91,615	97,631	96,470	233,787	128,386	32,265	680,154
— Held to maturity	56,407	107,541	187,133	452,866	331,773	–	1,135,720
— Loans and receivables	4,026	6,291	26,662	21,659	217,975	–	276,613
Investment in associates and joint ventures	–	–	–	–	–	12,582	12,582
Property and equipment	–	–	–	–	–	150,603	150,603
Investment properties	–	–	–	–	–	17,340	17,340
Deferred income tax assets	–	–	–	–	–	20,939	20,939
Other assets	5,186	6,838	4,484	–	–	136,201	152,709
Total assets	4,069,119	2,017,041	4,668,909	810,714	752,207	938,216	13,256,206

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 30 June 2013						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Liabilities							
Due to banks and other financial institutions	630,795	85,212	241,432	101,392	–	139,407	1,198,238
Due to central banks	79,924	27,547	51,638	–	–	676	159,785
Bank notes in circulation	–	–	–	–	–	75,703	75,703
Placements from banks and other financial institutions	293,264	85,064	43,772	–	–	–	422,100
Derivative financial liabilities	–	–	–	–	–	41,311	41,311
Due to customers	5,589,766	986,748	2,191,632	1,000,678	12,762	94,610	9,876,196
Bonds issued	12,440	3,168	3,484	70,554	123,365	–	213,011
Other borrowings	8,566	15,612	6,459	–	–	–	30,637
Current tax liabilities	–	–	–	–	–	25,311	25,311
Retirement benefit obligations	–	–	–	–	–	5,327	5,327
Deferred income tax liabilities	–	–	–	–	–	3,200	3,200
Other liabilities	9,770	3,225	1,039	173	111	304,736	319,054
Total liabilities	6,624,525	1,206,576	2,539,456	1,172,797	136,238	690,281	12,369,873
Total interest repricing gap	(2,555,406)	810,465	2,129,453	(362,083)	615,969	247,935	886,333

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2012						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	219,410	135,208	314,942	31,167	–	74,847	775,574
Balances with central banks	1,876,905	447	189	25	–	56,731	1,934,297
Placements with and loans to banks and other financial institutions	195,821	84,274	163,214	3,990	–	–	447,299
Government certificates of indebtedness for bank notes issued	–	–	–	–	–	70,554	70,554
Precious metals	–	–	–	–	–	150,534	150,534
Financial assets at fair value through profit or loss	10,946	5,217	9,956	30,052	12,886	2,533	71,590
Derivative financial assets	–	–	–	–	–	40,188	40,188
Loans and advances to customers, net	1,679,050	1,593,215	3,214,918	53,154	32,853	136,850	6,710,040
Investment securities							
— Available for sale	82,909	129,969	107,435	221,121	113,286	31,680	686,400
— Held to maturity	35,171	71,813	265,339	505,125	305,632	–	1,183,080
— Loans and receivables	1,604	6,015	25,998	20,855	214,982	–	269,454
Investment in associates and joint ventures	–	–	–	–	–	12,382	12,382
Property and equipment	–	–	–	–	–	150,324	150,324
Investment properties	–	–	–	–	–	17,142	17,142
Deferred income tax assets	–	–	–	–	–	21,292	21,292
Other assets	3,352	5,467	8,074	–	–	123,572	140,465
Total assets	4,105,168	2,031,625	4,110,065	865,489	679,639	888,629	12,680,615

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2012						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Liabilities							
Due to banks and other financial institutions	931,428	196,750	194,344	95,447	–	135,223	1,553,192
Due to central banks	88,137	7,746	32,038	–	–	2,101	130,022
Bank notes in circulation	–	–	–	–	–	70,733	70,733
Placements from banks and other financial institutions	198,660	71,078	43,266	–	–	–	313,004
Derivative financial liabilities	–	–	–	–	–	32,457	32,457
Due to customers	5,320,214	996,436	1,858,379	896,180	4,687	98,099	9,173,995
Bonds issued	726	3,879	6,048	72,047	116,433	–	199,133
Other borrowings	7,675	17,664	5,775	2,931	–	–	34,045
Current tax liabilities	–	–	–	–	–	34,994	34,994
Retirement benefit obligations	–	–	–	–	–	5,642	5,642
Deferred income tax liabilities	–	–	–	–	–	3,838	3,838
Other liabilities	8,895	3,634	2,742	217	113	252,417	268,018
Total liabilities	6,555,735	1,297,187	2,142,592	1,066,822	121,233	635,504	11,819,073
Total interest repricing gap	(2,450,567)	734,438	1,967,473	(201,333)	558,406	253,125	861,542

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2013 and 31 December 2012. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the tables are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currencies. Derivative financial instruments are included in net off-balance sheet position using notional amounts.

