



China CITIC Bank Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
Stock Code: 0998



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#### Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors, and senior management of the Bank ensure that the information contained herein does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for its truthfulness, accuracy and completeness.

The meeting of the Board of Directors of the Bank adopted the full text of the 2013 Interim Report on 27 August 2013. 14 out of the 14 eligible directors attended the meeting while 13 of them attended in person. Director, Gonzalo José Torano Vallina acted as proxy for Director Ángel Cano Fernández. The supervisors of the Bank attended the meeting as non-voting delegates.

The Bank did not conduct any profit distribution or conversion of capital reserve into share capital in the first half of 2013.

The 2013 Interim Financial Reports that the Bank prepared in compliance with PRC Enterprise Accounting Standard No.32: Interim Financial Reporting and International Accounting Standard (IAS) No. 34: Interim Financial Reporting were reviewed by KPMG Huazhen and KPMG in accordance with the reviewing standards of Mainland China and Hong Kong SAR respectively.

Investors shall be aware of the risk of investment. All outlook, forward-looking statements in connection with the future financial situation, operating performance, business development and scheme of operations do not constitute any substantial commitment to the investors.

Numbers are expressed in millions of Renminbi unless otherwise stated.

Mr. Chen Xiaoxian, as First Vice Chairman of the Board of Directors of the Bank, Mr. Zhu Xiaohuang, as President of the Bank, Mr. Cao Guoqiang, as Vice President of the Bank in charge of financial affairs, and Mr. Lu Wei, as Head of the Budget and Finance Department of the Bank, hereby pledge the truthfulness, accuracy and completeness of the financial statements contained herein.



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# Definition

Unless otherwise explained, the following terms mentioned in the report assume the implications indicated in the following table:

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
CBRC	China Banking Regulatory Commission
Central Bank/PBC	The People's Bank of China
China AMC	China Asset Management Co., Ltd.
China Securities	China Securities Co., Ltd.
China UnionPay	China UnionPay Company Limited
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CIFL	China Investment and Finance Limited
CITIC Capital	CITIC Capital Holdings Limited
CITIC Futures	CITIC Futures Co., Ltd.
CITIC Group	CITIC Group Corporation, formerly known as CITIC Group which was renamed as CITIC Group Corporation on 27 December 2011 after restructuring
CITIC Kingview Capital	CITIC Kingview Capital Management Co., Ltd.
CITIC Limited	CITIC Limited
CITIC Press	CITIC Press Corporation
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Ltd.
CITIC-Prudential Insurance	CITIC-Prudential Life Insurance Company Ltd.
CITIC Real Estate	CITIC Real Estate Corporation Limited
CITIC Securities	CITIC Securities Co., Ltd.
CITIC Tourism	CITIC Tourism Group Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
CNCBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
Commercial Banks Law	Law of the People's Republic of China on Commercial Banks
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
GIL	Gloryshare Investments Limited
Group	China CITIC Bank Corporation Limited and its subsidiaries

Joint-stock Banks	Including China CITIC Bank, China Merchants Bank, Minsheng Bank, Industrial Bank, Pudong Development Bank, China Everbright Bank, Huaxia Bank, Ping'an Bank and Guangdong Development Bank
KPMG Huanzhen	KPMG Huanzhen (Special General Partnership)
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank
MOF	Ministry of Finance of the People's Republic of China
NSSF	National Council for Social Security Fund
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China
Tencent	Tencent Holding Limited
Tianan Insurance	Tianan Insurance Company Limited of China

# Financial Highlights

## | Operating Performance

*Unit: RMB million*

Item	Jan- June 2013	Jan- June 2012	Growth rate (%)
Operating income	50,074	44,243	13.18
Total profit	27,243	25,876	5.28
Net profit attributable to shareholders of the Bank	20,391	19,373	5.25
Net operating cash flow	47,381	(75,551)	—
Basic earnings per share (RMB)	0.44	0.41	7.32
Diluted earnings per share (RMB)	0.44	0.41	7.32
Net operating cash flow per share (RMB)	1.01	(1.61)	—

## | Profitability Indicators

Item	Jan- June 2013	Jan- June 2012	Increase/ (decrease)
Return on average assets (ROAA)	1.30%	1.38%	(0.08)
Return on average equity (ROAE, excluding minority interests)	19.92%	21.38%	(1.46)
Cost-to-income ratio	28.66%	28.48%	0.18
Credit cost	0.54%	0.33%	0.21
Net interest spread	2.41%	2.68%	(0.27)
Net interest margin	2.59%	2.89%	(0.30)

## | Scale Indicators

*Unit: RMB million*

Item	As at 30 June 2013	As at 31 December 2012	Growth rate (%)
Total assets	3,436,945	2,959,939	16.12
Total loans and advances to customers	1,824,552	1,662,901	9.72
Total liabilities	3,220,968	2,756,853	16.83
Total deposits from customers	2,613,911	2,255,141	15.91
Placements from banks and non-bank financial institutions	33,872	17,894	89.29
Total equity attributable to the Bank's shareholders	211,107	198,356	6.43
Net asset per share attributable to the Bank's shareholders (RMB)	4.51	4.24	6.37

## | Asset Quality Indicators

*Unit: RMB million*

Item	As at 30 June 2013	As at 31 December 2012	Growth rate(%) increase/ (decrease)
Performing loans	1,808,182	1,650,646	9.54
Non-performing loans (NPLs)	16,370	12,255	33.58
Allowance for impairment of loans	36,657	35,325	3.77
NPL ratio	0.90%	0.74%	0.16
Provision coverage ratio	223.93%	288.25%	(64.32)
The ratio of allowance for impairment of loans to total loans	2.01%	2.12%	(0.11)

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

## | Capital Adequacy Indicators

Item	As at 30 June 2013	As at 31 December 2012	increase/ (decrease)
<b>Capital adequacy ratio calculated according to new measures</b>			
Core tier-one capital adequacy ratio	8.92%	9.29%	(0.37)
Tier-one capital adequacy ratio	8.92%	9.29%	(0.37)
Capital adequacy ratio	11.47%	12.42%	(0.95)
<b>Capital adequacy ratio calculated according to old measures</b>			
Core capital adequacy ratio	9.63%	9.89%	(0.26)
Capital adequacy ratio	12.89%	13.44%	(0.55)
Total equity to total assets ratio	6.28%	6.86%	(0.58)

Note: The new measures refer to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC on 7 June 2012 (implemented as of 1 January 2013).

## *Corporate* Introduction

Registered Name in Chinese:	中信銀行股份有限公司
Registered Name in English:	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as “CNCB”)
Legal Representative:	Chang Zhenming
Authorized Representatives:	Zhu Xiaohuang, Lin Zhengyue
Secretary to the Board of Directors:	Li Xin
Joint Company Secretary:	Lin Zhengyue, Wendy Kam Mei Ha (ACS, ACIS)
Representative of Securities Affairs:	Wang Junwei
Registered Address and Office Address:	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal Code:	100027
Website:	bank.ecitic.com
Telephone Number:	+86-10-65558000
Fax Number:	+86-10-65550809
Email Address:	ir_cncb@citicbank.com
Principal Place of Business in Hong Kong:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Newspapers for Information Disclosure:	China Securities Journal, Shanghai Securities News, Securities Time
Websites for Information Disclosure:	Website designated by the CSRC to publish annual reports of A-share issuers: <a href="http://www.sse.com.cn">www.sse.com.cn</a>  Website designated by SEHK to publish annual reports of H-share issuers: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Place Where Annual Report is Kept:	Board Office, CITIC Bank
Legal Advisor as to PRC Laws:	Jun He Law Offices
Legal Advisor as to Hong Kong Laws:	Freshfields Bruckhaus Deringer



PRC Auditor:	KPMG Huazhen Accounting Firm (Special General Partnership) 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China (Postal code: 100738)
International Auditor:	KPMG 8th Floor, Prince's Building, No.10 Chater Road, Central, Hong Kong
A-share Registrar:	Shanghai Branch of China Securities Depository and Clearing Corporation Limited 36th Floor, China Insurance Building, No. 166 East Lujiazui Road, Pudong New District, Shanghai
H-share Registrar:	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre, No.183 Queen's Road East, Wan Chai, Hong Kong
Places Where Shares are Listed, Stock Names and Stock Codes:	A-Share Shanghai Stock Exchange CITIC Bank 601998  H-Share The Stock Exchange of Hong Kong Limited CITIC Bank 00998
Date of First Registration:	20 April 1987
Date of Changing Registration:	23 November 2012
Authority of First Registration and Changing Registration:	State Administration for Industry & Commerce, PRC
Registration Number of Business License:	100000000006002
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5

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

# Report of the Board of Directors

## | Economic, Financial and Regulatory Environment

During the first half of 2013, the world economy was still complicated and ever-changing. The US economy continued to recover with the Federal Reserve starting discussion on the exit of QE. The Euro zone, still weak in employment and consumption but with lower inflation, was expected to bottom out. Benefiting from its easing monetary policy and exchange depreciation, the Japanese economy was turning for the better in the short run. The emerging economies, however, were challenged in economic growth. In general, there are positive signs of global economic recovery although the foundations of recovery remains weak. Main risk of the global economy lied in the exit of QE policies in developed countries which may trigger re-allocation of global funds.

During the first half of 2013, in face with the complicated changing international and domestic environments, the Chinese central government adhered to the overall principle of progressing amid stability, focused on improving quality and profitability of economic growth, and continued with the combination of proactive fiscal policy and prudent monetary policy. With adjustment promoted by reform and development by adjustment, the national economy enjoyed overall stability and progress amid such stability. Gross domestic product (GDP) in the first half of the year recorded RMB24.8009 trillion, representing a growth of 7.6% year-on-year; investment in fixed assets grew rapidly to RMB18.1318 trillion, up by 20.1% year-on-year; consumption rose steadily, with total retail sales of consumer goods going up to RMB11.0764 trillion, up by 12.7% year-on-year; growth of international trade dropped with export declining more than import, total foreign trade registering USD1.9977 trillion, representing an increase of 8.6% year-on-year, and trade surplus standing at USD107.95 billion; consumer price index (CPI) basically remained stable, up by 2.4% year-on-year; producer's price index (PPI) continued on the downward slope, recording a year-on-year decline of 2.2% while purchasing price index of raw material (PPIRM) went down by 2.4% year-on-year.

The financial industry in China operated in a prudent and healthy manner, with the scale of monetary credit and total social financing both enjoying steady moderate growth. During the first half of 2013, total social financing in China registered RMB10.15 trillion, RMB2.38 trillion more than the same period of the previous year. By the end of June, the supply of broad money (M2) and that of narrow money (M1) reached RMB105.45 trillion and RMB31.36 trillion respectively, up by 14.0% and 9.1% year-on-year respectively. As at the end of June, Renminbi loan and deposit balances registered RMB68.08 trillion and RMB100.91 trillion respectively. The first half of 2013 recorded RMB5.08 trillion incremental Renminbi loans, up by RMB221.7 billion year-on-year; and RMB9.09 trillion incremental Renminbi deposits, up by RMB1.71 trillion year-on-year.

The regulators actively implemented the requirement for progressing amid stability. While stringently safeguarding the bottom line of financial risk, the regulators rendered vigorous supports to economic restructuring, transforming and upgrading and focused on enhancing financial services to the real economy. The PBC, in its efforts to further improve the liquidity management mechanism, created Short-term Liquidity Operations (SLO) and Standing Lending Facility (SLF) and actively conducted result assessment of credit-policy orientation to drive forward optimization of the credit structure. The CBRC issued the *Notification on Several Issues of Regulating Investment Operation of Wealth Management Business of Commercial Banks*, which promoted healthy development of the wealth management business. As to the reform and transformation of banking financial institutions, the CBRC actively and steadily promoted implementation of the new capital management measures, reinforced the internal mechanism for risk management of commercial banks and further expanded the pilot project for commercial banks to set up fund management companies.

## | Operating Results and Progress in Strategic Transformation

### Overview

Facing the complicated and challenging domestic and international economic situations in the first half of 2013, the Group persistently focused on its new development strategy to “increase deposit scale, promote structural transformation and improve management level” and pushed forward steady growth of all business lines in accordance with its new strategic plan. As a result, the Bank enjoyed steady and healthy interim operating results.

Steady growth of business scale. As at the end of the reporting period, the Group’s total assets reached RMB3.436945 trillion, up by 16.12% over the end of the previous year, of which total loans and advances to customers stood at RMB1.824552 trillion, up by 9.72% over the end of the previous year; and total deposits from customers amounted to RMB2.613911 trillion, up by 15.91% over the end of the previous year.

Continuous improvement of profitability. During the reporting period, the Group realized net profit attributable to the Bank’s shareholders of RMB20.391 billion, representing an increase of 5.25% year-on-year; profit before provisioning of RMB32.132 billion, representing an increase of 13.14% year-on-year; net interest income of RMB40.675 billion, representing an increase of 10.14% year-on-year; and net non-interest income of RMB9.399 billion, representing an increase of 28.51% year-on-year.

Overall controllability of asset quality. Due to the impact of economic slowdown, non-performing loans (NPLs) of the Group in some regions and industries rebounded to certain extent. As at the end of the reporting period, the Group’s balance of NPLs stood at RMB16.370 billion, up by RMB4.115 billion or 33.58% over the end of the previous year; and its NPL ratio was 0.90%, up by 0.16 percentage point over the end of the previous year. During the reporting period, the Bank took RMB4.719 billion loan impairment provisions, up by 92.85% year-on-year. Due to impact of NPL write-off, the Group registered, as at the end of the reporting period, provision coverage ratio of 223.93%, down by 64.32 percentage points over the end of the previous year and provision to loan ratio of 2.01%, down by 0.11 percentage point over the end of the previous year.

### Progress in Strategic Transformation

At the beginning of 2013, the Bank produced its Opinions on Several Issues Regarding the Strategic Development of CITIC Bank, putting forward the vision of “building a first-class commercial bank with unique market value” and the mission of “supporting real economy, creating employee happiness, improving shareholder value and serving social development”. Consistent efforts were put in place to support the real economy, deepen business restructuring, optimized operation and management systems and mechanisms, entered into the service industry on all fronts, vigorously developed SME financing business, retail banking, investment banking, cash management, financial market and online banking. After 6 months’ efforts, the Bank achieved marked progress in its strategic transformation.

### **Remarkable achievements in structural adjustment**

The Bank paced up business restructuring in line with its product positioning of “low capital consumption”, its market positioning of “olive-shaped customer structure” and its characteristic sectoral positioning. During the reporting period, the proportion of non-interest income in the Bank’s total income reached 18.1%, up by 2.5 percentage points year-on-year; while that of interest income declined to 81.9%, indicating continuous optimization of income structure. The Bank registered 10.3% and 17.9% growth over the end of the previous year respectively in its balances of loans to medium enterprises and small/micro enterprises as well as 25.7% and 28.8% growth in personal business loans and credit card loans over the end of the previous year, all of which are higher than the average loan growth rate of the Bank, with the proportions of loans to medium enterprises and small/micro enterprises in total loans going up further to 30.6% and 14.4% respectively. Thus the Bank enjoyed continuous optimization of customer mix. The balance of loans to modern service sector, proactively supported by the Bank, increased by RMB65 billion or 18.9% over the end of the previous year. At the same time, the Bank took the initiative to reduce credit facility and loans to LGFVs, real estate and PV industry, with the balance of loan thereto declined by RMB13.9 billion, RMB8.2 billion and RMB500 million respectively over the end of the previous year. All these facilitated the sectoral structure of the Bank’s loans.

### **Smooth progress in “drive the focus of corporate customers upward and that of retail customers downward”**

With respect to corporate business, the Bank newly set up Institutional Banking Department and Group Client Banking Department at the Head Office, defined bank-level and branch-level strategic customers, highlighting professionalized and differentiated operation and management in line with the financial service model of “commercial banking + investment banking”. The business focus of large customers was gradually shifted from sub-branches upward to branches and Head Office while its sub-branches shifted their service priority downward to SMEs and retail customers. In terms of retail banking business, the Bank newly set up Consumer Finance Department, merged the Department of Wealth Management and Department of Private Banking into one, incorporated small enterprise finance into retail banking business. Vigorous efforts were also made to promote transformation of outlets, build flagship outlets, improve functions of sub-branches as terminals of product sales and focus on gradually building up sub-branches into financial sales platforms that offer full-range financial products including personal loans, credit cards, small/micro finance, wealth management and auto finance.

### **Solid development in key strategic business areas**

As part of its efforts to accelerate the entry into the modern service sector, the Bank set up Division for Modern Service Finance under Corporate Banking Department at Head Office and Working Groups for Modern Service Finance at Head Office and branches, and defined key target customers from seven major categories of core sub-sectors. As at the end of the reporting period, modern service customers of the Bank numbered 66 thousand accounts, up by 21% over the end of the previous year; daily average deposit balance thereof registered RMB313.63 billion, up by 35.8%; and the loan balance thereof registered RMB409.29 billion, up by 18.9%, 10.9 percentage points higher than the average growth rate of the Bank’s corporate loans. All these indicate a good beginning towards a sound layout in the modern service sector.

Under the development concept of “Finance-based internet business, internet-based finance business”, the Bank sped up development of online banking. Following the tides of internet finance and consumer economy, the Bank jointly launched the NFC mobile payment together with China UnionPay, independently developed the “Cyber Payment” product series represented by QR code payment, achieving a breakthrough in the application of new technologies, launched a series of online loan products and created its one-stop mall of financial products and services, thereby making preliminary arrangements for online banking in the Big Data era. Internet micro credit, a cooperation project between the Bank and Tencent, realized internet transactions without face-to-face interviews. Thus the Bank made marked achievements in online banking business innovation.

#### Further enhancement of management capacity at Head Office

The Bank re-adjusted and improved its front, middle and back-office business areas including corporate finance, retail finance and financial market, enhanced resources allocation capability of business departments and optimized bank-wide management teams. In addition, the Bank produced a program for reforming risk management system, highlighting double-line reporting and two-way performance evaluation of the Chief Risk Officer and putting forward a new system for vertical management and full coverage of comprehensive risks. A laboratory for internet product innovation was established to push forward construction of new core systems and identify the timetable for system online operation. Efforts were made to promote comprehensive application of management accounting in performance evaluation of business lines, the process of credit approval and assessment of customer contribution to income, enhance dynamic allocation of assets and liabilities resources and drive forward liabilities growth and structural optimization via FTP, achieving remarkable results.

## | Analysis of the Financial Statements

### Income Statement Analysis

	Jan- June 2013	Jan- June 2012	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Net interest income	40,675	36,929	3,746	10.14
Net non-interest income	9,399	7,314	2,085	28.51
Operating income	50,074	44,243	5,831	13.18
Operating expense	(17,940)	(15,858)	2,082	13.13
Asset impairment loss	(4,889)	(2,524)	2,365	93.70
Profit before taxation	27,243	25,876	1,367	5.28
Income tax	(6,600)	(6,291)	309	4.91
Net profit	20,643	19,585	1,058	5.40
Including: Net profit attributable to the Bank's shareholders	20,391	19,373	1,018	5.25

Unit: RMB million

#### Operating Income

During the reporting period, the Group realized operating income of RMB50.074 billion, up by 13.18% over the end of the previous year, in which net interest income accounted for 81.2%, down by 2.3 percentage points year-on-year, and net non-interest income accounted for 18.8%, up by 2.3 percentage points year-on-year.



## Report of the Board of Directors

Item	January to June 2013 (%)	January to June 2012 (%)	January to June 2011 (%)
Net interest income	81.2	83.5	84.4
Net non-interest income	18.8	16.5	15.6
Total	100.0	100.0	100.0

### Net Interest Income

During the reporting period, the Group realized a net interest income of RMB40.675 billion, up RMB3.746 billion or 10.14% year-on-year, which was mainly attributable to continuous expansion of asset size.

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

*Unit: RMB million*

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest	Average yield/cost rate (%)	Average balance	Interest	Average yield/cost rate (%)	Average balance	Interest	Average yield/cost rate (%)
<b>Interest-earning assets</b>									
Loans and advances to customers	1,766,354	53,924	6.16	1,466,465	50,199	6.88	1,529,621	102,369	6.69
Investment in debt securities	370,955	6,764	3.68	269,371	4,778	3.57	292,622	10,616	3.63
Deposits with the Central Bank	459,411	3,387	1.49	375,666	2,941	1.57	390,421	5,842	1.50
Deposits and placements with banks and non-bank financial institutions	321,372	5,756	3.61	339,001	7,857	4.66	333,843	13,958	4.18
Amounts under resale agreements	219,089	4,738	4.36	117,448	2,561	4.38	121,433	5,208	4.29
Others <sup>(1)</sup>	26,268	830	6.37	—	1	—	17,149	817	4.76
<b>Subtotal</b>	<b>3,163,449</b>	<b>75,399</b>	<b>4.81</b>	<b>2,567,951</b>	<b>68,337</b>	<b>5.35</b>	<b>2,685,089</b>	<b>138,810</b>	<b>5.17</b>
<b>Interest-bearing liabilities</b>									
Deposits from customers	2,395,367	25,575	2.15	1,951,002	22,332	2.30	2,040,733	45,947	2.25
Deposits and placements from banks and non-bank financial institutions	455,571	7,928	3.51	354,004	8,017	4.55	366,846	15,021	4.09
Amounts under repurchase agreements	6,645	117	3.55	18,206	405	4.47	13,331	537	4.03
Others <sup>(2)</sup>	56,075	1,104	3.97	38,157	654	3.45	48,130	1,819	3.78
<b>Subtotal</b>	<b>2,913,658</b>	<b>34,724</b>	<b>2.40</b>	<b>2,361,369</b>	<b>31,408</b>	<b>2.67</b>	<b>2,469,040</b>	<b>63,324</b>	<b>2.56</b>
<b>Net interest income</b>		<b>40,675</b>			<b>36,929</b>			<b>75,486</b>	
<b>Net interest spread <sup>(3)</sup></b>			<b>2.41</b>			<b>2.68</b>			<b>2.61</b>
<b>Net interest margin <sup>(4)</sup></b>			<b>2.59</b>			<b>2.89</b>			<b>2.81</b>

Notes: (1) Mainly including receivables investments.

(2) Including debt securities payable and trading financial liabilities.

(3) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.

(4) Calculated by dividing net interest income by average balance of total interest-earning assets, annualized.

The table below sets out the changes in the Group's net interest income resulting from changes in the scale factor and the interest rate factor:

*Unit: RMB million*

Item	Jan-June 2013 compared with Jan-June 2012		
	Scale factor	Interest rate factor	Total
<b>Assets</b>			
Loans and advances to customers	10,260	(6,535)	3,725
Investment in debt securities	1,803	183	1,986
Deposits with Central Bank	654	(208)	446
Deposits and placements with banks and non-bank financial institutions	(409)	(1,692)	(2,101)
Amounts under resale agreements	2,214	(37)	2,177
Others	829	—	829
<b>Changes in interest income</b>	<b>15,351</b>	<b>(8,289)</b>	<b>7,062</b>
<b>Liabilities</b>			
Deposits from customers	5,082	(1,839)	3,243
Deposits and placement from banks and non-bank financial institutions	2,298	(2,387)	(89)
Amounts under repurchase agreements	(257)	(31)	(288)
Others	307	143	450
<b>Changes in interest expense</b>	<b>7,430</b>	<b>(4,114)</b>	<b>3,316</b>
<b>Changes in net interest income</b>	<b>7,921</b>	<b>(4,175)</b>	<b>3,746</b>

### Net Interest Margin and Net Interest Spread

As interest rate liberalization accelerated, Banks' loan-deposit interest spread gradually narrowed. For the reporting period, the Group's net interest margin (NIM) stood at 2.59%, down by 0.30 percentage point year-on-year, and net interest spread 2.41%, down by 0.27 percentage point year-on-year.

### Interest Income

During the reporting period, the Group realized an interest income of RMB75.399 billion, up by RMB7.062 billion or 10.33% year-on-year. The increase in interest income was primarily due to the continuous increase in interest-earning assets. The Group's average balance of interest-earning assets increased from RMB2.567951 trillion in the first half of 2012 to RMB3.163449 trillion in the first half of 2013, up by RMB595.498 billion or 23.19%, and its average yield of interest-earning assets decreased from 5.35% in the first half of 2012 to 4.81% in the first half of 2013, down by 0.54 percentage point.

## Report of the Board of Directors

### Interest Income from Loans and Advances to Customers

During the reporting period, the Group achieved RMB53.924 billion interest income from loans and advances to customers, up by RMB3.725 billion or 7.42% year-on-year, of which the interest income from loans and advances to customers of the Bank reached RMB52.447 billion, up by RMB3.596 billion or 7.36%. Due to impacts of interest rate liberalization, loan pricing level declined continuously with average yield of loans decreasing by 0.78 percentage point.

### Classification by Term

#### The Group

*Unit: RMB million*

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,012,070	31,224	6.22	768,120	28,422	7.44	827,155	58,554	7.08
Medium to long-term loans	754,284	22,700	6.07	698,345	21,777	6.27	702,466	43,815	6.24
<b>Total</b>	<b>1,766,354</b>	<b>53,924</b>	<b>6.16</b>	<b>1,466,465</b>	<b>50,199</b>	<b>6.88</b>	<b>1,529,621</b>	<b>102,369</b>	<b>6.69</b>

#### The Bank

*Unit: RMB million*

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	993,168	30,834	6.26	754,404	27,984	7.46	811,492	57,697	7.11
Medium to long-term loans	684,944	21,613	6.36	634,011	20,867	6.62	637,627	41,874	6.57
<b>Total</b>	<b>1,678,112</b>	<b>52,447</b>	<b>6.30</b>	<b>1,388,415</b>	<b>48,851</b>	<b>7.08</b>	<b>1,449,119</b>	<b>99,571</b>	<b>6.87</b>

### Classification by Business

#### The Group

*Unit: RMB million*

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,312,712	40,800	6.27	1,138,227	39,280	6.94	1,162,436	78,592	6.76
Discounted bills	91,310	2,286	5.05	52,443	2,260	8.67	74,428	5,589	7.51
Personal loans	362,332	10,838	6.03	275,795	8,659	6.31	292,757	18,188	6.21
<b>Total loans to customers</b>	<b>1,766,354</b>	<b>53,924</b>	<b>6.16</b>	<b>1,466,465</b>	<b>50,199</b>	<b>6.88</b>	<b>1,529,621</b>	<b>102,369</b>	<b>6.69</b>

**The Bank***Unit: RMB million*

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,245,090	39,814	6.45	1,079,045	38,316	7.14	1,101,507	76,872	6.98
Discounted bills	84,258	1,999	4.78	48,132	2,149	8.98	69,377	4,882	7.04
Personal loans	348,764	10,634	6.15	261,238	8,386	6.46	278,235	17,817	6.40
<b>Total loans to customers</b>	<b>1,678,112</b>	<b>52,447</b>	<b>6.30</b>	<b>1,338,415</b>	<b>48,851</b>	<b>7.08</b>	<b>1,449,119</b>	<b>99,571</b>	<b>6.87</b>

**Interest Income from Investment in Debt Securities**

During the reporting period, the Group's interest income from investment in debt securities stood at RMB6.764 billion, up by RMB1.986 billion or 41.57% year-on-year. In combination with the market environment, the Bank continued to optimize fund application, increase investment in debt securities and accelerate restructuring of debt securities, harvesting RMB101.584 billion increase in average balance of debt securities investment and 0.11 percentage point rise in average yield of such investment.

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

During the reporting period, the Group's interest income from deposits with the Central Bank amounted to RMB3.387 billion, representing an increase of RMB446 million or 15.16% year-on-year. The average balance of deposits with the Central Bank went up by RMB83.745 billion due to the growth in deposits from customers, which led to corresponding increase of statutory deposit reserve placed with the Central Bank. Meanwhile, average yield of deposits with the Central Bank dropped to 1.49%, down by 0.08 percentage points from 1.57% during the same period of the previous year, which offset the impact of higher average balance on the increase of interest income.

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

During the reporting period, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB5.756 billion, down by RMB2.101 billion or 26.74% year-on-year. Due to funds shortage on the inter-bank market, the average balance of deposits and placements with banks and non-bank financial institutions decreased by RMB17.629 billion and the average yield of such deposits and placements dropped to 3.61%, down by 1.05 percentage points.

**Interest Income from Amounts under Resale Agreements**

During the reporting period, the Group's interest income from amounts under resale agreements stood at RMB4.738 billion, up by RMB2.177 billion or 85.01% year-on-year; and the average balance of amounts under resale agreements increased by RMB101.641 billion, which offset the impact of the 0.02 percentage point average yield decline to some extent.

### Interest Expense

During the reporting period, the Group's interest expense was RMB34.724 billion, up by RMB3.316 billion or 10.56% year-on-year. Such increase in interest expense was primarily due to the growth of interest-bearing liabilities. The average balance of the Group's interest-bearing liabilities increased from RMB2.361369 trillion in the first half of 2012 to RMB2.913658 trillion in the first half of 2013, up by RMB552.289 billion or 23.39%, while the average cost rate of its interest-bearing liabilities decreased from 2.67% in the first half of 2012 to 2.40% in the first half of 2013, down by 0.27 percentage point.

#### Interest Expense on Deposits from Customers

During the reporting period, the interest expense on deposits from customers of the Group was RMB25.575 billion, up by RMB3.243 billion or 14.52% year-on-year, of which the interest expense on deposits from customers of the Bank was RMB24.973 billion, up by RMB3.407 billion or 15.80% year-on-year, mainly due to the increase of RMB444.575 billion in average balance of deposits from customers.

### The Group

*Unit: RMB million*

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
<b>Corporate deposits</b>									
Time deposits	1,110,687	17,792	3.23	901,257	15,631	3.49	952,649	32,908	3.45
Demand deposits	864,356	2,847	0.66	723,071	2,841	0.79	754,131	5,546	0.74
<b>Subtotal</b>	<b>1,975,043</b>	<b>20,639</b>	<b>2.11</b>	<b>1,624,328</b>	<b>18,472</b>	<b>2.29</b>	<b>1,706,780</b>	<b>38,454</b>	<b>2.25</b>
<b>Personal deposits</b>									
Time deposits	321,128	4,582	2.88	244,007	3,680	3.03	247,382	7,152	2.89
Demand deposits	99,196	354	0.72	82,667	180	0.44	86,571	341	0.39
<b>Subtotal</b>	<b>420,324</b>	<b>4,936</b>	<b>2.37</b>	<b>326,674</b>	<b>3,860</b>	<b>2.38</b>	<b>333,953</b>	<b>7,493</b>	<b>2.24</b>
<b>Total</b>	<b>2,395,367</b>	<b>25,575</b>	<b>2.15</b>	<b>1,951,002</b>	<b>22,332</b>	<b>2.30</b>	<b>2,040,733</b>	<b>45,947</b>	<b>2.25</b>



**The Bank**

*Unit: RMB million*

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
<b>Corporate deposits</b>									
Time deposits	1,067,442	17,456	3.30	853,258	15,197	3.58	907,297	31,980	3.52
Demand deposits	846,065	2,837	0.68	706,972	2,832	0.81	738,108	5,528	0.75
<b>Subtotal</b>	<b>1,913,507</b>	<b>20,293</b>	<b>2.14</b>	<b>1,560,230</b>	<b>18,029</b>	<b>2.32</b>	<b>1,645,405</b>	<b>37,508</b>	<b>2.28</b>
<b>Personal deposits</b>									
Time deposits	292,415	4,340	2.99	217,799	3,370	3.11	220,957	6,634	3.00
Demand deposits	86,102	340	0.80	69,420	167	0.48	72,062	311	0.43
<b>Subtotal</b>	<b>378,517</b>	<b>4,680</b>	<b>2.49</b>	<b>287,219</b>	<b>3,537</b>	<b>2.48</b>	<b>293,019</b>	<b>6,945</b>	<b>2.37</b>
<b>Total</b>	<b>2,292,024</b>	<b>24,973</b>	<b>2.20</b>	<b>1,847,449</b>	<b>21,566</b>	<b>2.35</b>	<b>1,938,424</b>	<b>44,453</b>	<b>2.29</b>

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

During the reporting period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB7.928 billion, down by RMB89 million or 1.11% year-on-year, which was primarily due to the 1.04 percentage points decrease in the cost rate of deposits and placements from banks and non-bank financial institutions.

**Interest Expense on Amounts Under Repurchase Agreements**

During the reporting period, the Group's interest expense on amounts under repurchase agreements was RMB117 million, down by RMB288 million or 71.11% year-on-year, which was primarily due to the decrease of RMB11.561 billion in the average balance of amounts under repurchase agreements and the decrease of 0.92 percentage point in average cost.

**Other Interest Expense**

During the reporting period, the Group's interest expenses on other borrowed funds stood at RMB1.104 billion, representing an increase of RMB450 million or 68.81% year-on-year, mainly resulting from the increase in the average balance of debt securities issued by the Group.

## Report of the Board of Directors

### Net Non-Interest Income

During the reporting period, the Group realized net non-interest income of RMB9.399 billion, up by RMB2.085 billion or 28.51% year-on-year.

Item	<i>Unit: RMB million</i>				
	Jan- June 2013	Jan- June 2012	Year-on-year increase/ decrease	Year-on-year growth rate (%)	
Net fee and commission income	7,977	5,405	2,572	47.59	
Net gain from trading	969	1,540	(571)	(37.08)	
Net gain from investment securities	73	115	(42)	(36.52)	
Income from other business	380	254	126	49.61	
<b>Total net non-interest income</b>	<b>9,399</b>	<b>7,314</b>	<b>2,085</b>	<b>28.51</b>	

### Net Fee and Commission Income

During the reporting period, the Group realized net fee and commission income of RMB7.977 billion, representing an increase of RMB2.572 billion or 47.59% year-on-year, of which fee and commission income amounted to RMB8.581 billion, up by 47.52% year-on-year. This increase was primarily due to the rapid growth in multiple business items including consulting and advisory fees, bank card fees and wealth management service fees, guarantee fees, and commissions from custody and other trusted services.