	As at 30 June 2013							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	529,923	100,704	8,467	8,422	1,992	819	9,820	660,147
Balances with central banks	1,797,706	95,103	9,795	37,697	2,605	45	14,689	1,957,640
Placements with and loans to banks and other financial institutions	476,517	71,257	8,925	1,997	254	4,876	19,699	583,525
Government certificates of indebtedness for bank notes issued	–	–	71,758	–	–	–	3,880	75,638
Precious metals	–	–	3,856	–	–	–	134,982	138,838
Financial assets at fair value through profit or loss	13,514	32,390	25,098	1,004	59	–	252	72,317
Derivative financial assets	11,312	14,067	20,011	594	238	558	1,025	47,805
Loans and advances to customers, net	5,449,948	1,140,271	523,664	50,876	10,976	9,320	88,581	7,273,636
Investment securities								
— Available for sale	267,641	279,002	97,400	7,088	857	277	27,889	680,154
— Held to maturity	1,057,292	69,387	5,096	56	876	–	3,013	1,135,720
— Loans and receivables	255,580	5,509	1,196	–	–	516	13,812	276,613
Investment in associates and joint ventures	5,970	1,492	5,120	–	–	–	–	12,582
Property and equipment	77,370	57,086	11,854	127	993	1,343	1,830	150,603
Investment properties	6,182	–	9,573	–	–	–	1,585	17,340
Deferred income tax assets	20,015	553	236	–	–	2	133	20,939
Other assets	115,549	17,870	13,744	1,245	457	1,395	2,449	152,709
Total assets	10,084,519	1,884,691	815,793	109,106	19,307	19,151	323,639	13,256,206

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 30 June 2013							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Liabilities								
Due to banks and other financial institutions	736,091	273,209	14,723	26,331	5,866	5,810	136,208	1,198,238
Due to central banks	12,363	136,012	11,363	–	–	–	47	159,785
Bank notes in circulation	–	–	71,758	–	–	–	3,945	75,703
Placements from banks and other financial institutions	220,445	180,600	5,227	4,803	4,122	3,410	3,493	422,100
Derivative financial liabilities	4,470	17,333	13,181	1,132	1,291	1,850	2,054	41,311
Due to customers	7,956,106	772,548	712,421	139,447	31,524	53,189	210,961	9,876,196
Bonds issued	171,037	33,614	3	2,766	–	5,423	168	213,011
Other borrowings	–	30,637	–	–	–	–	–	30,637
Current tax liabilities	20,803	15	2,578	119	135	897	764	25,311
Retirement benefit obligations	5,327	–	–	–	–	–	–	5,327
Deferred income tax liabilities	1,262	1,116	679	10	–	–	133	3,200
Other liabilities	237,288	23,499	52,589	1,955	373	1,532	1,818	319,054
Total liabilities	9,365,192	1,468,583	884,522	176,563	43,311	72,111	359,591	12,369,873
Net on-balance sheet position	719,327	416,108	(68,729)	(67,457)	(24,004)	(52,960)	(35,952)	886,333
Net off-balance sheet position	58,966	(402,246)	141,053	63,649	25,637	53,044	64,000	4,103
Credit commitments	1,534,685	643,745	122,768	75,691	7,302	13,940	43,536	2,441,667