Item	<i>Unit: RMB million</i>				
	Jan- June 2013	Jan- June 2012	Year-on-year Increase/ decrease	Year-on-year Growth rate (%)	
Consulting and advisory fees	2,504	1,506	998	66.27	
Bank card fees	2,445	1,624	821	50.55	
Settlement fees	1,259	1,446	(187)	(12.93)	
Wealth management service fees	950	280	670	239.29	
Agency fees	542	465	77	16.56	
Guarantee fees	467	263	204	77.57	
Custody and other trusted services commissions	407	229	178	77.73	
Others	7	4	3	75.00	
<b>Subtotal</b>	<b>8,581</b>	<b>5,817</b>	<b>2,764</b>	<b>47.52</b>	
Fee and commission expense	(604)	(412)	192	46.60	
<b>Net fee and commission income</b>	<b>7,977</b>	<b>5,405</b>	<b>2,572</b>	<b>47.59</b>	

## Net gain from trading

During the reporting period, the Group registered RMB969 million net gain from trading, down by RMB571 million or 37.08% year-on-year, mainly due to reduced revaluation of derivatives.

Item	<i>Unit: RMB million</i>			
	Jan- June 2013	Jan- June 2012	Year-on-year Increase/ decrease	Year-on-year Growth rate (%)
Net gain from foreign exchange trading	784	757	27	3.57
Derivatives	184	574	(390)	(67.94)
Debt securities	—	208	(208)	—
Financial instrument designated at fair value through profit or loss	1	1	—	—
<b>Net gain from trading</b>	<b>969</b>	<b>1,540</b>	<b>(571)</b>	<b>(37.08)</b>

## Loss on Asset Impairment

During the reporting period, the Group's asset impairment loss stood at RMB4.889 billion, up by RMB2.365 billion or 93.70% year-on-year, of which impairment loss on loans and advances to customers registered RMB4.719 billion, up by RMB2.272 billion or 92.85% year-on-year.

Item	<i>Unit: RMB million</i>			
	Jan- June 2013	Jan- June 2012	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Loans and advances to customers	4,719	2,447	2,272	92.85
Off-balance sheet assets	57	85	(28)	(32.94)
Securities investment	(91)	(13)	(78)	—
Others <sup>(Note)</sup>	204	5	199	—
<b>Total loss on asset impairment</b>	<b>4,889</b>	<b>2,524</b>	<b>2,365</b>	<b>93.70</b>

Note: Including the impairment losses on repossessed assets, placements with banks and non-bank financial institutions and other assets.

### Business and Management Expenses

During the reporting period, the Group incurred RMB17.940 billion operating expense, representing an increase of RMB2.082 billion or 13.13% year-on-year, mainly because the Group increased its financial input to promote structural transformation, of which staff cost and property and equipment expenses increased 15.54% and 20.02% year-on-year respectively.

During the reporting period, the Group's cost to income ratio was 28.66%, up by 0.18 percentage point year-on-year.

Item	<i>Unit: RMB million</i>			
	Jan- June 2013	Jan- June 2012	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Staff cost	8,209	7,105	1,104	15.54
Property and equipment expenses and amortization	2,674	2,228	446	20.02
Others	3,469	3,268	201	6.15
<b>Sub-total</b>	<b>14,352</b>	<b>12,601</b>	<b>1,751</b>	<b>13.90</b>
Business tax and surcharges	3,588	3,257	331	10.16
<b>Total operating expenses</b>	<b>17,940</b>	<b>15,858</b>	<b>2,082</b>	<b>13.13</b>
Cost-to-income ratio	35.83%	35.84%	down by 0.01 percentage point	
Cost-to-income ratio (deducting business tax and surcharges)	28.66%	28.48%	up by 0.18 percentage point	

### Income Tax Analysis

During the reporting period, the Group's income tax expense was RMB6.60 billion, up by RMB309 million or 4.91% year-on-year. The Group's effective tax rate stood at 24.23%, down by 0.08 percentage point from 24.31% in the first half of 2012.

### Balance Sheet Analysis

As at the end of the reporting period, total assets of the Group reached RMB3.436945 trillion, up by 16.12% over the end of the previous year, mainly due to increase in the Group's loans and advances and other receivables investment; and total liabilities of the Group reached RMB3.220968 trillion, up by 16.83% over the end of the previous year, mainly as the result of the increase in deposits from customers.

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Net loans and advances to customers	1,787,895	52.0	1,627,576	55.0
Receivables investment	140,667	4.1	56,435	1.9
Investment in debt securities and equity instruments <sup>(1)</sup>	409,004	11.9	346,282	11.7
Cash and deposits with Central Bank	492,526	14.3	428,167	14.5
Net amount of deposits and placements with banks and non-bank financial institutions	340,694	9.9	388,394	13.1
Amounts under resale agreements	217,677	6.3	69,082	2.3
Others <sup>(2)</sup>	48,482	1.5	44,003	1.5
<b>Total assets</b>	<b>3,436,945</b>	<b>100.0</b>	<b>2,959,939</b>	<b>100.0</b>
Deposits from customers	2,613,911	81.2	2,255,141	81.8
Deposits and placement from banks and non-bank financial institutions	475,385	14.8	388,002	14.1
Amounts under repurchase agreements	17,856	0.6	11,732	0.4
Debt securities payable and certificates of deposit issued	55,070	1.7	56,402	2.0
Others <sup>(3)</sup>	58,746	1.7	45,576	1.7
<b>Total liabilities</b>	<b>3,220,968</b>	<b>100.0</b>	<b>2,756,853</b>	<b>100.0</b>

- Notes: (1) Including trading investments, available-for-sale investments, held-to-maturity investments and investments in associates.  
(2) Including derivative financial assets, interest receivables, fixed assets, intangible assets, investment property, goodwill, deferred income tax assets and other assets.  
(3) Including trading financial liabilities, derivative financial liabilities, staff remunerations payable, tax and fee payables, interest payables, estimated liabilities, other liabilities and so on.

### Loan Business

As at the end of the reporting period, total loans and advances of the Group reached RMB1.824552 trillion, up by 9.72% over the end of the previous year; and loans and advances accounted for 52.0% of total assets, down by 3.0 percentage points over the end of the previous year.

### The Group

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,360,245	74.6	1,253,260	75.4
Discounted bills	74,940	4.1	74,994	4.5
Personal loans	389,367	21.3	334,647	20.1
Total loans and advances to customers	1,824,552	100.0	1,662,901	100.0
Impairment provision for loans and advances to customers	(36,657)		(35,325)	
Net loans and advances to customers	1,787,895		1,627,576	

As at the end of the reporting period, loans and advances of the Bank totalled RMB1.731024 trillion, up by 9.79% over the end of the previous year.



## Report of the Board of Directors

### The Bank

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,288,388	74.4	1,188,415	75.4
Discounted bills	67,664	3.9	68,166	4.3
Personal loans	374,972	21.7	320,044	20.3
Total loans and advances to customers	1,731,024	100.0	1,576,625	100.0
Impairment provision for loans and advances to customers	(36,206)		(34,877)	
Net loans and advances to customers	1,694,818		1,541,748	

Please refer to “Risk Management” section of the report for risk analysis of loan business.

### Investment in Debt Securities and Equity Instruments

#### Portfolio Analysis of Investment in Debt Securities and Equity Instruments

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
<b>Debt securities</b>				
Held-to-maturity debt securities	160,970	39.3	135,144	39.0
Available-for-sale debt securities	213,862	52.3	192,340	55.5
Debt securities measured at fair value through profit or loss	20,411	5.0	12,283	3.5
<b>Total debt securities</b>	<b>395,243</b>	<b>96.6</b>	<b>339,767</b>	<b>98.0</b>
<b>Investment funds</b>				
Available-for-sale investment funds	6,804	1.7	684	0.2
Investment funds measured at fair value through profit or loss	2	—	2	—
<b>Total investment funds</b>	<b>6,806</b>	<b>1.7</b>	<b>686</b>	<b>0.2</b>
<b>Equity investments</b>				
Available-for-sale equity instruments	194	—	187	0.1
Investment in associates	2,109	0.5	2,134	0.6
<b>Total equity investments</b>	<b>2,303</b>	<b>0.5</b>	<b>2,321</b>	<b>0.7</b>
<b>Certificates of deposit</b>				
Available-for-sale financial Assets – certificates of deposit	4,841	1.2	3,787	1.1
<b>Total investment in debt securities and equity instruments</b>	<b>409,193</b>	<b>100.0</b>	<b>346,561</b>	<b>100.0</b>
<b>Impairment provision for investment in debt securities and equity instruments</b>	<b>(189)</b>		<b>(279)</b>	
<b>Net investment in debt securities and equity instruments</b>	<b>409,004</b>		<b>346,282</b>	
Market value of listed securities of held-to-maturity debt securities	825		848	

## Classification of Debt Securities Investment

As at the end of the reporting period, the Group's investment in debt securities reached RMB395.243 billion, representing an increase of RMB55.476 billion or 16.33% over the end of the previous year, primarily because the Group increased investment in high-yield bonds and high-credit-rating corporate bonds based on full consideration of investment returns and risks.

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Banks and non-bank financial institutions	119,041	30.1	103,498	30.4
Government	85,267	21.6	73,759	21.7
Policy banks	52,407	13.3	44,720	13.2
PBC	9,327	2.4	11,533	3.4
Public entities	31	—	39	—
Others <sup>(Note)</sup>	129,170	32.6	106,218	31.3
<b>Total debt securities</b>	<b>395,243</b>	<b>100.0</b>	<b>339,767</b>	<b>100.0</b>

Note: Primarily corporate bonds.

## Debt Securities Investment at Home and Abroad

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Domestic	385,759	97.6	328,059	96.6
Overseas	9,484	2.4	11,708	3.4
<b>Total debt securities</b>	<b>395,243</b>	<b>100.0</b>	<b>339,767</b>	<b>100.0</b>

## Foreign Currency Denominated Debt Securities Held

As at the end of the reporting period, the Group held a total of USD2.755 billion foreign currency denominated debt securities (equivalent to RMB17.022 billion), of which the Bank held USD1.419 billion, accounting for 51.51% of the total. The Group's impairment provision for foreign currency denominated debt securities investment was USD30 million (equivalent to RMB184 million), all being provision for impairment losses on debt securities held by the Bank.

## Report of the Board of Directors

### Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 30 June 2013.

*Unit: RMB million*

Name of Debt Securities	Book value	Maturity Date	Annual interest rate (%)	Provision for impairment
Debt Securities 1	4,000	2017-02-28	4.20	—
Debt Securities 2	3,184	2017-04-23	4.11	—
Debt Securities 3	3,008	2015-02-20	3.76	—
Debt Securities 4	2,820	2015-04-23	3.93	—
Debt Securities 5	2,638	2017-07-26	3.97	—
Debt Securities 6	2,631	2019-04-23	4.32	—
Debt Securities 7	2,592	2015-12-07	3.93	—
Debt Securities 8	2,197	2017-05-06	3.33	—
Debt Securities 9	2,054	2018-01-17	4.12	—
Debt Securities 10	2,039	2022-04-23	4.44	—
<b>Total debt securities</b>	<b>27,163</b>			

### Changes in Provisions for Investment Impairment Losses

*Unit: RMB million*

Item	As at 30 June 2013	As at 31 December 2012
<b>Beginning balance</b>	<b>279</b>	<b>440</b>
Accruals during the year <sup>(1)</sup>	(91)	(16)
Write-offs	—	—
Transfer in/out <sup>(2)</sup>	1	(145)
<b>Ending balance</b>	<b>189</b>	<b>279</b>

Notes: (1) Equal to the net provision for impairment losses recognized in the consolidated profit and loss account of the Group.

(2) Transfer in/out includes the amount transferred from the provisions for impairment losses on investment in overdue debt securities to the provisions for bad debt, the transfer of sale of impaired investments to impairment provisions and impacts due to changes in exchange rate.

### Classification of Derivatives and Fair Value Analysis

*Unit: RMB million*

Item	30 June 2013			31 December 2012		
	Nominal principal	Fair value		Nominal principal	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	212,806	1,039	784	223,773	1,269	902
Currency derivatives	810,608	4,368	4,132	550,812	2,891	2,495
Other derivatives	52,151	—	3	21,584	—	15
<b>Total</b>	<b>1,075,565</b>	<b>5,407</b>	<b>4,919</b>	<b>796,169</b>	<b>4,160</b>	<b>3,412</b>

## On-Balance Sheet Interest Receivables

Item	31 December 2012	Increase during the current period	Collected/ transferred during the current period	Unit: RMB million
				30 June 2013
Loan interests receivable	4,414	53,924	(53,351)	4,987
Interest receivable for debt securities	6,009	6,764	(6,666)	6,107
Other interest receivables	2,859	14,711	(14,550)	3,020
<b>Total</b>	13,282	75,399	(74,567)	14,114
Allowances for impairment losses on interest receivables	(242)	(220)	4	(458)
<b>Net interests receivable</b>	13,040	75,179	(74,563)	13,656

## Reposessed Assets

Item	Unit: RMB million	
	30 June 2013	31 December 2012
Original value of reposessed assets		
– Land, premises and constructions	350	421
– Others	27	23
Provisions for impairment of reposessed assets		
– Land, premises and constructions	(117)	(144)
– Others	(24)	(23)
<b>Total book value of reposessed assets</b>	<b>236</b>	<b>277</b>

## Deposits from Customers

As at the end of the reporting period, deposits from customers of the Group totalled RMB2.613911 trillion, up by RMB358.770 billion or 15.91% over the end of the previous year; and deposits from customers accounted for 81.2% of total liabilities, down by 0.6 percentage point over the end of the previous year.

## The Group

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
<b>Corporate deposits</b>				
Demand deposits	966,369	36.9	851,951	37.8
Time deposits	1,178,185	45.1	990,759	43.9
Including: negotiated deposits	100,206	3.8	100,108	4.4
<b>Subtotal</b>	<b>2,144,554</b>	<b>82.0</b>	<b>1,842,710</b>	<b>81.7</b>
<b>Personal deposits</b>				
Demand deposits	116,530	4.5	102,120	4.5
Time deposits	352,827	13.5	310,311	13.8
<b>Subtotal</b>	<b>469,357</b>	<b>18.0</b>	<b>412,431</b>	<b>18.3</b>
<b>Total deposits from customers</b>	<b>2,613,911</b>	<b>100.0</b>	<b>2,255,141</b>	<b>100.0</b>

## Report of the Board of Directors

The Bank's deposits from customers totalled RMB2.506702 trillion, up by RMB358.120 billion or 16.67% over the end of the previous year.

### The Bank

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
<b>Corporate deposits</b>				
Demand deposits	947,048	37.8	833,520	38.8
Time deposits	1,133,619	45.2	948,090	44.1
Including: negotiated deposits	99,340	4.0	99,340	4.6
<b>Subtotal</b>	<b>2,080,667</b>	<b>83.0</b>	<b>1,781,610</b>	<b>82.9</b>
<b>Personal deposits</b>				
Demand deposits	102,937	4.1	86,953	4.1
Time deposits	323,098	12.9	280,019	13.0
<b>Subtotal</b>	<b>426,035</b>	<b>17.0</b>	<b>366,972</b>	<b>17.1</b>
<b>Total deposits from customers</b>	<b>2,506,702</b>	<b>100.0</b>	<b>2,148,582</b>	<b>100.0</b>

### Breakdown of Deposits from Customers by Currency

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
RMB	2,400,162	91.8	2,053,129	91.0
Foreign currencies	213,749	8.2	202,012	9.0
<b>Total</b>	<b>2,613,911</b>	<b>100.0</b>	<b>2,255,141</b>	<b>100.0</b>

### Breakdown of Deposits by Geographical Location

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim <sup>(Note)</sup>	702,795	26.9	617,682	27.5
Yangtze River Delta	634,410	24.3	566,851	25.1
Pearl River Delta and West Strait	374,691	14.3	309,896	13.7
Central region	373,897	14.3	308,383	13.7
Western region	342,301	13.1	275,718	12.2
Northeastern region	79,074	3.0	70,641	3.1
Overseas	106,743	4.1	105,970	4.7
<b>Total deposits from customers</b>	<b>2,613,911</b>	<b>100.0</b>	<b>2,255,141</b>	<b>100.0</b>

Note: Including the Head Office.

## Breakdown of Deposits by Remaining Maturity

## The Group

*Unit: RMB million*

Item	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	1,043,487	39.9	489,298	18.7	424,632	16.2	184,998	7.1	2,139	0.1	2,144,554	82.0
Personal deposits	194,444	7.5	114,148	4.4	120,671	4.6	40,090	1.5	4	—	469,357	18.0
<b>Total</b>	<b>1,237,931</b>	<b>47.4</b>	<b>603,446</b>	<b>23.1</b>	<b>545,303</b>	<b>20.8</b>	<b>225,088</b>	<b>8.6</b>	<b>2,143</b>	<b>0.1</b>	<b>2,613,911</b>	<b>100.0</b>

## The Bank

*Unit: RMB million*

Item	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	1,024,345	40.9	456,545	18.2	415,132	16.5	182,505	7.3	2,140	0.1	2,080,667	83.0
Personal deposits	180,869	7.2	88,150	3.5	117,517	4.7	39,495	1.6	4	—	426,035	17.0
<b>Total</b>	<b>1,205,214</b>	<b>48.1</b>	<b>544,695</b>	<b>21.7</b>	<b>532,649</b>	<b>21.2</b>	<b>222,000</b>	<b>8.9</b>	<b>2,144</b>	<b>0.1</b>	<b>2,506,702</b>	<b>100.0</b>

## Shareholders' Equity

Changes in shareholders' equity in the Group during the reporting period are listed in the following table:

*Unit: RMB million*

Item	30 June 2013							
	Share Capital	Capital Reserve	Surplus Reserve and General Risk Provision	Undistributed Profit	Translation Gap of Foreign Currency Statements	Minority Shareholders' Equity	Total Shareholders' Equity	Total Shareholders' Equity
Beginning balance	46,787	49,303	47,035	57,351	(2,120)	4,730	203,086	203,086
1. Net profit	—	—	—	20,391	—	252	20,643	20,643
2. Other comprehensive income	—	(444)	—	—	(178)	(112)	(734)	(734)
3. Profit distribution	—	—	—	(7,018)	—	—	(7,018)	(7,018)
Ending balance	46,787	48,859	47,035	70,724	(2,298)	4,870	215,977	215,977

## Major Off-Balance Sheet Items

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

Item	<i>Unit: RMB million</i>	
	30 June 2013	31 December 2012
Credit commitments		
– Banker's Acceptance bills	729,124	666,007
– Letters of credit issued	159,250	166,268
– Letters of guarantee issued	101,969	89,554
– Irrevocable loan commitments	101,762	115,246
– Credit card commitments	90,944	80,452
<b>Subtotal</b>	<b>1,183,049</b>	<b>1,117,527</b>
Operating lease commitments	10,450	9,997
Capital commitments	1,229	681
Pledged assets	27,738	11,795
<b>Total</b>	<b>1,222,466</b>	<b>1,140,000</b>

## Supplementary Financial Indicators

Major Indicators <sup>(1)</sup>	Standard (%)	The Bank (%)		
		30 June 2013	31 December 2012	31 December 2011
Liquidity ratio (both RMB and Foreign currency)	≥ 25	50.97	52.20	60.89
Including: RMB	≥ 25	48.23	48.85	58.97
Foreign currencies	≥ 25	80.70	86.48	96.55
<b>Loan-to-deposit ratio<sup>(2)</sup></b>				
(both RMB and Foreign currency)	≤ 75	69.20	73.59	72.97
Including: RMB	≤ 75	68.09	74.12	73.26
Foreign currencies	≤ 75	90.04	64.12	65.44

Notes: (1) The figures were calculated in accordance with the regulatory standards of the Chinese banking industry.  
 (2) Discounted bills are included in loans.

## Capital Adequacy Ratio

The Bank calculates and discloses its capital adequacy ratios according to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC (implemented as of 1 January 2013). During the reporting period, capital adequacy ratios of the Group at all levels complied with regulatory requirements of the new measures. As at the end of the reporting period, the Group recorded 8.92% core tier-one capital adequacy ratio, down by 0.37 percentage point over the end of the previous year, 8.92% tier-one capital adequacy ratio, down by 0.37 percentage point over the end of the previous year, and 11.47% capital adequacy ratio, down by 0.95 percentage point over the end of the previous year.

Item	30 June 2013	31 December 2012	Unit: RMB million
			Increase/decrease over the end of the previous year (%)
Core tier-one capital	213,334	202,521	5.34
Net tier-one capital	213,395	202,574	5.34
Net capital	274,371	270,839	1.30
Risk-weighted assets	2,391,470	2,180,062	9.70
Core tier-one capital adequacy ratio	8.92%	9.29%	down 0.37 percentage point
Tier-one Capital adequacy ratio	8.92%	9.29%	down 0.37 percentage point
Capital adequacy ratio	11.47%	12.42%	down 0.95 percentage point

## Major Accounting Estimates and Assumptions

When applying its accounting policies to determine the amounts of assets and liabilities as well as profits and losses during the reporting period and preparing its financial statements in conformity with the PRC Accounting Standards for Business Enterprises, the Group needs to make certain accounting estimates and assumptions based on its historical experiences and other factors such as reasonable expectations of future events, and review such estimates and assumptions on an on-going basis. All the accounting estimates and assumptions hitherto made by the Group have appropriately reflected the financial positions of the Group.

The basis for compilation of the Group's financial statements are influenced by estimates and judgments in the following main aspects: confirmation and measurement of financial instruments (provisions for loan impairment losses and bad debt write-offs, classification of debt securities and equity investments, trading investments, fair value measurement of transactions designated to be measured at fair value and with changes in fair value reflected in profit and loss, fair value measurement of available-for-sale investments, and fair value measurement of financial derivatives), affirmation of actuarial obligations for pension and welfare, and recognition of deferred income tax and income tax expense.



## Measurement of Fair Value

The Bank measured the fair value of financial instruments according to the Price Determination Method for Financial Instruments of China CITIC Bank in Treasury and Capital Market Business. The methods for determination of fair value included the use of financial media quotes, open or individual valuation techniques, and trading counter-party or third party price inquiry. In principle, the Bank made priority use of quotes from active markets to measure fair value. For financial instruments without active markets, the latest market trading quotes were applied. For those financial instruments without market quotes, valuation techniques or price inquiry method was applied.

The Bank strictly implemented the internal control procedure for measurement of fair value. Its business departments, risk management departments and accounting departments collectively confirmed the determination methods and sources for fair value of financial instruments in light of business needs. The accounting departments conducted independent valuation of fair value based on requirements of accounting standards, and prepared valuation reports regularly. The risk management departments reviewed various valuation reports, and supervised the implementation of valuation methods. The systems and methods related to the measurement of fair value were approved by the Market Risk Management Committee of the Bank's Head Office.

## Segment Report

### Business Segments

Major business segments of the Group cover corporate banking, retail banking and financial market business. Data of these business segments mainly came from the Group's management accounting system.

*Unit: RMB million*

Business Segments	Jan-June 2013				Jan-June 2012			
	Segment operating income	Proportion (%)	Profit before taxation	Proportion (%)	Segment operating income	Proportion (%)	Profit before taxation	Proportion (%)
Corporate banking	33,729	67.4	19,767	72.6	33,725	76.3	21,214	82.0
Personal banking	9,608	19.2	1,683	6.2	6,728	15.2	1,293	5.0
Treasury business	3,909	7.8	3,620	13.3	3,820	8.6	3,616	14.0
Other business	2,828	5.6	2,173	7.9	(30)	(0.1)	(247)	(1.0)
<b>Total</b>	<b>50,074</b>	<b>100.0</b>	<b>27,243</b>	<b>100.0</b>	<b>44,243</b>	<b>100.0</b>	<b>25,876</b>	<b>100.0</b>

### Geographical Segments

The Yangtze River Delta, the Pearl River Delta and the West Strait and the Bohai Rim have always been significant contributors to the Group's income and profit growth. The table below lists operating results of these geographical segments during the reporting period.

*Unit: RMB million*

Geographical Segments	30 June 2013				Jan-June 2013	
	Total assets <sup>(Note)</sup>		Total liabilities		Profit before taxation	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta	772,074	22.5	766,834	23.8	3,524	12.9
Pearl River Delta and West Strait	533,154	15.5	528,470	16.4	3,073	11.3
Bohai Rim	815,306	23.8	807,570	25.1	5,459	20.0
Central region	442,359	12.9	437,824	13.6	3,967	14.6
Western region	431,534	12.6	426,567	13.2	3,407	12.5
Northeastern region	86,397	2.5	84,826	2.6	1,048	3.8
Head Office	1,161,770	33.9	997,563	31.0	5,768	21.2
Hong Kong	149,828	4.4	133,563	4.1	997	3.7
Inter-segment adjustment	(962,089)	(28.1)	(962,249)	(29.8)	—	—
<b>Total</b>	<b>3,430,333</b>	<b>100.0</b>	<b>3,220,968</b>	<b>100.0</b>	<b>27,243</b>	<b>100.0</b>

Note: Excluding deferred income tax assets.

*Unit: RMB million*

Geographical Segments	31 December 2012				Jan-June 2012	
	Total assets <sup>(Note)</sup>		Total liabilities		Profit before taxation	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta	720,231	24.3	709,635	25.7	5,616	21.7
Pearl River Delta and West Strait	438,698	14.9	431,981	15.7	2,560	9.9
Bohai Rim	727,706	24.6	715,812	26.0	6,062	23.4
Central region	351,283	11.9	344,631	12.5	2,909	11.2
Western region	356,213	12.1	349,718	12.7	2,832	10.9
Northeastern region	77,278	2.6	75,502	2.7	757	2.9
Head Office	962,733	32.6	825,654	29.9	4,310	16.8
Hong Kong	146,268	5.0	130,482	4.7	830	3.2
Inter-segment adjustment	(826,562)	(28.0)	(826,562)	(29.9)	—	—
<b>Total</b>	<b>2,953,848</b>	<b>100.0</b>	<b>2,756,853</b>	<b>100.0</b>	<b>25,876</b>	<b>100.0</b>

Note: Excluding deferred income tax assets.

## | Business Review

### Corporate Finance Business

The Bank paced up restructuring of its corporate finance business, optimized its financial service models for large, medium and small corporate customers, improved stratified operation of corporate customers, enhanced innovation of products and services in its supply chain finance and cash management business, and reinforced cooperation with customers that were government institutions and public utilities. As a result, the Bank continued to maintain its industrial champion status in international business and investment banking business and achieved rapid development of its corporate finance business.

The Bank proactively expanded its diversified source channels of corporate deposits, tapped into existing resources such as customers, products and outlets, and increased the proportion of corporate liabilities that were of low cost and high stability. By grasping market opportunities such as emergence of the modern service sector and new-style urbanization, the Bank enhanced the role of financial products such as cash management, supply chain finance, investment banking and international business in supporting and driving forward corporate liabilities business and achieved rapid growth of corporate deposits. In addition, the Bank devoted itself to adjustment and optimization of its corporate loan structure, adjusting credit line resources and optimizing mechanism for allocation of credit resources.

As at the end of the reporting period, corporate customers of the Bank stood at 325 thousand, 15.3 thousand accounts higher over the end of the previous year; corporate deposit balance of the Bank reached RMB2.080667 trillion, up by 16.79% over the end of the previous year; and negotiated deposits recorded RMB99.340 billion, accounting for 4.77% of the Bank's total corporate deposits. The Bank's corporate loan balance registered RMB1.356052 trillion, up by 7.92% over the end of the previous year, of which the balance of general loans recorded RMB1.288388 trillion, accounting for 95.01% of the total, up by 0.43 percentage point over the end of the previous year. During the reporting period, the Bank realized RMB32.863 billion operating income in its corporate finance business, accounting for 68.26% of its total operating income, which included net non-interest income of RMB5.006 billion from corporate finance business, accounting for 57.60% of the Bank's total net non-interest income.

#### **Restructuring of Corporate Customers**

The Bank vigorously promoted concentrated operation of large customers at the branch level, which was in line with the overall strategic thinking of "drive the focus of corporate customers upward". The Bank newly set up its Group Client Banking Department at the Head Office, so as to concentrate resources for systematic marketing to and professional operation of large corporate customers. Further efforts were made by the Bank to establish and improve the performance evaluation and incentive systems for strategic customer operation. The Bank maintained stable growth in its business cooperation with strategic customer, benefiting from its efforts in deepening the business model of "commercial banking + investment banking" targeting strategic customers, reinforcing interactive marketing between customer departments and product departments and improving professional operation and service provision of its teams. During the reporting period, daily average balance of deposits from strategic customers stood at RMB777.282 billion, taking up 40.62% of average daily balance of corporate deposits of the Bank, representing an increase of RMB136.371 billion or 21.28% over the end of the previous year; balance of general loans to strategic customers as at the end of the reporting period registered RMB416.758 billion, accounting for 32.35% of the Bank's balance of general loans to corporate customers, representing an increase of RMB17.770 billion or 4.45% over the end of the previous year.

During the reporting period, the Bank newly established its Institutional Banking Department at the Head Office to reinforce uniform planning, concentrated management and systematic promotion of financial services to institutional customers, and gradually developed the financial service model of “basic products + unique programs + special systems”. The Bank deepened its cooperation with governments and finance departments at all levels, concluding strategic cooperation agreements with provincial and municipal governments of Inner Mongolia Autonomous Region, Guangzhou, Taiyuan, Wuhan and Wuxi, for the purpose of becoming the “provider of integrated financial services” in the new round of local government-initiated economic development. In addition, the Bank effectively drove forward its cooperation with institutional customers in areas of public utilities such as social security, health care, education and culture, and accelerated business planning and customer marketing for priority sub-areas of institutional banking. As at the end of the reporting period, the Bank recorded nearly 18 thousand of institutional customers; deposit balance of institutional customers reached RMB585.750 billion, accounting for 28.15% of its corporate deposits and exceeding the average growth rate of the Bank’s corporate deposits.

The proportion of small and micro enterprise business in the Bank’s total business continued to rise. As at the end of the reporting period, the Bank had 18,469 small and micro enterprises<sup>1</sup> with credit-facility, representing an increase of 1,140 accounts over the end of the previous year; small and micro enterprises receiving loans from the Bank numbered 12,414 accounts, up by 831 accounts over the end of the previous year; the balance of loans to small and micro enterprises totalled RMB250.108 billion, up by RMB37.89 billion or 17.85% over the end of the previous year, a growth rate markedly higher than the average growth rate of the Bank’s loans in all categories. NPL balance was RMB4.334 billion and the NPL ratio was 1.73%, up by 0.14 percentage point over the end of the previous year.

### International Business

The bank deepened customer segmentation and strengthened three level interaction of the Head office, branches, and sub-branches in its international business, realized better business co-ordination by providing professional service and innovative products. During the reporting period, the Bank launched low capital consumption and high yields products such as financing under insurance, guaranteed payment on the import collection, export receivables financing, NRA forfeiting. Meanwhile, with over 100 percent year-on-year growth, buyers’ finance, export finance on the letter credit, and non-payment guarantee achieved satisfactory market results.

During the reporting period, the Bank realized RMB1.421 billion fee income; achieved USD158.215 billion in foreign exchange receipts and payments (including trade account, non-trade account and capital account) in its international business, up by 34.49% over the previous year, achieving a market share of 4.82% (according to the monthly statement on statistics of international receipts and payments prepared by the State Administration of Foreign Exchange); Cross-border Renminbi receipts and payments realized by the Bank totaled RMB114.871 billion, up by 85.46% over the previous year, achieving a market share of 5.7% (according to the monthly statement on statistics of cross-border Renminbi receipts and payments prepared by the PBC). For both of foreign exchange and cross border Renminbi receipts and payments, the bank ranked No.6 in domestic market and No.1 of all joint-stock banks in China.

<sup>1</sup> The statistical scope of small and micro business follows the standards on classification of large, medium, small and micro businesses as contained in the Notification on Printing and Distribution of the Provisions on Classification of Medium, Small and Micro Businesses (MIIT [2011] 300) jointly issued by the Ministry of Industry and Information Technology (MIIT), the National Statistics Bureau (NSB), the National Development and Reform Commission (NDRC) and the Ministry of Finance (MOF).