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2012							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	518,287	220,997	8,157	10,989	1,777	2,632	12,735	775,574
Balances with central banks	1,685,566	150,441	2,428	65,972	9,550	47	20,293	1,934,297
Placements with and loans to banks and other financial institutions	307,661	69,515	8,903	6,517	4,057	24,761	25,885	447,299
Government certificates of indebtedness for bank notes issued	–	–	67,240	–	–	–	3,314	70,554
Precious metals	–	–	5,360	–	–	–	145,174	150,534
Financial assets at fair value through profit or loss	12,114	31,122	27,065	1,069	87	–	133	71,590
Derivative financial assets	5,601	10,936	20,656	770	160	930	1,135	40,188
Loans and advances to customers, net	5,111,675	943,794	501,062	46,102	13,700	10,212	83,495	6,710,040
Investment securities								
— Available for sale	226,486	246,743	102,142	11,319	63,775	302	35,633	686,400
— Held to maturity	1,095,327	74,163	4,783	2,720	2,425	–	3,662	1,183,080
— Loans and receivables	252,409	4,569	2	–	–	1,204	11,270	269,454
Investment in associates and joint ventures	5,716	1,523	5,143	–	–	–	–	12,382
Property and equipment	80,325	53,228	12,185	132	1,160	1,438	1,856	150,324
Investment properties	5,930	–	9,592	–	–	–	1,620	17,142
Deferred income tax assets	20,551	448	158	–	–	–	135	21,292
Other assets	104,249	16,110	15,266	1,124	275	865	2,576	140,465
Total assets	9,431,897	1,823,589	790,142	146,714	96,966	42,391	348,916	12,680,615

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2012							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Liabilities								
Due to banks and other financial institutions	992,268	371,410	20,011	28,985	8,285	3,797	128,436	1,553,192
Due to central banks	890	120,372	8,757	–	–	–	3	130,022
Bank notes in circulation	–	–	67,239	–	–	–	3,494	70,733
Placements from banks and other financial institutions	154,230	140,086	10,289	2,197	175	2,551	3,476	313,004
Derivative financial liabilities	4,052	11,545	13,530	936	395	927	1,072	32,457
Due to customers	7,268,004	739,364	720,594	169,878	29,110	53,304	193,741	9,173,995
Bonds issued	170,539	28,591	3	–	–	–	–	199,133
Other borrowings	–	34,045	–	–	–	–	–	34,045
Current tax liabilities	32,577	16	1,493	52	125	113	618	34,994
Retirement benefit obligations	5,642	–	–	–	–	–	–	5,642
Deferred income tax liabilities	1,268	1,003	1,384	10	1	–	172	3,838
Other liabilities	179,427	23,388	59,719	1,352	360	931	2,841	268,018
Total liabilities	8,808,897	1,469,820	903,019	203,410	38,451	61,623	333,853	11,819,073
Net on-balance sheet position	623,000	353,769	(112,877)	(56,696)	58,515	(19,232)	15,063	861,542
Net off-balance sheet position	143,353	(320,960)	170,678	54,470	(55,018)	20,317	(3,228)	9,612
Credit commitments	1,438,619	612,942	124,165	71,743	8,751	12,733	48,552	2,317,505

2.4 Price risk

The Group is exposed to equity risk on its available for sale listed equity securities. As at 30 June 2013, a 5 percentage variance in listed equity prices from the 30 June 2013 price would impact the fair value of available for sale listed equity positions by RMB223 million (31 December 2012: RMB226 million). For those available for sale equities considered impaired, the impact would be taken to the income statement. The Group is also exposed to commodity risk, mainly related to bullion. The Group manages such risk together with foreign exchange risk (Note IV.2.1).

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period from the financial reporting date to the contractual maturity date.

	As at 30 June 2013							
	Overdue	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	–	151,731	13,743	146,081	347,234	1,358	–	660,147
Balances with central banks	–	391,756	1,565,751	68	65	–	–	1,957,640
Placements with and loans to banks and other financial institutions	–	–	228,812	72,544	276,257	5,912	–	583,525
Government certificates of indebtedness for bank notes issued	–	75,638	–	–	–	–	–	75,638
Precious metals	–	138,838	–	–	–	–	–	138,838
Financial assets at fair value through profit or loss	–	1,384	5,597	8,350	8,662	31,977	16,347	72,317
Derivative financial assets	–	13,120	3,710	9,346	14,426	3,418	3,785	47,805
Loans and advances to customers, net	18,619	70,818	462,637	897,349	1,794,423	1,703,082	2,326,708	7,273,636
Investment securities								
— Available for sale	–	–	56,812	58,033	117,794	308,252	139,263	680,154
— Held to maturity	–	–	33,445	72,595	146,325	530,107	353,248	1,135,720
— Loans and receivables	–	–	3,873	6,291	21,662	26,812	217,975	276,613
Investment in associates and joint ventures	–	–	–	–	–	4,654	7,928	12,582
Property and equipment	–	–	–	–	–	–	150,603	150,603
Investment properties	–	–	–	–	–	–	17,340	17,340
Deferred income tax assets	–	–	–	–	41	20,898	–	20,939
Other assets	1,063	17,661	30,006	25,189	41,312	11,573	25,905	152,709
Total assets	19,682	860,946	2,404,386	1,295,846	2,768,201	2,648,043	3,259,102	13,256,206

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 30 June 2013							
	Overdue	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Liabilities								
Due to banks and other financial institutions	–	512,960	111,211	86,776	245,149	242,142	–	1,198,238
Due to central banks	–	64,333	16,267	27,547	51,638	–	–	159,785
Bank notes in circulation	–	75,703	–	–	–	–	–	75,703
Placements from banks and other financial institutions	–	–	292,920	85,408	43,772	–	–	422,100
Derivative financial liabilities	–	9,458	6,201	8,986	10,006	5,097	1,563	41,311
Due to customers	–	4,392,915	1,277,972	954,095	2,214,259	1,015,624	21,331	9,876,196
Bonds issued	–	–	10,427	3,181	3,484	47,554	148,365	213,011
Other borrowings	–	–	145	–	894	12,874	16,724	30,637
Current tax liabilities	–	–	5,648	27	19,602	34	–	25,311
Retirement benefit obligations	–	–	64	128	574	2,165	2,396	5,327
Deferred income tax liabilities	–	–	–	–	97	3,103	–	3,200
Other liabilities	–	52,946	104,181	23,835	66,808	47,528	23,756	319,054
Total liabilities	–	5,108,315	1,825,036	1,189,983	2,656,283	1,376,121	214,135	12,369,873
Net liquidity gap	19,682	(4,247,369)	579,350	105,863	111,918	1,271,922	3,044,967	886,333

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2012							
	Overdue	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	–	165,632	128,625	135,208	314,942	31,167	–	775,574
Balances with central banks	–	306,449	1,627,187	447	189	25	–	1,934,297
Placements with and loans to banks and other financial institutions	–	–	195,821	84,274	163,214	3,990	–	447,299
Government certificates of indebtedness for bank notes issued	–	70,554	–	–	–	–	–	70,554
Precious metals	–	150,534	–	–	–	–	–	150,534
Financial assets at fair value through profit or loss	–	571	9,877	4,783	8,710	31,902	15,747	71,590
Derivative financial assets	–	14,379	4,108	3,486	9,562	4,168	4,485	40,188
Loans and advances to customers, net	12,331	64,838	316,012	775,364	1,740,016	1,613,651	2,187,828	6,710,040
Investment securities								
— Available for sale	–	–	56,911	97,049	124,890	280,366	127,184	686,400
— Held to maturity	–	–	14,980	35,541	216,901	582,887	332,771	1,183,080
— Loans and receivables	–	–	1,326	5,069	21,675	26,402	214,982	269,454
Investment in associates and joint ventures	–	–	–	–	–	4,688	7,694	12,382
Property and equipment	–	–	–	–	–	11	150,313	150,324
Investment properties	–	–	–	–	–	–	17,142	17,142
Deferred income tax assets	–	–	–	–	41	21,251	–	21,292
Other assets	847	12,048	31,745	26,702	35,358	12,430	21,335	140,465
Total assets	13,178	785,005	2,386,592	1,167,923	2,635,498	2,612,938	3,079,481	12,680,615