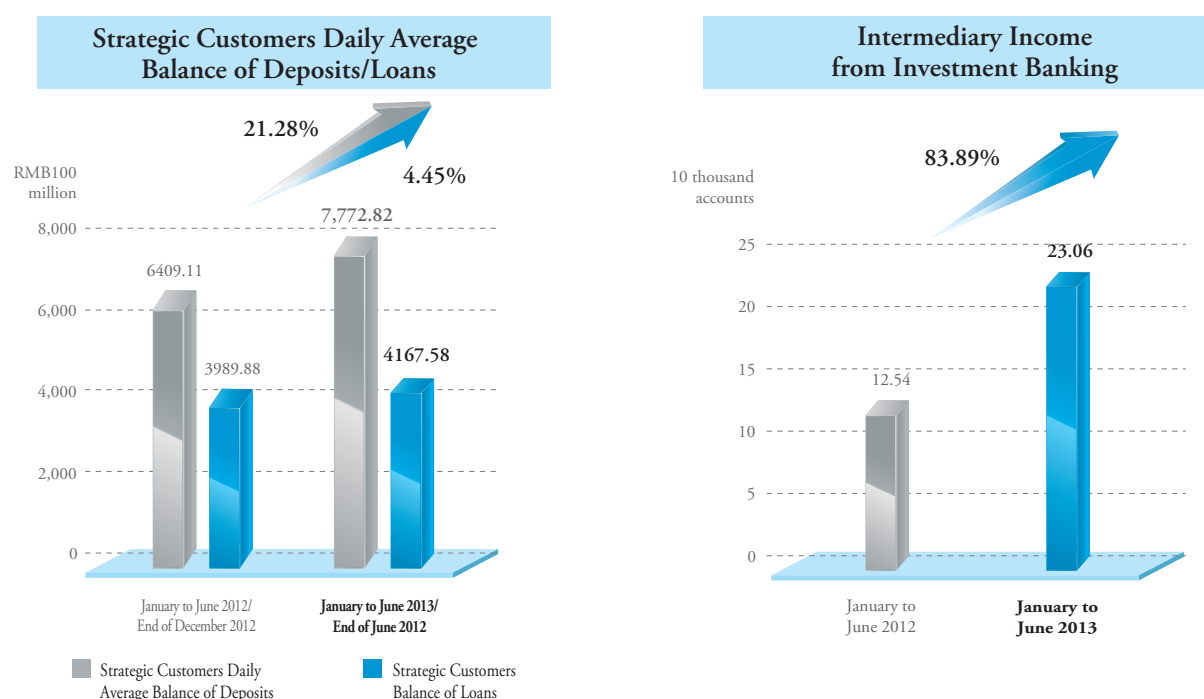
### Investment Banking Business

The Bank continued to apply its professional operation model in investment banking, put into full play its role as a provider of financial intermediary services on the capital market, and enhanced its business development model of “commercial banking + investment banking” by improving the cross-market integrated financial service platform of investment banking, achieving continuous improvement in both business profitability and capacity of service provision for customer financing. During the reporting period, the Bank recorded RMB264.2 billion cumulative financing for customers, up by 65.93% year-on-year; realized RMB2.306 billion intermediary business income in investment banking, up by 83.89% year-on-year, of which business income from asset management, bond underwriting and structured financing went up by 169.04%, 103.79% and 49.86% respectively year-on-year.

During the reporting period, the Bank issued (via announcements) 154 debt financing instruments and underwrote RMB137.8 billion in total value, ranking No.2 and No.3 in the Chinese banking industry (as per Wind rankings) respectively, taking the second place among the leading joint-stock banks for syndicated loans in Mainland China (as per Bloomberg rankings).

### Supply Chain Finance Business

The Bank sped up product innovation and industrial expansion for its supply chain finance business. Closed financing and portfolio financing products were developed; whole-process service programs for total supply chain finance were tailored for customers; portfolio innovation covered products of supply chain finance, cash management and e-commerce with the launch of innovative products such as online finance for e-commerce and standard bill financing; and the scope of services was extended to industries including coal, modern logistics and healthcare. By accelerating the construction of the platform for concentrated management of supply chain finance business, and reinforcing customer access, post-lending management and logistics regulation, the Bank strengthened its business risk management and control.



As at the end of the reporting period, financing balance of the Bank's supply chain finance business reached RMB206.397 billion, representing an increase of RMB4.908 billion over the end of the previous year; and daily deposits cumulated to RMB138.505 billion, representing an increase of RMB21.794 billion over the end of the previous year. The Bank established cooperative relationship with 65 automobile brands on the "Head Office to Head Office" network business platform, covering all key domestic automobile manufacturers; and developed partnership with 4,915 auto dealers, 199 dealers or 4.22% higher over the end of the previous year.

### Cash Management

The Bank continued improving its cash management product system. Particulars include online operation of Cash Management version 5.3, Bank-Enterprise Direct Link version 4.2 and Online Financing System for B2B E-Commerce, expanding functionalities such as Wealth Management Account All in One, commercial draft business system, agency receipts and payments and online financing. In addition, the Bank further promoted construction of the depository system for excess reserves from payment-institution customers, the cloud service platform for multi-bank fund management, and the business system for integration of wealth and asset management, all of which contributed to higher system performance and better customer experience.

As at the end of the reporting period, the number of group cash management projects and accounts of the Bank recorded 2,935 and 16,954 respectively, representing an increase of 448 projects and 1,806 accounts over the end of the previous year respectively. During the reporting period, the Bank realized RMB7.5 trillion transaction value of group cash management, up by RMB1.04 trillion or 16.1% year-on-year.

### Special Business Area: Asset Custody Business

The custody business maintained a high growth during this reporting period. According to the bank's strategy, the new business has been paid equal attention as the traditional business and the product structure has been adapted for this strategy. At the same time the bank enhances safe operation, management foundation and service capacity, both of the business scale and income have reached the highest level in history. The bank's custody asset reached RMB1.468356 trillion at the end of the reporting period, which shows an increase of 102.41% compared with the end of the previous year. The scale of pension business under contract has increased by RMB7.604 billion, reaching RMB35.507 billion. The total income of custody business has increased 77.73%, which reached RMB407 million during the reporting period.

According to the China Banking Association, at the end of the reporting period, the Bank ranked No.2 based on the custody asset scale and No.5 based on the custody income among the joint-stock banks. Comparing with the end of previous year, it shows an increase of 4 positions and 1 position respectively.

### Retail Finance Business

The Bank continued to accelerate strategic transformation of retail finance business. Focusing on "actual controllers of family wealth", the Bank developed unique products such as Fragrant Card, Happy Elderly Card and Going-abroad Finance to help customers create their family wealth management systems. Towards the strategic goal of "drive the focus of retail customers downward", the Bank intensified its efforts to construct retail channels so as to develop itself into a full-function retail bank, thereby improving both sales capacity and customer operation capability of its outlets.

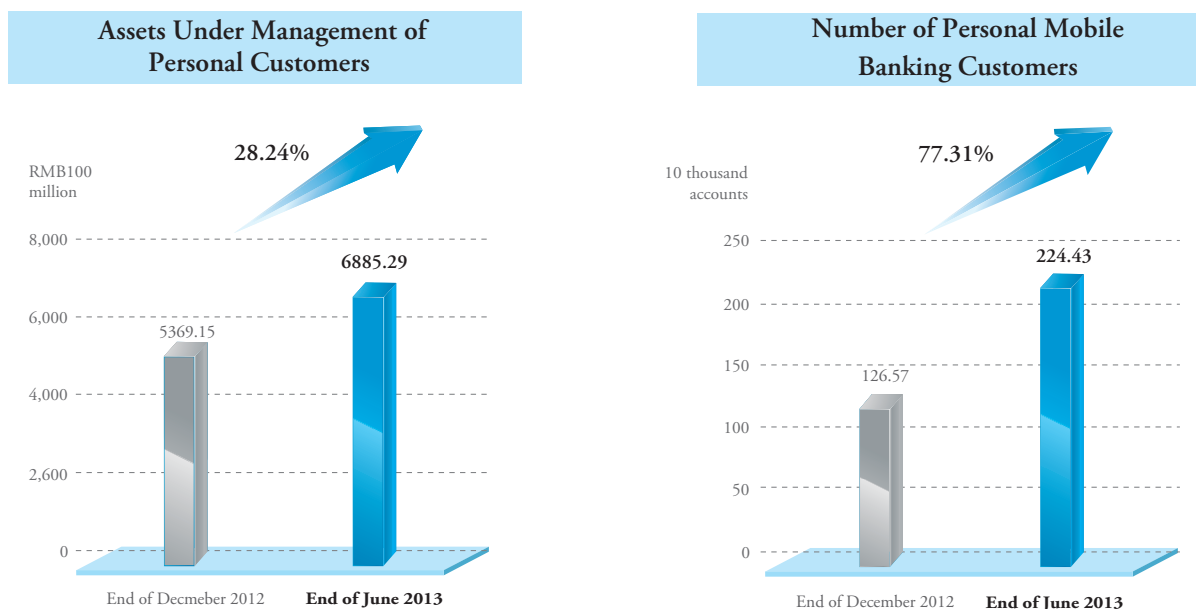
As at the end of the reporting period, the number of personal customers of the Bank reached 35.50 million accounts,

up by 7.93% over the end of the previous year; the Bank's balances of personal deposits and personal loans recorded RMB426.035 billion and RMB374.972 billion respectively, up by 16.09% and 17.16% over the end of the previous year respectively. AUM<sup>1</sup> of personal customers registered RMB688.529 billion, up by 28.24% over the end of the previous year; agency sales of wealth management products totalled RMB506.830 billion, up by 65.99% year-on-year; agency fund sales of the Bank reached RMB22.500 billion, up by 24.31% year-on-year; and insurance sales on agency basis amounted to RMB2.652 billion, up by 41.95% year-on-year. During the reporting period, the Bank achieved RMB8.994 billion operating income and RMB2.809 billion non-interest income from retail finance respectively, accounting for 18.68% of the Bank's total operating income and 32.32% of the Bank's total non-interest income respectively.

### Consumer Finance

In consumer finance, an area of the Bank's strategic transformation, the Bank focused on providing financing services to personal consumption (including but not limited to housing, automobile, decoration, tourism, education, healthcare and commodities) and acquired customers via indirect channels such as real estate developers, intermediaries, distributors, agents, traders, tourist companies and hospitals and direct channels such as online banking, telephone banking and physical outlets. During the reporting period, the Bank newly set up a Consumer Finance Department at the Head Office to take charge of marketing management and channel development of consumer finance business bank-wide and define product positioning by combing and integrating product systems. Efforts were made to design products in line with different risk features of different customer groups along with matching criteria, credit policy, business procedure and pricing criteria, and launch pertinent stratified products to different customers.

As at the end of the reporting period, the Bank recorded RMB245.183 billion loan balance for consumer finance<sup>2</sup>, up by RMB27.239 billion or 12.50% over the end of the previous year. Incremental consumer finance loans during the reporting period stood at RMB54.001 billion, up by 128.81% year-on-year.



<sup>1</sup> To improve service quality and unify customer criteria, the Bank optimized and unified the classification criteria of retail customers, using AUM as the uniform threshold for stratification of customers. AUM, as the abbreviation of Assets Under Management, includes customer deposits, investment in wealth management products. The Bank made such adjustments on 1 January 2013. The corresponding AUM of individual customers under this definition stood at RMB536.915 billion at the end of year 2012.

<sup>2</sup> Consumer finance business of the Bank includes housing mortgage, auto, education, comprehensive consumption, commercial property and commercial vehical lending.

### Wealth Management and Private Banking

The Bank re-defined its customer positioning and identified service standards for different layers of customers of retail banking to provide differentiated products and services thereto. During the reporting period, the Bank newly established a Wealth Management and Private Banking Department at the Head Office to integrate high-end retail customer and management resources, re-plan and re-deploy wealth management and private banking business in terms of brand development, R&D of proprietary products, cultivation of professional teams and systematic support.

As at the end of the reporting period, 269,679 people held VIP accounts<sup>1</sup> at the Bank each with over RMB500,000 AUM, representing an increase of 55,428 accounts or 25.87% over the end of the previous year; AUM balance of VIP customers reached RMB469.261 billion, up by RMB116.541 billion or 33.04% over the end of the previous year. Private banking customers each with more than RMB6 million AUM with the Bank numbered 10,651 accounts, representing an increase of 3,009 accounts or 39.37% over the end of the previous year; and AUM balance of private banking customers stood at RMB157.727 billion, representing an increase of RMB50.773 billion or 47.47% over the end of the previous year.

### Credit Card

The Bank made proactive efforts to explore new operation models of credit card business in the mobile internet era. During the reporting period, the Bank initiated operation of its WeChat official account for credit card business, successfully launched the CNCB I Platinum Credit Card, fully upgraded rights and interests of Limitless Card, enhanced cross-sector cooperation with business partners in aviation and brand hotels, and innovatively released unique products such as Borrowing At Any Time Fund and New Dream-Fulfilling Fund, thereby further enriching its business products and channels. With high attention paid to better customer product experience, the Bank organized theme events including “9 Score Exchange”, “Brilliant 365”, “9 RMB Movie” and “Wonderful CITIC Business Circles” and launched borrowing-lending interactive marketing activities, which gradually developed the “Big Retail” customer operation system that featured interaction between credit card and retail finance.

As at the end of the reporting period, the Bank issued a cumulative number of 18.7901 million credit cards, up by 20.70% year-on-year; registered RMB200.819 billion credit card transaction value, up by 73.63% year-on-year, and realized RMB3.866 billion income from credit card business, representing a growth of RMB1.287 billion or 49.89% year-on-year.

### Small Enterprise Finance

During the reporting period, the Bank shifted small enterprise finance from corporate banking to retail banking, incorporated personal business loans into the line of small enterprise finance for management, and accelerated the development of small enterprise finance mechanisms and regulations via small and micro orientation of customer positioning, retail orientation of marketing events, standardization of product development, flow management of operation and intensive control of risks.

<sup>1</sup> As per the uniform criteria of retail finance business, the Bank adopted AUM as the uniform threshold for stratifying customers as of 1 January 2013. Under the new criteria, the Bank had 214,251 accounts of VIP customers with AUM balance of RMB352.720 billion and 7,642 accounts of private banking customers with AUM balance standing at RMB106.954 billion.



## Report of the Board of Directors

As at the end of the reporting period, the Bank recorded RMB93.550 billion balance of loans to small enterprises<sup>1</sup>, up by RMB16.969 billion or 22.16% over the end of the previous year, markedly higher than the average growth rate of the Bank's loans in all categories; 21,591 accounts of small enterprise customers, up by 2,181 accounts over the end of the previous year; RMB4.33 million loan per account on average; NPL balance of RMB1.87 billion and NPL ratio of 2.00%, up by 0.98 percentage point over the end of the previous year. Loans to small enterprises kept a relatively high pricing level, with average interest rate of all loans for small enterprises enjoying 24.90% premium over the benchmark interest rate, markedly higher than the average interest rate premium level of corporate loans in general.

### Special Business Area: Wealth Management Business

During the reporting period, the CBRC released the Notification on Several Issues of Regulating Investment Operation of Wealth Management Business of Commercial Banks (YIN JIAN FA [2013] No.8), putting forward further requirements on banks' investment and operation of wealth management business. Facing more stringent regulatory requirements, the Bank proactively adjusted the ratio of non-standard credit assets to ensure regulatory compliance of its wealth management business, accelerated the development of new product models of standard credit assets or investment assets increased the investment on PPN, asset securitization, money market tools, fixed income investment, and strengthened the efforts to the R&D of innovative standard investment products and wealth management products of investment assets.

As at the end of the reporting period, the existing size of wealth management products reached RMB411.744 billion, up by RMB133.244 billion or 47.87% over the end of the previous year. Within the same period, the Bank realized non-interest income RMB1.079 billion (including wealth management products, consignment sale of products from funds, brokers, insurances, trusts, etc.), enjoying a growth of RMB663 million or 159.38% year-on-year.

## Financial Market Business

In facing with the negative externalities of economic slowdown and narrowing credit interest spreads at the debt securities market, the Bank upheld the principles of "safety, liquidity and profitability" for bank operation on the financial market by maintaining reasonable duration of debt securities investment, grasping opportunities for foreign exchange and interest rate business transactions, and promoting growth of traditional business with innovative products and services. The Bank further strengthening the utilization of bonds repurchase, inter-bank borrowing and other money market instruments, increasing the participation in the money market, gradually enhancing its market influence, effectively improving the operating efficiency at the same time of developing its function of regulating the supply and demand of funds. During the reporting period, the Bank's operating income from financial market business reached RMB3.550 billion, accounting for 7.37% of the Bank's total operating income and non-interest income from financial market business totalled RMB734 million, accounting for 8.45% of the Bank's total net non-interest income.

### Financial Market Business

Benefiting from its proactive efforts in money market business such as Renminbi inter-bank borrowings and bond repos, the Bank was able to consolidate and expand its business channels and achieve steady growth of its transaction volume. When supply and demand of market funds changed and interest rate fluctuated, money market business, as an important tool for liquidity management, played a positive role in increasing sources of liquid funds and improving short-term returns of fund operation.

<sup>1</sup> Small enterprise finance customers of the Bank include small/micro enterprise legal person customers and personal business loan customers (excluding commercial housing and commercial vehicle business), of which small/micro enterprise legal person customers refer to small and micro enterprises satisfying the "criteria set by the four Ministries" and receiving no more than RMB10 million (inclusive) credit grant each.

The Bank continued to enhance product innovation capabilities and market risk management for foreign exchange market-making business, satisfying customers' needs for hedging foreign exchange risk and yield enhancement, improving the autonomous pricing and trading capabilities. Pushed forward its Renminbi denominated bond market making business, interest rate derivatives market making business and group subscription business, thereby building up its capability for market pricing and trend judgment, further adapted to customers' actual demand and developed RMB-denominated derivatives products to satisfy customers' needs for managing financial risks and improving financial earnings.