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2012							
	Overdue	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 ears	Over 5 years	Total
Liabilities								
Due to banks and other financial institutions	–	647,019	197,796	274,064	192,724	241,589	–	1,553,192
Due to central banks	–	85,373	4,865	7,746	32,038	–	–	130,022
Bank notes in circulation	–	70,733	–	–	–	–	–	70,733
Placements from banks and other financial institutions	–	–	198,660	71,078	43,266	–	–	313,004
Derivative financial liabilities	–	10,560	2,505	2,609	7,503	6,652	2,628	32,457
Due to customers	–	4,213,199	1,159,015	986,503	1,885,171	918,590	11,517	9,173,995
Bonds issued	–	–	726	3,879	4,048	44,047	146,433	199,133
Other borrowings	–	–	–	814	1,970	14,848	16,413	34,045
Current tax liabilities	–	–	817	13	33,594	570	–	34,994
Retirement benefit obligations	–	–	67	134	604	2,324	2,513	5,642
Deferred income tax liabilities	–	–	–	–	550	3,288	–	3,838
Other liabilities	–	57,843	50,164	45,906	55,187	41,036	17,882	268,018
Total liabilities	–	5,084,727	1,614,615	1,392,746	2,256,655	1,272,944	197,386	11,819,073
Net liquidity gap	13,178	(4,299,722)	771,977	(224,823)	378,843	1,339,994	2,882,095	861,542

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities

4.1 Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value on the statement of financial position mainly represent "balances with central banks", "due from banks and other financial institutions", "placements with and loans to banks and other financial institutions", "loans and advances to customers, net", "investment securities" classified as held to maturity and loans and receivables, "due to central banks", "due to banks and other financial institutions", "placements from banks and other financial institutions", and "due to customers" measured at amortised cost, and "bonds issued".

The tables below summarise the carrying amounts and fair values of "investment securities" classified as held to maturity and loans and receivables, and "bonds issued" not presented at fair value on the statement of financial position.

	Carrying value		Fair value	
	As at 30 June 2013	As at 31 December 2012	As at 30 June 2013	As at 31 December 2012
Financial assets				
Investment securities (1)				
— Held to maturity	**1,135,720**	1,183,080	**1,129,319**	1,179,903
— Loans and receivables	**276,613**	269,454	**276,636**	269,471
Financial liabilities				
Bonds issued (2)	**213,011**	199,133	**213,168**	195,885

(1) Investment securities classified as held to maturity and loans and receivables

Fair value of held to maturity securities is based on market prices or broker/dealer price quotations. Where this information for held to maturity securities and loans and receivables is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(2) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity. The fair value for the convertible bonds (including the conversion option value) is based on the quoted market price on the Shanghai Stock Exchange.

Other than the above, the difference between the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value on the statement of financial position are insignificant. Fair value is measured using a discounted cash flow model.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities (Continued)

4.2 Financial instruments measured at fair value

Financial instruments measured at fair value are classified into following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including listed equity securities on exchange or debt instrument issued by certain governments.

- Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter derivative contracts, debt securities for which quotations are available from pricing services providers, traded loans and issued structured deposits.

- Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Group uses valuation techniques or counterparty quotations to determine the fair value of financial instruments when it is unable to obtain open market quotation in active markets.

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

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity) and over-the-counter structured derivative contracts held by the Group, management obtains valuation quotations from counterparties or uses valuation technique such as a discounted cash flow analysis. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these instruments have been classified by the Group as level 3. Management assesses the impact of changes in macro-economic factors, engaged external valuer and other inputs, including loss coverage ratios, to determine the fair value for the Group's level 3 financial instruments. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities (Continued)

4.2 Financial instruments measured at fair value (Continued)

	As at 30 June 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
— Debt securities	367	63,747	272	64,386
— Fund investments and others	708	–	–	708
— Loans	–	4,496	–	4,496
— Equity securities	2,529	198	–	2,727
Derivative financial assets	13,370	34,434	1	47,805
Investment securities available for sale				
— Debt securities	77,823	564,004	6,062	647,889
— Fund investments and others	1,563	–	6,341	7,904
— Equity securities	4,252	2,145	17,964	24,361
Financial liabilities				
Due to customers at fair value	–	(108,311)	(1,381)	(109,692)
Short position in debt securities	–	(11,599)	–	(11,599)
Derivative financial liabilities	(9,544)	(31,767)	–	(41,311)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities (Continued)

4.2 Financial instruments measured at fair value (Continued)

	As at 31 December 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
— Debt securities	332	64,173	268	64,773
— Fund investments	780	–	–	780
— Loans	–	4,566	–	4,566
— Equity securities	1,299	172	–	1,471
Derivative financial assets	14,501	25,687	–	40,188
Investment securities available for sale				
— Debt securities	128,481	523,286	2,952	654,719
— Fund investments and others	586	–	7,054	7,640
— Equity securities	4,326	1,869	17,846	24,041
Financial liabilities				
Due to customers at fair value	–	(163,395)	(622)	(164,017)
Short position in debt securities	–	(14,061)	–	(14,061)
Derivative financial liabilities	(10,898)	(21,559)	–	(32,457)

During the six month period ended 30 June 2013, there were no significant transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments of the Group.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

The capital adequacy ratio and core capital adequacy ratio calculated in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks* promulgated by the CBRC are set forth in the table below.

The Group

	As at 30 June 2013	As at 31 December 2012
Capital adequacy ratio	**13.33%**	13.63%
Core capital adequacy ratio	**10.47%**	10.54%
Components of capital base		
Core capital:		
Share capital	**279,044**	279,132
Reserves (1)	**532,839**	478,876
Minority interests	**36,355**	36,865
Total core capital	**848,238**	794,873
Supplementary capital:		
Collective impairment allowances	**74,396**	68,647
Long-term subordinated bonds issued	**144,988**	146,433
Convertible bonds issued	**39,775**	39,776
Other (1)	**6,516**	11,141
Total supplementary capital	**265,675**	265,997
Total capital base before deductions	**1,113,913**	1,060,870
Deductions:		
Goodwill	**(1,767)**	(1,796)
Investment in entities engaged in banking and financial activities which are not consolidated	**(10,584)**	(10,581)
Investment properties	**(17,340)**	(17,142)
Investment in commercial corporations	**(29,086)**	(27,313)
Other deductible items (2)	**(15,216)**	(15,380)
Total capital base after deductions	**1,039,920**	988,658
Core capital base after deductions (3)	**816,781**	764,261
Risk weighted assets and market risk capital adjustment	**7,803,262**	7,253,230

5 Capital management (Continued)

(1) Pursuant to the relevant regulations, all net unrealised fair value gains after tax consideration are removed from the core capital calculation. The fair value gains on trading activities recognised in profit or loss are included in the supplementary capital. Only a certain percentage of fair value gain recognised in equity can be included in the supplementary capital.

(2) Pursuant to the relevant regulations, other deductible items include investment in asset-backed securities, long-term subordinated debts issued by other banks and acquired by the Group after 1 July 2009.

(3) Pursuant to the relevant regulations, 100% of goodwill and 50% of certain other deductions were applied in deriving the core capital base.

The capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Yin Jian Hui Ling [2012] No.1) are set forth in the table below.

	As at 30 June 2013	
	Group(4)	Bank(4)
Net core tier 1 capital	844,678	736,561
Net tier 1 capital	845,383	736,561
Net capital	1,106,145	974,622
Risk weighted assets	9,114,544	8,131,938
Core tier 1 CAR	9.27%	9.06%
Tier 1 CAR	9.28%	9.06%
CAR	12.14%	11.99%

(4) The Bank excluded BOCG Investment, BOC Insurance and BOCG Insurance from the scope of consolidation when calculating the Group's CARs, while including other branches and subsidiaries in consolidation. For the Bank's CAR calculations, only the branches were included, and the subsidiaries were excluded.

Please refer to Appendix III — capital adequacy ratio supplementary information for other disclosures stipulated by the CBRC.

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

According to Hong Kong Listing Rules and disclosure regulations of the banking industry, the Group discloses the following supplementary financial information:

1 Liquidity ratios

	As at 30 June 2013	As at 31 December 2012
RMB current assets to RMB current liabilities	**45.13%**	49.85%
Foreign currency current assets to foreign currency current liabilities	**52.63%**	65.16%

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBRC. Financial data as at 30 June 2013 and 31 December 2012 is based on Chinese Accounting Standards ("CAS").

2 Currency concentrations

The following information is computed in accordance with the provisions of the CBRC.