The Bank, in pursuance of its prudent development strategy, placed its focus on standard simple derivatives business, and satisfied customer demands for financial management with controllable risks mainly through simple interest rate derivatives. Meanwhile, with full use of its competitiveness in market research, the Bank provided customers with high quality professional hedging services.

The Bank adopted a prudent investment strategy for Renminbi denominated bond investment, took an appropriate grasp of market rhythm, made timely adjustment of bond duration, optimized asset structure and paid equal attention to return on asset and market risk. Highlighting structural adjustment of foreign-currency bond investment, the Bank actively reduced assets with high expected risks, and thus further enhanced yield stability and risk resilience of its assets in general. As at the end of the reporting period, the Bank achieved 3.85% average yield for both Renminbi and foreign-currency self-operated bond investment.

### Interbank Business

The Bank further improved the product system for its inter-bank business, deepened customer marketing and optimized performance incentives. Through proactive R&D and promotion of new products such as transfer of inter-bank assets and relief of inter-bank credit granting risks, the Bank paced up expansion of fund application channels and sources of income.

As at the end of the reporting period, interbank liabilities and assets of the Bank stood at RMB501.368 billion and RMB538.360 billion respectively, representing an increase of RMB90.711 billion or 22.09% and RMB104.752 billion or 24.16% over the end of the previous year respectively.

### Online Banking

Based on the strategic vision of "creating another CITIC Bank online", the Bank drove forward its efforts to enhance internet-based financial business and finance-based internet business and was thereby able to maintain the momentum of rapid growth of all business lines. During the reporting period, the Bank realized RMB174.70 million income from intermediary business of online banking, up by 56.17% year-on-year.

### Internet-based Financial Business

The Bank exerted enthusiastic efforts to promote internet-based financial business, guiding customers to buy financial products, carry out financial transactions and obtain financial services via the internet so as to improve efficiency of customer service provision and save customer transaction cost. As at the end of the reporting period, personal internet banking customers of the Bank numbered 8.8259 million accounts, representing an increase of 1.2593 million accounts or 16.64% over the end of the previous year. Corporate e-banking customers<sup>1</sup> numbered 199,090 accounts, representing an increase of 15,529 accounts or 8.44% over the end of the previous year. The Bank had 2.2443 million personal mobile banking customers, representing an increase of 978,570 accounts or 77.31% over the end of the previous year.

<sup>1</sup> Corporate e-banking includes corporate internet banking, bank-enterprise direct link, gateway, mobile banking, telephone banking, text message banking etc.

## Report of the Board of Directors

Through the series of marketing activities conducted in the name “E-Loving”, the Bank promoted active use of online banking among customers and improved transaction substitution rate. During the reporting period, the transaction substitution rate of online banking reached 42.45%, up by 28.05% year-on-year. The number and volume of personal internet banking transactions stood at 46.8717 million and RMB2.41 trillion respectively, up by 95.21% and 66.47% year-on-year respectively. The number and value of corporate e-banking transactions recorded 11.0474 million and RMB12.04 trillion respectively, up by 36.28% and 19.12% year-on-year respectively. The Bank’s personal mobile banking business recorded 379,800 transactions and RMB4.867 billion transaction value, amounting to 3.6 times and 7.8 times the previous-year figures respectively.

For the purpose of enhancing customer experience, the Bank accelerated enrichment of its online banking platforms and functions. The Bank launched its online financial mall featuring open-shelf display of products and multi-dimensional interaction between the Bank and its customers, further improving platform construction. The Bank launched NFC mobile payment together with China UnionPay, and independently developed the “Cyber Payment” product series represented by QR code payment, achieving a breakthrough in the application of new technologies. The Bank’s online financial mall has launched unique functions such as online payment of visa fees to the US Embassy and online account opening. Personal internet banking is now capable of real-time FOREX settlement and sales and automatic batch pooling of funds. Corporate internet banking offers standard supply chain financial products. And mobile banking assumes new functions such as donation and financial assistant (both being fund and wealth management products), further enriching the functions of online banking platform.

### Finance-based Internet Business

The Bank devotes itself to providing the internet industry with financial solutions. Through service solutions such as “Cyber Payment”, internet lending, and fund management (regulation and settlement), the Bank serves multiple customers including “online stores, internet enterprises, online government and internet users (netizens)”. “Cyber Payment” of the Bank covers a series of new payment services including QR code payment, NFC mobile payment, cross-banks bill collection. For internet lending, the Bank has basically built in place a new model ranging from online application, acceptance, review and approval of applications, disbursement of loans and off-site post-lending management, providing services of online business loans and consumer loans to buyers and sellers on the e-commerce platform.

During the reporting period, the Bank newly acquired 78 cooperative e-commerce enterprises, up by 225% year-on-year, including 18 non-financial payment institutions and 60 directly-linked enterprises, totalling 244 cooperative enterprises.

## Integrated Financial Service Platform of CITIC Group

CITIC Group has numerous financial subsidiaries that are engaged in multiple business areas including banking, securities, insurance, fund, trust and futures, most of which are leaders in their respective sectors. The Bank has achieved its unique competitive advantages via the integrated financial service platform of CITIC Group on the condition in compliance with laws and regulations. In the meantime, the Bank has continuously consolidated its cooperation with CIFH and CNCBI to steadily advance its “going global” strategy.

### Sharing of Channel Resources

Through agency product sales at physical outlets and via online banking, the Bank cooperated with subsidiaries of the CITIC Group such as CITIC Securities, CITIC-Prudential Insurance, Tianan Insurance, CITIC-Prudential Fund Management, CITIC Real Estate, CITIC Tourism and CITIC Press for sharing of channel resources.

Via its physical outlets, the Bank agency sold 15 products of CITIC Securities totalling RMB2.671 billion in value, 29 products of CITIC-Prudential Insurance and Tianan Insurance valued at RMB1.679 billion in total, 22 products of CITIC-Prudential Fund Management totaling RMB3.197 billion in value, and 36 products of China AMC valued at RMB526 million in total. Through online banking, the Bank agency sold RMB2.100 billion fund products of CITIC-Prudential Fund Management and China AMC as well as RMB63.558 billion wealth management products of CITIC Securities and CITIC Trust. CITIC Securities, CITIC-Prudential Insurance, CITIC Futures, CITIC-Prudential Fund Management, CITIC Real Estate, CITIC Tourism and CITIC Press also shared their institutional and outlet resources with the Bank by means of personnel dispatching, joint organization of marketing events and display of publicity materials about the Bank.

### **Joint R&D and Cross Selling of Products**

The Bank carried out extensive cooperation with financial subsidiaries of CITIC Group in areas including wealth management products, third-party depository services, custody, bond underwriting, corporate annuity and co-brand cards and thereby provided customers with differentiated integrated financial services.

In terms of research and development of wealth management products, the Bank researched and developed 171 wealth management products and realized sales value of RMB85.890 billion in cooperation with CITIC Securities, CITIC Trust and China Securities.

In terms of third-party depository business, the Bank shared 6,366 institutional customers and 368,937 personal customers in third-party depository business with CITIC Securities, CITIC Securities (Zhejiang), CITIC Wantong Securities and China Securities.

In terms of custody business, the custody scale of PE and trust scheme jointly launched by the Bank and CITIC Trust reached RMB80.739 billion; the custody scale of PE and asset management scheme jointly launched by the Bank and CITIC Securities totalled RMB93.073 billion; and investment funds jointly launched by the Bank and CITIC-Prudential Fund registered RMB2.013 billion in scale.

With regard to bond underwriting, the Bank and CITIC Securities jointly underwrote RMB9.9 billion debt financing tools for customers through underwriting of short-term financing bills, medium-term notes and PPN.

With regard to corporate annuity, corporate annuity business with CITIC Securities, CITIC Trust and China AMC as trustee and CITIC Bank as custodian totalled RMB576 million, RMB76 million and RMB853 million respectively, while corporate annuity cooperated with CITIC Securities and China AMC and that cooperated with CITIC Securities and CITIC Trust fetched RMB4.805 billion and RMB3.670 billion in value respectively.

With regard to co-brand credit cards, the Bank has issued a cumulative number of 301, 10,689 and 2,489 “Co-Brand Cards” in cooperation with CITIC Real Estate, CITIC-Prudential Insurance, and Tianan Insurance respectively.

### Distribution Channels

#### Branches

The Bank continued to improve the geographic layout of its branches by filling up gaps in outlet establishment in provincial capitals, further speeding up branch development in economically developed prefecture-level municipalities and increasing density of outlets in key areas. During the reporting period, the Bank newly set up two tier-1 branches (in Xining and Yinchuan respectively), three tier-2 branches (in Jilin, Zunyi and Ningde respectively), and 33 sub-branches. As at the end of the reporting period, the Bank had 923 domestic branches and sub-branches, including 42 tier-1 branches, 59 tier-2 branches and 822 sub-branches.

The Bank conducted commercial banking business in Hong Kong SAR and overseas countries and regions via CNCBI, the wholly owned subsidiary of its controlled subsidiary CIFH. As at the end of the reporting period, CNCBI had 34 physical outlets in Hong Kong SAR with overseas branches available in Macau SAR, Singapore, New York and Los Angeles.

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

During the reporting period, in parallel with enhanced risk prevention of self-service banking, the Bank also made efforts to expand the distribution network of self-service banks and equipment and raise the rate of transactions substituted by self-service equipment. As at the end of the reporting period, the Bank had established 1,688 self-service banks and installed 5,738 units of self-service equipment (ATM, CDM and CRS) in Chinese Mainland, up by 7.38% and 8.14% respectively over the end of the previous year.

#### Telephone Banking

The Bank provides telephone banking services to customers via its Telephone Customer Service Center. During the reporting period, the Service Hotline of the Bank's Customer Service Center received 23.54 million incoming calls, including 20.83 million automated phone answering service calls and 2.71 million manual service calls, achieving a  $\leq 20$  seconds response rate of 92.07% for all manual service calls, a customer satisfaction rate of 98.83%, and a 96.55% satisfaction rate with handling of customer complaints. The Bank's Customer Service Center made outbound telephone calls to 1.1472 million (person-times) customers to proactively market all sorts of bank cards and sell precious metal products issued by the Bank.

#### Online Banking

Please refer to "Online Banking" under "Report of the Board of Directors" for details.

### Information Technology

During the reporting period, the Bank insisted upon guiding development of information technology with its new development strategy. While continuous promoting of key projects including construction of new core business systems, the Bank completed a series of business innovations such as internet lending, mobile payment and payment of visa fees to the USA Embassy, initiated construction of a framework for new business items, carried out planning and design of the enterprise data structure, and enhanced IT services to outlet development, all of which effectively supported business growth of the Bank. Further, the Bank reinforced refined internal management of information technology, enhanced safety operation control, and ensured safe and stable operation of the IT system bank-wide via risk reviewing of important information systems, optimizing information system processing mechanism and performance and strengthening management of quality, changes and emergency responses.

## Subsidiary Business

### CITIC International Financial Holdings Limited (CIFH)

CIFH is the main platform for the Bank to conduct its overseas business, with the Bank and BBVA holding 70.32% and 29.68% of its equity interests respectively. CIFH specializes in commercial banking business and non-banking financial services with its commercial banking business mainly provided by CNCBI, its wholly-owned subsidiary. In terms of non-banking financial services, CIFH holds 40% equity interest in CIAM, and 21.39% in CITIC Capital.

As at the end of the reporting period, CIFH had total assets equivalent to HKD186.894 billion, representing an increase of 4.4% over the end of the previous year. During the reporting period, CIFH realized a net profit equivalent to HKD1.039 billion, representing an increase of 18.4% year-on-year.

- CNCBI: Through close cooperation with the Bank and by seizing the opportunity presented by continuous development of offshore Renminbi business in Hong Kong and building upon its leading advantages therein, CNCBI effectively satisfied customer need for investment and risk hedging with the provision of all-round Renmibi products and services. During the reporting period, CNCBI continued to optimize its asset structure and put deposit and liabilities costs under strict control. As a result, its income and profit both registered rapid growth, with operating income rising to HKD2.243 billion, representing a growth of 19.9% year-on-year, and net profit attributable to shareholders reaching HKD1.053 billion, up by 16.4% year-on-year.
- CIAM: In pursuance of the vision “Investing with strong entrepreneurial orientation”, CIAM is gradually fine-tuning the asset portfolio. During the period, CIAM focused on cultivating the enterprises in identified sector. Besides, we also strive to deepen the upstream and downstream integration in those sectors and to create potential synergy for the stakeholders.
- CITIC Capital: During the reporting period, CITIC Capital successfully completed financing of several funds including CITIC Capital China Retail Property Fund, Housing Development Joint Investment Platform Fund, CITIC Capital International Fund III, and CITIC Capital Venture USD Fund I. As at the end of the reporting period, total assets managed by CITIC Capital approximated USD4.1 billion, basically stable in value.

### China Investment and Finance Limited (CIFL)

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

During the reporting period, CIFL continued to enhance business cooperation with the Bank's branches in mainland China and drove forward key business areas with greater vigor while making continuous efforts to strengthen risk management and improving return on asset. As at the end of the reporting period, CIFL had total assets equivalent to RMB1.001 billion, down by 7.67% year-on-year; and realized net profit equivalent to RMB30 million, up by 130.77% year-on-year.

### Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, the first rural bank established by the Bank, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. As at the end of the reporting period, Lin'an CITIC Rural Bank recorded a deposit balance of RMB490 million and a loan balance of RMB453 million. During the reporting period, the rural bank realized a net profit of RMB5 million and was free of cases and material accidents.

## | Risk Management

### Credit Risk Management

#### Risk Management of Corporate Loans

During the reporting period, in face with the joint impacts of macroscopic economic slowdown, more intensive government attempts at economic restructuring, de-capacity of the real economy and de-leveraging of the financial sector, the Bank reinforced management of key credit risk areas and tightened credit-granting criteria to prevent credit risk in a proactive manner.

In terms of local government financing vehicle (LGFV) loans, the Bank continued with its strict quantitative control of total LGFV loans, practiced comprehensive management of on- and off-balance sheet finance limits and took into comprehensive consideration the matching of total LGFV loan scale with solvency of the concerned local governments, so as to reinforce all-round LGFV risk management, prudently held LGFV bonds and strictly forbade provision of guarantee for LGFV bond issuance.

In terms of property loans, due to impacts of the macroscopic readjustment policy, the Bank continued with total quota control of property sector, paid close attention to the latest trends of risk changes, and further strengthened risk management and control via management of on- and off-balance sheet finance limits plus name-list management and standard review of customers.

In terms of loans to industries with overcapacity, the Bank further reinforced credit risk management of overcapacity industries, including steel, non-ferrous metals, ship building and PV, strengthened quantitative control and appropriate compression, strictly reviewed truthfulness of trade backgrounds, reinforced regulation of third-party supervision companies, sped up exiting from high-risk customers and intensified collection of non-performing loans and liability definition & pursuit thereof.

#### Risk Management in Small Enterprise Loan

In accordance with its uniform risk management program (adjusted version), the Bank continued to improve risk management and control of small enterprise finance and smooth out the process for risk management of small enterprises. As per the customer positioning of “focusing on small and micro enterprises, retail enterprises and batches of enterprises”, the Bank incorporated personal business loans into small enterprise business for unified management and further enhanced the level of professional risk control over small enterprise finance.

With emphasis placed on the business model of “Planning First, Marketing in Batches”, the Bank reinforced market planning, conducted all-round analysis of advantageous industrial clusters in combination with regional economic features and industry policies, took the lead to make accession rules for relevant industries, markets and clusters, and embedded customer access management into its credit granting process to control access of batch customers from the sources.

The Bank conducted risk monitoring and inspection of credit grants to small enterprises by multiple means, established the mechanism for monitoring and analysis of credit risk of small enterprises whereby regular analysis and assessment is conducted over the risks of credit granting to small enterprises from multiple perspectives including geographic region, industry, product and guarantee, and reinforced special risk monitoring and inspection of special business areas.



### **Risk Management in Credit Card Business**

The Bank executed multi-phased management of credit card risk before, during and after lending and set up a full-process risk control mechanism covering marketing, issuance, approval and usage of credit cards and debt collection thereof. Further efforts were made to construct the credit structure management system for credit cards; credit resources were planned and allocated from the perspective of customer group structure and asset composition; integrated use was made of credit products and quota management to adjust the granting of credit and improve the efficiency of resource allocation. In addition, the Bank enhanced application of credit card risk measurement tools and furthered the approach and extent of applying such tools in risk management to provide the basis for designing differentiated risk management and control strategies and credit products.

### **Risk Management in Financial Market Business**

During the reporting period, the Bank prudently conducted its securities investment business and provided customers with risk mitigation and value adding services. With regard to Renminbi denominated bond investment, the Bank focused on premium enterprises in relevant sectors as key credit investment targets. With regard to foreign currency denominated bond investment, the Bank adopted measures to adjust its asset structure as a proactive response to potential adverse situations arising from overseas sovereign debt crisis during the reporting period.