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 30 June 2013				
Spot assets	**1,143,020**	**22,101**	**135,984**	**1,301,105**
Spot liabilities	**(751,510)**	**(185,805)**	**(350,355)**	**(1,287,670)**
Forward purchases	**885,950**	**195,004**	**499,093**	**1,580,047**
Forward sales	**(1,296,707)**	**(53,733)**	**(288,000)**	**(1,638,440)**
Net options position*	**4,766**	**621**	**(1,380)**	**4,007**
Net long/(short) position	**(14,481)**	**(21,812)**	**(4,658)**	**(40,951)**
Net structural position	**18,886**	**101,973**	**31,412**	**152,271**
As at 31 December 2012				
Spot assets	1,080,354	20,700	270,823	1,371,877
Spot liabilities	(746,660)	(230,636)	(303,685)	(1,280,981)
Forward purchases	876,526	232,423	443,453	1,552,402
Forward sales	(1,182,702)	(58,725)	(422,891)	(1,664,318)
Net options position*	(7,286)	79	(1,936)	(9,143)
Net long/(short) position	20,232	(36,159)	(14,236)	(30,163)
Net structural position	19,191	103,566	31,688	154,445

* The net option position is calculated using the delta equivalent approach as set out in the requirements of the CBRC.

3 Cross-border claims

The Group is principally engaged in business operations within Chinese mainland, and regards all claims on third parties outside Chinese mainland as cross-border claims.

Cross-border claims include "balances with central banks", "placements with and loans to banks and other financial institutions", "government certificates of indebtedness for bank notes issued", "financial assets at fair value through profit or loss", "loans and advances to customers, net" and "investment securities".

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in 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.

	Banks and other financial institutions	Public sector entities	Other*	Total
As at 30 June 2013				
Asia Pacific excluding Chinese mainland				
Hong Kong	**18,981**	**5,313**	**711,301**	**735,595**
Other Asia Pacific locations	**80,176**	**22,284**	**199,324**	**301,784**
Subtotal	**99,157**	**27,597**	**910,625**	**1,037,379**
North and South America	**60,026**	**31,571**	**215,814**	**307,411**
Europe	**63,420**	**10,955**	**52,570**	**126,945**
Middle East and Africa	**2,101**	**571**	**9,892**	**12,564**
Total	**224,704**	**70,694**	**1,188,901**	**1,484,299**
As at 31 December 2012				
Asia Pacific excluding Chinese mainland				
Hong Kong	14,044	5,849	661,357	681,250
Other Asia Pacific locations	97,126	22,884	245,279	365,289
Subtotal	111,170	28,733	906,636	1,046,539
North and South America	92,604	33,351	321,796	447,751
Europe	80,018	9,335	116,355	205,708
Middle East and Africa	4,682	134	15,738	20,554
Total	288,474	71,553	1,360,525	1,720,552

* Claims to the government entities are included in "Other".

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

4 Overdue assets

For the purpose of the table below, the entire outstanding balance of "loans and advances to customers" and "placements with and loans to banks and other financial institutions" are considered overdue if either principal or interest payment is overdue.

(1) Total amount of overdue loans and advances to customers

	As at 30 June 2013	As at 31 December 2012
Total loans and advances to customers which have been overdue		
within 3 months	**36,629**	29,819
between 3 and 6 months	**11,081**	5,188
between 6 and 12 months	**11,338**	7,691
over 12 months	**31,908**	32,197
Total	**90,956**	74,895
Percentage		
within 3 months	**0.49%**	0.43%
between 3 and 6 months	**0.15%**	0.08%
between 6 and 12 months	**0.15%**	0.11%
over 12 months	**0.43%**	0.47%
Total	**1.22%**	1.09%

(2) Total amount of overdue placements with and loans to banks and other financial institutions

The total amount of overdue "placements with and loans to banks and other financial institutions" as at 30 June 2013 and 31 December 2012 is not considered material.

APPENDIX II — SUPPLEMENTARY INFORMATION — DIFFERENCES BETWEEN CAS AND IFRS CONSOLIDATED FINANCIAL INFORMATION

There are no differences in the Group's operating results for the six month periods ended 30 June 2013 and 2012 or total equity as at 30 June 2013 and as at 31 December 2012 presented in the Group's condensed consolidated interim financial information prepared under IFRS and those prepared under CAS.

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

Quantitative information of the Group's credit risk and market risk exposure and assessment under the regulatory criteria stipulated by the *Capital Rules for Commercial Banks (Provisional)* (Yin Jian Hui Ling [2012] No.1) are set forth in the table below.