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

The Bank continued to enhance development of its credit management system for more refined management.

During the first half of 2013, the Bank strengthened credit management by the construction of ten systems, covering human resources, credit management concept, management performance evaluation, loan disbursement management, early warning, risk dissolution, loan collection, information management, statistical analysis and training, reinforced operational risk management for loan disbursement, upgraded the capacity for effective detection, disclosure and timely dissolution of credit risk, ensured timely full-amount recovery of loans and ensured safety of credit assets.

The Bank refined and upgraded its credit management capacity, including: improving management of the credit process via institutional revision, enhancement and implementation; refining planning and performance evaluation plus more vigorous on-site inspection for better asset quality management; facilitating credit management in key business areas such as LGFV loans, key geographical regions and key industries and risk dissolution in key areas; upgrading data quality and advancing ICT development for stronger credit management ability and statistical analysis capacity; driving forward guidance and training efforts to upgrade the development of human resources; conducting more stringent management performance evaluation to clarify management targets; and enhancing the HR system and basic management for higher management efficiency.



## Credit Risk Analysis

### Distribution of Loans

#### Concentration of Loans by Geographic Regions

The Group continuously optimized the geographical layout of its credit assets, as a result of which, loans to different regions grew in a coordinative manner. While prioritizing its support to loans granted to the central and western regions, the Group also maintained steady growth of credit grant to economically developed areas such as the Yangtze River Delta. As at the end of the reporting period, the Group's loans to the Pearl River Delta, the central and western regions registered the fastest growth, recording 16.91%, 12.76% and 10.51% respectively, all being higher than the Group's average loan growth rate. The Bohai Rim registered the highest growth of incremental loans, representing an increase of RMB38.888 billion or 8.90% over the end of the previous year.

### The Group

*Unit: RMB million*

Region	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	452,107	24.78	427,019	25.68
Bohai Rim <sup>(1)</sup>	475,631	26.08	436,743	26.26
Pearl River Delta and West Strait	265,369	14.54	226,989	13.65
Central region	246,703	13.52	223,232	13.43
Western region	240,864	13.20	213,609	12.85
Northeastern region	56,616	3.10	53,108	3.19
Overseas	87,262	4.78	82,201	4.94
<b>Total Loans</b>	<b>1,824,552</b>	<b>100.00</b>	<b>1,662,901</b>	<b>100.00</b>

Note: (1) Including the Head Office.

### The Bank

*Unit: RMB million*

Region	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	449,320	25.96	424,908	26.95
Bohai Rim <sup>(1)</sup>	473,969	27.38	435,620	27.63
Pearl River Delta and West Strait	263,552	15.23	226,148	14.34
Central region	246,703	14.25	223,232	14.16
Western region	240,864	13.91	213,609	13.55
Northeastern region	56,616	3.27	53,108	3.37
<b>Total Loans</b>	<b>1,731,024</b>	<b>100.00</b>	<b>1,576,625</b>	<b>100.00</b>

Note: (1) Including the Head Office.

*Concentration of Loans by Products*

As at the end of the reporting period, the Group's corporate loan balance (excluding discounted bills) registered RMB1.360245 trillion, representing a stable growth of RMB106.985 billion or 8.54% over the end of the previous year; its personal loans grew at a fast pace with balance proportion going up to 21.34%, representing an increase of RMB54.720 billion or 16.35% over the end of the previous year, 6.63 percentage points above the average growth rate; and balance of discounted bills reached RMB74.940 billion, basically the same as that at the end of the previous year.

**The Group**

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,360,245	74.55	1,253,260	75.37
Personal loans	389,367	21.34	334,647	20.12
Discounted bills	74,940	4.11	74,994	4.51
<b>Total loans</b>	<b>1,824,552</b>	<b>100.00</b>	<b>1,662,901</b>	<b>100.00</b>

**The Bank**

*Unit: RMB million*

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,288,388	74.43	1,188,415	75.38
Personal loans	374,972	21.66	320,044	20.30
Discounted bills	67,664	3.91	68,166	4.32
<b>Total loans</b>	<b>1,731,024</b>	<b>100.00</b>	<b>1,576,625</b>	<b>100.00</b>

*Concentration of Loans by Sectors*

In the first half of 2013, the Group intensified its efforts in adjusting sector structure of its loans, prioritizing allocation of its credit resources to the real economy and supply chain finance while tightening risk control over sectors that suffered over capacity or heavy impacts of the macro-economic re-adjustment policy.

As at the end of the reporting period, the Group's corporate loan balance (excluding discounted bills) stood at RMB1.360245 trillion, of which, loan balances of the four sectors including manufacturing, wholesale and retail, transportation, warehousing and postal service and real estate jointly accounted for 68.38%, or amounted to RMB384.766 billion, RMB274.905 billion, RMB139.611 billion and RMB130.885 billion respectively. In terms of the breakdown of incremental loan, wholesale and retail sector scored the fastest growth, registering an increase of RMB42.653 billion, or 18.36% over the end of the previous year, followed by manufacturing, which registered an increase of RMB28.141 billion or 7.89% over the end of the previous year; and the building industry took the third place, with an increase of RMB9.540 billion or 14.99% over the end of the previous year.

## Report of the Board of Directors

The Group continued to control its credit resources flowing into the real estate sector and sectors that featured long loan maturities, weak bargaining power and relatively low integrated returns. As at the end of the reporting period, the loan balances of the three sectors, namely, production and supply of power, gas and water, real estate, and public and social organizations declined by RMB3.064 billion, RMB3.042 billion and RMB722 million, respectively, or down by 5.16%, 2.27% and 4.07% respectively over the end of the previous year.

### The Group

*Unit: RMB million*

Sector	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	384,766	28.29	356,625	28.46
Transportation, warehousing and postal service	139,611	10.26	135,952	10.85
Production and supply of power, gas, water	56,265	4.14	59,329	4.73
Wholesale and retail	274,905	20.21	232,252	18.53
Real estate	130,885	9.62	133,927	10.69
Water conservancy, environment and public utilities management	69,979	5.14	62,897	5.02
Leasing and commercial services	59,651	4.39	53,886	4.30
Construction	73,193	5.38	63,653	5.08
Public and social organizations	17,001	1.25	17,723	1.41
Others	153,989	11.32	137,016	10.93
<b>Total corporate loans</b>	<b>1,360,245</b>	<b>100.00</b>	<b>1,253,260</b>	<b>100.00</b>

### The Bank

*Unit: RMB million*

Sector	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	379,477	29.45	352,782	29.68
Transportation, warehousing and postal service	137,435	10.67	133,782	11.26
Production and supply of power, gas, water	55,863	4.34	59,017	4.97
Wholesale and retail	265,372	20.60	220,334	18.54
Real estate	118,966	9.23	127,183	10.70
Water conservancy, environment and public utilities management	69,929	5.43	62,897	5.29
Leasing and commercial services	59,348	4.61	53,710	4.52
Construction	72,738	5.65	63,403	5.34
Public and social organizations	17,001	1.32	17,723	1.49
Others	112,259	8.70	97,584	8.21
<b>Total corporate loans</b>	<b>1,288,388</b>	<b>100.00</b>	<b>1,188,415</b>	<b>100.00</b>

*Breakdown of Loans by Type of Guarantee*

During the reporting period, the Group continuously optimized the structure of guarantees and strengthened loan risk mitigation and relief. The proportion of the balance of unsecured loans maintained the downward trend, while the proportion of the balance of collateral and pledged loans kept rising. As at the end of the reporting period, the balance of collateral and pledged loans stood at RMB949.916 billion, up by RMB109.755 billion or 13.06% over the end of the previous year, and their proportion reached 52.06%, 1.54 percentage points higher over the end of the previous year; and the balance of unsecured and guaranteed loans amounted to RMB799.696 billion, accounting for 43.83% of total loans, down by 1.14 percentage points over the end of the previous year.

**The Group**

*Unit: RMB million*

Type of Guarantee	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	351,734	19.28	329,704	19.83
Guaranteed loans	447,962	24.55	418,042	25.14
Collateral loans	693,882	38.03	630,393	37.91
Pledged loans	256,034	14.03	209,768	12.61
<b>Subtotal</b>	<b>1,749,612</b>	<b>95.89</b>	<b>1,587,907</b>	<b>95.49</b>
Discounted bills	74,940	4.11	74,994	4.51
<b>Total loans</b>	<b>1,824,552</b>	<b>100.00</b>	<b>1,662,901</b>	<b>100.00</b>

**The Bank**

*Unit: RMB million*

Type of Guarantee	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	336,067	19.41	317,351	20.13
Guaranteed loans	416,049	24.03	390,625	24.78
Collateral loans	659,456	38.10	595,688	37.78
Pledged loans	251,788	14.55	204,795	12.99
<b>Subtotal</b>	<b>1,663,360</b>	<b>96.09</b>	<b>1,508,459</b>	<b>95.68</b>
Discounted bills	67,664	3.91	68,166	4.32
<b>Total loans</b>	<b>1,731,024</b>	<b>100.00</b>	<b>1,576,625</b>	<b>100.00</b>

*Concentration of Customers of Corporate Loans*

The Group emphasized centralized risk control over its corporate loan customers. During the reporting period, the Group complied with the applicable regulatory requirements related to concentration of borrowers. Since a single borrower is defined by the Group as a specified legal entity, one borrower can be the related party of another borrower.

## Report of the Board of Directors

### The Group

Major regulatory indicator	Regulatory Standard	30 June 2013	31 December 2012	31 December 2011
Percentage of loans to the largest single customer (%)	≤ 10	3.64	3.80	3.78
Percentage of loans to the top 10 customers (%)	≤ 50	19.16	20.98	22.12

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

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

### The Group

*Unit: RMB million*

Sector		30 June 2013		
		Amount	Percentage in total loans (%)	Percentage in regulated capital (%)
Borrower A	Public and social organizations	9,978	0.55	3.64
Borrower B	Manufacturing	8,584	0.47	3.13
Borrower C	Transportation, warehousing and postal service	8,470	0.46	3.09
Borrower D	Transportation, warehousing and postal service	4,147	0.23	1.51
Borrower E	Transportation, warehousing and postal service	4,047	0.22	1.47
Borrower F	Transportation, warehousing and postal service	3,866	0.21	1.41
Borrower G	Manufacturing	3,840	0.21	1.40
Borrower H	Transportation, warehousing and postal service	3,342	0.18	1.22
Borrower I	Mining	3,294	0.18	1.20
Borrower J	Real estate	3,000	0.16	1.09
<b>Total loans</b>		<b>52,568</b>	<b>2.87</b>	<b>19.16</b>

The Group focused on supporting large-scale premium infrastructure projects and large premium customers. As at the end of the reporting period, total balance of loans from the Group to the top 10 corporate customers amounted to RMB52.568 billion, accounting for 2.87% of its total loans and 19.16% of its net capital, down by 1.82 percentage points over the end of the previous year.

## Loan Quality Analysis

### Five-Class Loan Classification

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

In the first half of 2013, the Bank continued to enhance its centralized management of the different loan classes and improved its classified management of credit asset risks. While adhering to the core criteria of “safety of loan collection”, the Bank treated different classes of loans with different risk management measures after taking into full consideration of various factors that may impact the quality of credit assets.

The Bank’s procedure for identifying loan risk classification includes the following steps in sequence: post-lending inspection conducted by business departments; preliminary opinions proposed by credit departments of branches, initial identification by credit management departments of branches; chief of risk management at the branches reviewing the results, Head Office finalizing the identification. To those loans with material changes in risk profiles, the Bank will conduct dynamic adjustment on their classification.

During the reporting period, based on continuing collaboration with external auditors, the Bank completed sample review of credit quality and risk classification (focusing on loans to SMEs), further enhanced truthfulness and accuracy of loan classification.

## The Group

*Unit: RMB million*

Category	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,788,805	98.04	1,631,235	98.09
Special mention	19,377	1.06	19,411	1.17
Sub-standard	11,584	0.64	6,448	0.39
Doubtful	4,773	0.26	4,778	0.29
Loss	13	—	1,029	0.06
<b>Total Loans</b>	<b>1,824,552</b>	<b>100.00</b>	<b>1,662,901</b>	<b>100.00</b>
Performing loans	1,808,182	99.10	1,650,646	99.26
Non-performing loans	16,370	0.90	12,255	0.74

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

**The Bank**

*Unit: RMB million*

Category	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,696,200	97.99	1,546,363	98.08
Special mention	18,933	1.09	18,393	1.17
Sub-standard	11,439	0.66	6,403	0.41
Doubtful	4,452	0.26	4,459	0.28
Loss	—	—	1,007	0.06
<b>Total Loans</b>	<b>1,731,024</b>	<b>100.00</b>	<b>1,576,625</b>	<b>100.00</b>
Performing loans	1,715,133	99.08	1,564,756	99.25
Non-performing loans	15,891	0.92	11,869	0.75

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

As at the end of the reporting period, the balance of normal loans increased by RMB157.570 billion over the end of the previous year, accounting for 98.04% of the total loans, and representing a drop of 0.05 percentage point over the end of the previous year. The balance of special-mention loans was basically the same as that at the end of the previous year, accounting for 1.06% of the total loans, representing a 0.11 percentage point decline over the end of the previous year.

As at the end of the reporting period, the balance of the Group's NPLs, recognized in accordance with the regulatory risk classification standard, stood at RMB16.370 billion, up by RMB4.115 billion over the end of the previous year; and its NPL ratio was 0.90%, up by 0.16 percentage point over the end of the previous year. In terms of the composition of NPLs, the balance of sub-standard loans went up by RMB5.136 billion over the end of the previous year, representing an increase of 0.25 percentage point in terms of their proportion in total loans, which mainly resulted from the appearance of credit risk and the consequent NPLs among private SMEs (especially those engaged in steel trade) in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim due to impacts of the macro-economic and monetary policies. The balances and proportions of both doubtful and loss loans enjoyed some decrease over the end of the previous year mainly due to the Group's continuous efforts in strengthening collection and write-off for improvement of loan quality. During the reporting period, the Group wrote off RMB3.307 billion NPL principal.

During the reporting period, the Group witnessed "dual rise" of both NPL balance and NPL ratio, which was consistent with the marked slowdown of China's macroeconomic growth since 2013. Since the beginning of 2013, the Group made estimation regarding loan quality and took relevant measures. The Group expects the change in loan quality to be within expectation.

*Migration of Loans*

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

**The Bank**

Item	30 June 2013	31 December 2012	31 December 2011
Migration ratio of normal loans (%)	1.06	1.16	1.06
Migration ratio of special mention loans (%)	20.26	6.35	6.37
Migration ratio of sub-standard loans (%)	24.64	24.06	8.22
Migration ratio of doubtful loans (%)	5.90	5.70	2.27
Migration ratio of performing loans to non-performing loans (%)	0.42	0.36	0.21

As at the end of the reporting period, the Bank recorded slight rise in the migration ratio of normal loans as compared with that at the end of the previous year. The major reason was increasing credit risk of the borrowers due to the impacts of multiple factors including macro-economic slowdown, insufficient domestic and overseas demands and the tightening monetary policy, which led to the increase of loans migrating from normal to non-performing compared with last year.

*Overdue Loans***The Group**

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,793,867	98.31	1,641,416	98.71
Loans overdue <sup>(1)</sup> :				
1-90 days	14,187	0.78	11,703	0.7
91-180 days	6,878	0.38	2,992	0.18
181 days or above	9,620	0.53	6,790	0.41
<b>Subtotal</b>	<b>30,685</b>	<b>1.69</b>	<b>21,485</b>	<b>1.29</b>
<b>Total loans</b>	<b>1,824,552</b>	<b>100.00</b>	<b>1,662,901</b>	<b>100.00</b>
Loans overdue for 91 days or above	16,498	0.91	9,782	0.59
Restructured loans <sup>(2)</sup>	5,115	0.28	4,775	0.29

Notes: (1) Loans overdue refer to loans with principal or interests overdue for one day or above.

(2) Restructured loans refer to loans overdue or downgraded but the conditions (e.g. amount and term) of which have been rearranged.