1 On-balance sheet credit risk

		As at 30 June 2013	
		Risk exposure	Risk exposure after risk mitigation
(1)	Cash-equivalent assets	2,120,384	2,120,384
(2)	Claims on central governments and central banks	1,300,212	1,300,212
(3)	Claims on public-sector entities	61,914	47,575
(4)	Claims on domestic financial institutions	1,638,816	1,554,466
(5)	Claims on financial institutions incorporated in other countries or regions	281,011	272,806
(6)	Claims on general enterprises and public institutions	5,344,644	4,834,876
(7)	Claims on eligible small and micro enterprises	62,775	54,749
(8)	Claims on individuals	2,065,313	2,042,899
(9)	Equity investments	40,868	40,868
(10)	Others	207,554	207,554
(11)	On-balance sheet securitised assets	17,624	17,624
Subtotal		13,141,115	12,494,013

2 Off-balance sheet credit risk

	As at 30 June 2013	
	Asset before conversion	Risk exposure after conversion
	3,091,711	1,330,842

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

3 Counterparty credit risk exposure

	As at 30 June 2013
	2,851,414

4 Capital charges for market risk

	As at 30 June 2013
Interest rate risk	**2,120**
Equity risk	**225**
Exchange rate risk	**5,650**
Commodity risk	**231**
Option risk	**9**
Total	**8,235**

5 Other information

	As at 30 June 2013
Overdue loans	**90,956**
Non-performing loans	**69,467**
Allowance for impairment losses on loans	**165,997**
Long-term equity investment	**39,352**
Gain/loss on long-term equity investment	**175**

6 Interest rate risk in the banking book

The Group manages interest rate risk in the banking book primarily through an interest rate repricing gap analysis. The interest rate repricing gap analysis (including the trading book) is set out below:

	As at 30 June 2013						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	174,660	65,099	344,484	–	–	71,653	655,896
Balances with central banks	1,888,318	68	65	–	–	69,189	1,957,640
Placements with and loans to banks and other financial institutions	228,781	73,174	275,747	5,053	–	–	582,755
Government certificates of indebtedness for bank notes issued	–	–	–	–	–	75,638	75,638
Precious metals	–	–	–	–	–	138,838	138,838
Financial assets at fair value through profit or loss	6,894	9,732	9,708	29,203	13,197	3,479	72,213
Derivative financial assets	–	–	–	–	–	47,768	47,768
Loans and advances to customers, net	1,610,583	1,650,022	3,723,789	66,788	60,876	161,578	7,273,636
Investment securities							
— Available for sale	91,964	97,232	95,970	232,624	127,674	5,380	650,844
— Held to maturity	56,407	107,541	187,133	452,866	331,773	–	1,135,720
— Loans and receivables	4,026	6,291	26,662	21,659	217,975	–	276,613
Investment in associates and joint ventures	–	–	–	–	–	39,352	39,352
Property and equipment	–	–	–	–	–	90,523	90,523
Investment properties	–	–	–	–	–	10,196	10,196
Deferred income tax assets	–	–	–	–	–	20,651	20,651
Other assets	5,186	6,838	4,484	–	–	127,109	143,617
Total assets	4,066,819	2,015,997	4,668,042	808,193	751,495	861,354	13,171,900

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

6 Interest rate risk in the banking book (Continued)

	As at 30 June 2013						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Liabilities							
Due to banks and other financial institutions	630,795	85,212	241,432	101,392	–	139,407	1,198,238
Due to central banks	79,924	27,547	51,638	–	–	676	159,785
Bank notes in circulation	–	–	–	–	–	75,703	75,703
Placements from banks and other financial institutions	293,224	85,061	43,414	–	–	–	421,699
Derivative financial liabilities	–	–	–	–	–	41,259	41,259
Due to customers	5,590,054	986,748	2,191,632	1,000,678	12,762	93,096	9,874,970
Bonds issued	12,502	2,776	2,527	67,110	119,987	–	204,902
Other borrowings	–	–	–	–	–	–	–
Current tax liabilities	–	–	–	–	–	24,926	24,926
Retirement benefit obligations	–	–	–	–	–	5,327	5,327
Deferred income tax liabilities	–	–	–	–	–	892	892
Other liabilities	9,770	3,225	1,039	173	111	291,367	305,685
Total liabilities	6,616,269	1,190,569	2,531,682	1,169,353	132,860	672,653	12,313,386
Total interest repricing gap	(2,549,450)	825,428	2,136,360	(361,160)	618,635	188,701	858,514

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