**The Bank**

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,701,419	98.28	1,555,889	98.68
Loans overdue <sup>(1)</sup> :				
1-90 days	13,465	0.78	11,297	0.72
91-180 days	6,845	0.40	2,987	0.19
181 days or above	9,295	0.54	6,452	0.41
<b>Subtotal</b>	<b>29,605</b>	<b>1.72</b>	<b>20,736</b>	<b>1.32</b>
<b>Total loans</b>	<b>1,731,024</b>	<b>100.00</b>	<b>1,576,625</b>	<b>100.00</b>
Loans overdue for 91 days or above	16,140	0.94	9,439	0.60
Restructured loans <sup>(2)</sup>	4,380	0.25	4,056	0.26

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

During the reporting period, the Group recorded a larger incremental amount of overdue loans than the previous year due to the impact of the macro economic situation. As at the end of the reporting period, the proportion of overdue loans in total loans increased by 0.4 percentage point over the end of the previous year, of which 46% were short-term and temporary overdue loans with a maturity of less than 3 months. These loans were overdue mainly because the borrowers suffered from tight fund chains or even break of fund chains as a result of longer cycle for cash recovery, greater difficulty in obtaining bank finance or reduction of loan scale by banks. Based on its continuously reinforced monitoring over the overdue loan principals and interests, monthly notification of overdue situations of loan principal and interests of each branch, and urging the branches to accelerate recovery of overdue loans, the Group maintained a basically stable recovery ratio of loans upon maturity, which was higher than 99%.

*Breakdown of NPLs by Products*

**The Group**

Unit: RMB million

Item	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	14,715	89.89	1.08	10,963	89.45	0.87
Personal loans	1,647	10.06	0.42	1,284	10.48	0.38
Discounted bills	8	0.05	0.01	8	0.07	0.01
<b>Total</b>	<b>16,370</b>	<b>100.00</b>	<b>0.90</b>	<b>12,255</b>	<b>100.00</b>	<b>0.74</b>

**The Bank**

Unit: RMB million

Item	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	14,245	89.64	1.11	10,588	89.20	0.89
Personal loans	1,638	10.31	0.44	1,273	10.73	0.40
Discounted bills	8	0.05	0.01	8	0.07	0.01
<b>Total</b>	<b>15,891</b>	<b>100.00</b>	<b>0.92</b>	<b>11,869</b>	<b>100.00</b>	<b>0.75</b>

As at the end of the reporting period, the Group recorded “dual rise” of both corporate and personal NPLs compared with the end of the previous year. The balance of corporate NPLs and corporate NPL ratio increased by RMB3.752 billion and 0.21 percentage point respectively; and its balance of personal NPLs and personal NPL ratio grew by RMB363 million and 0.04 percentage point respectively. Quality of discounted bills, however, remained sound, throughout the reporting period.

#### Breakdown of NPLs by Geographic Locations

##### The Group

*Unit: RMB million*

Region	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	10,027	61.26	2.22	5,275	43.04	1.24
Bohai Rim	1,757	10.73	0.37	2,581	21.06	0.59
Pearl River Delta and West Strait	2,196	13.41	0.83	2,244	18.31	0.99
Central region	724	4.42	0.29	625	5.10	0.28
Western region	410	2.50	0.17	492	4.01	0.23
Northeastern region	875	5.35	1.54	715	5.84	1.35
Overseas	381	2.33	0.44	323	2.64	0.39
<b>Total</b>	<b>16,370</b>	<b>100.00</b>	<b>0.90</b>	<b>12,255</b>	<b>100.00</b>	<b>0.74</b>

##### The Bank

*Unit: RMB million*

Region	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	10,007	62.97	2.23	5,257	44.29	1.24
Bohai Rim	1,713	10.78	0.36	2,536	21.37	0.58
Pearl River Delta and West Strait	2,162	13.61	0.82	2,244	18.91	0.99
Central region	724	4.56	0.29	625	5.26	0.28
Western region	410	2.58	0.17	492	4.15	0.23
Northeastern region	875	5.50	1.54	715	6.02	1.35
<b>Total</b>	<b>15,891</b>	<b>100.00</b>	<b>0.92</b>	<b>11,869</b>	<b>100.00</b>	<b>0.75</b>

During the reporting period, due to the impact of multiple factors including slowdown of macro-economic growth, insufficient domestic and overseas demands and a tightening monetary policy, some SMEs (especially those engaged in steel trade) in the Yangtze River Delta where the private economy, export processing and international trade used to be economic highlights suffered stagnation of business operation, tight fund chains or break of fund chains and greater difficulty in obtaining bank finance, which led to decline in quality of loans granted to these areas. As at the end of the reporting period, balance of NPLs in the Yangtze River Delta increased by RMB4.752 billion over the end of the previous year, and the corresponding NPL ratios for this area rose by 0.98 percentage point over the end of the previous year. Incremental NPLs were mainly concentrated in these localities during the reporting period.

The overall domestic economic situation also led to slight increase in NPLs in the Central and Northeastern regions for the Group. In general, the Group's NPL ratios in the Central Region, the Western Region, the Bohai Rim, the Pearl River Delta and overseas regions were lower than average.

## Report of the Board of Directors

### Breakdown of Corporate NPLs by Sectors

#### The Group

*Unit: RMB million*

Sector	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	5,421	36.84	1.41	4,272	38.96	1.20
Transportation, warehousing and postal service	130	0.88	0.09	207	1.89	0.15
Production and supply of power, gas and water	160	1.09	0.28	188	1.72	0.32
Wholesale and retail	7,895	53.66	2.87	4,765	43.46	2.05
Real estate development	115	0.78	0.09	353	3.22	0.26
Leasing and commercial services	230	1.56	0.39	270	2.46	0.50
Water conservancy, environment and public utilities management	75	0.51	0.11	85	0.78	0.13
Construction	202	1.37	0.28	241	2.20	0.38
Public and social organization	—	—	—	—	—	—
Others	487	3.31	0.32	582	5.31	0.43
<b>Total</b>	<b>14,715</b>	<b>100.00</b>	<b>1.08</b>	<b>10,963</b>	<b>100.00</b>	<b>0.87</b>

#### The Bank

*Unit: RMB million*

Sector	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	5,294	37.16	1.40	4,189	39.56	1.19
Transportation, warehousing and postal service	126	0.88	0.09	204	1.93	0.15
Production and supply of power, gas and water	160	1.12	0.29	188	1.78	0.32
Wholesale and retail	7,892	55.40	2.97	4,740	44.76	2.15
Real estate development	97	0.68	0.08	335	3.16	0.26
Leasing and commercial services	230	1.61	0.39	270	2.55	0.50
Water conservancy, environment and public utilities management	75	0.53	0.11	85	0.80	0.13
Construction	202	1.42	0.28	241	2.28	0.38
Public and social organization	—	—	—	—	—	—
Others	169	1.20	0.15	336	3.18	0.35
<b>Total</b>	<b>14,245</b>	<b>100.00</b>	<b>1.11</b>	<b>10,588</b>	<b>100.00</b>	<b>0.89</b>

As at the end of the reporting period, the Group's NPL balance of wholesale and retail and manufacturing sectors increased by RMB3.130 billion and RMB1.149 billion respectively over the end of the previous year, and the NPL ratios of the two sectors increased by 0.82 and 0.21 percentage point respectively over the end of the previous year. The major underlying reasons mainly included: (1) economic slowdown plus more vigorous macro readjustment policy in China including economic restructuring and industrial upgrading; (2) drastic shrinkage of domestic and overseas demands plus insufficient incremental demand, leading to higher inventory pressure; (3) rising cost of raw materials and labor; (4) price drop of commodities including steel and building materials plus lower liquidity and more fund occupation of businesses, which led to universal difficulties in industries including steel, steel trade, cotton and textile, ship building, PV, building materials and machinery. The situation also resulted in sales difficulties of wholesale and retail businesses dealing with the afore-mentioned products.

As at the end of the reporting period, the NPL balance of real estate development and transportation, warehousing and postal service decreased by RMB238 million and RMB77 million respectively over the end of the previous year, and their NPL ratios went down by 0.18 and 0.06 percentage point respectively. The balance of NPLs of other industries also slightly declined over the end of the previous year.

#### Analysis of Provision for Loan Impairment

##### *Changes in Provision for Loan Impairment*

The Group set aside adequate provisions for loan impairment in a timely manner according to the principle of prudence and truthfulness. Provisions for loan impairment consisted of two parts, namely, provisions based on evaluation of single items and provisions based on evaluation of portfolios.

#### The Group

Item	Unit: RMB million	
	As at 30 June 2013	As at 31 December 2012
Beginning balance	35,325	23,258
Accruals during the year <sup>(1)</sup>	4,719	12,804
Reversal of impairment allowances <sup>(2)</sup>	(129)	(206)
Transfer out <sup>(3)</sup>	(32)	(54)
Write-offs	(3,307)	(742)
Recoveries of loans and advances written off in previous years	81	265
<b>Ending balance</b>	<b>36,657</b>	<b>35,325</b>

Notes: (1) Equivalent to the net loan impairment recognized in the income statement of the Group.

(2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Group recognized as interest income.

(3) Including the provision for loan impairment released from loans converted to repossessed assets.

## Report of the Board of Directors

### The Bank

Item	Unit: RMB million	
	As at 30 June 2013	As at 31 December 2012
Beginning balance	34,877	22,818
Accruals during the year <sup>(1)</sup>	4,695	12,733
Reversal of impairment allowances <sup>(2)</sup>	(127)	(202)
Transfer out <sup>(3)</sup>	(24)	(54)
Write-offs	(3,287)	(659)
Recoveries of loans and advances written off in previous years	72	241
<b>Ending balance</b>	<b>36,206</b>	<b>34,877</b>

Notes: (1) Equivalent to the net loan impairment recognized in the consolidated income statement of the Group.

(2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Group recognized as interest income.

(3) Including the provision for loan impairment released from loans converted to repossessed assets.

As at the end of the reporting period, the Group's balance of provision for loan impairment registered RMB36.657 billion, representing an increase of RMB1.332 billion over the end of the previous year. The Group's the ratio of balance of provision for loan impairment to NPL balance (i.e., provision coverage ratio) and the ratio of balance of provision for loan impairment to total loans (i.e., provision to loan ratio) were 223.93% and 2.01% respectively, down by 64.32 percentage points and 0.11 percentage point respectively over the end of the previous year, mainly because the Group increased write-off during the first half of 2013, writing off RMB2.565 billion more than the end of the previous year.

## Management of Market Risk

The main market risk the Bank confronts includes interest rate risk and exchange rate risk. The Bank has established a market risk management system covering risk identification, measurement, monitoring and control, which manages market risk by means of product access approval and risk limit management, thereby keeping potential losses from market risk below the acceptable level and increasing risk-adjusted returns. During the reporting period, the Bank actively responded to the market fluctuations at home and abroad, formulated measures on annual market risk authorization and quota, effectively ensured healthy expansion of our business with risk under control through reasonable risk control and proactive market risk management.

## Management of Interest Rate Risk

Interest rate risk refers to the risk of losses to overall earnings and economic value of bank accounts resulting from unfavorable changes in factors such as interest rate and maturity structure. The Bank's main sources of interest rate risk are benchmark risk and re-pricing risk.

The Bank monitors changes in macro economic situations and internal business structure on a regular basis, makes timely adjustments to its loan re-pricing lifecycle management policy, takes the initiative to manage sensitive gaps of interest rate, and prevents excessive concentration of interest rate risk. During the reporting period, the Bank optimized its deposit maturity structure and adjusted its loan re-pricing lifecycle with the use of active management means such as price adjustment, controlling interest rate risk of the whole Bank at a reasonable level.

## The Group

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	65,458	1,844,952	1,209,846	243,311	73,378
Total liabilities	75,863	2,243,977	627,728	229,468	43,932
Interest rate gap	(10,405)	(399,025)	582,118	13,843	29,446

## The Bank

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	67,637	1,732,085	1,198,127	239,060	73,061
Total liabilities	65,825	2,171,791	598,669	223,615	40,615
Interest rate gap	1,812	(439,706)	599,458	15,445	32,446

## Management of Exchange Rate Risk

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

### Analysis of Exchange Rate Risk

Exchange rate risk of the Bank is mainly impacted by the fluctuations of Renminbi exchange rate against the US dollar. During the reporting period, due to sustained inflows of short-term arbitrated funds amid domestic easing monetary policies in major economies, RMB exchange rate against USD kept appreciating in general. The Bank closely monitored markets fluctuations, enhanced management of FOREX positions, strictly controlled exchange risk exposure to FOREX trading, and maintained the overall exchange risk under control.

### The Group

Item				<i>Unit: RMB million</i>
	USD	HKD	Other currencies	Total
Net on-balance sheet position	12,071	(14,162)	(22,544)	(24,635)
Net off-balance sheet position	(1,783)	26,750	22,325	47,292
<b>Total</b>	<b>10,288</b>	<b>12,588</b>	<b>(219)</b>	<b>22,657</b>

### The Bank

Item				<i>Unit: RMB million</i>
	USD	HKD	Other currencies	Total
Net on-balance sheet position	(7,357)	(8,303)	(13,325)	(28,985)
Net off-balance sheet position	15,616	8,087	13,106	36,809
<b>Total</b>	<b>8,259</b>	<b>(216)</b>	<b>(219)</b>	<b>7,824</b>

## Liquidity Risk Management

Liquidity risk refers to the risk that the Bank is unable to obtain adequate capital in a timely manner or at reasonable costs to meet customer need for withdrawing matured liabilities and its own need for growing the asset business. Liquidity risk of the Bank is mainly caused by the maturity mismatch between assets and liabilities, pre-maturity or concentrated withdrawal of deposits by customers and markedly quicker growth of assets than that of liabilities.

### Liquidity Risk Management

The objective of liquidity management of the Bank is to monitor, identify and measure liquidity risk, control liquidity risk within the tolerable limits, and thereby ensure normal and sound operation of all business lines through the establishment of an effective liquidity risk management mechanism based on the set assets-liabilities management targets and requirements of the liquidity risk management guidelines.

The Bank pursues a unified liquidity risk management model. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and legal entities of the Bank, and managing liquidity risk at the legal entity level in a centralized manner. Domestic branches of the Bank, in accordance with requirements of the Head Office, are responsible for fund management within their respective jurisdictions in accordance with their authorized mandates. All domestic and overseas affiliates of the Bank are responsible for developing their own strategies and procedures for liquidity risk management and implement such strategies and procedures in accordance with the requirements of regulatory authorities and within the Group's master policy framework of liquidity risk management.

### Liquidity Risk Analysis

During the reporting period, the Bank continued to practice the three-tier liquidity reserve management system, enhanced forward-looking liquidity risk management with the use of scenario analysis and stress test, and ensured applicability of emergency response plans via more vigorous drillings and rehearsals. By keeping a close eye on changes in external policies and its own assets-liabilities structure, and the impacts of innovative products and new business areas on its liquidity profile, the Bank made dynamic adjustments to its liquidity management strategy, continued with its diversified allocation of liquidity assets, maintained smooth financing channels including the money market and open market, and ensured diversified sources of liquid funds to support sound business operation of the entire bank with the use of money market tools such as inter-bank borrowings and bond repos.

Between January and May 2013, market liquidity was abundant in the overall sense but still suffered from periodical fluctuations due to seasonal factors, etc. In June 2013, overlapping impacts of multiple factors including payment of enterprise taxes, make-up payment of statutory deposit reserves and reduction of funds outstanding for foreign exchange, led to extraordinary tightness of market liquidity, drastic rise of short and medium-term interest rates on the money market and temporary structural imbalance of market fund supply and demand. In face with such abrupt market liquidity incidence, the Bank reacted promptly, with adoption of comprehensive measures in line with its set emergency response plans. First, the Bank reinforced organization support, launched liquidity risk emergency response team, and ensured full coordination among relevant departments in different business lines; second, the Bank strengthened asset-liabilities management and structure adjustment, maintained the steady growth of deposits to ensure balanced growth of assets and liabilities; third, the Bank reinforced efforts on liquidity risk stress test, executed test scheme, prepared contingency plan in accordance with simulative market condition where even higher pressure is presented compared with the current situation, so as to improve the risk-resistance capacity; fourth, the Bank strengthened estimation with regard to market trend, adjusted liquidity portfolio strategies dynamically and shortened the duration of liquidity assets, maintained reasonable structure and level of three-tier liquidity reserve. The relevant mechanisms and procedures of liquidity risk management of the Bank stood the test of the market systematic event, and the liquidity of the Bank remained relatively stable during the event. While ensuring normal operation of all business lines, the Bank provided surplus funds to the market, playing the active role of a market stabilizer to some extent.

### The Group

*Unit: RMB million*

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
(1,183,218)	(37,978)	291,453	352,148	338,599	454,973	215,977

### The Bank

*Unit: RMB million*

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
(1,155,357)	(25,854)	273,898	332,390	324,292	460,086	209,455



### Internal Control and Operational risk Management

#### Internal Control

During the reporting period, the Bank formulated the CITIC Bank Program for Implementation of the Measures to Improve Internal Control System and Internal Control Assessment in accordance with the regulatory requirement of “emphasizing development of internal control and continuously improving internal control level”. Based on the five key elements of internal control, the Bank deepened internal control measures and promoted development of internal control management platforms system throughout the bank and in all domestic and overseas consolidated subsidiaries.

**Optimization of the internal control environment via structural adjustment.** The Bank initiated efforts to integrate and optimize front, middle and back offices and sort out functions of these offices, the Head Office, the branches, the sub-branches and the affiliates, thereby forming a flat-matrix structure featuring integration of departments and regions at different levels. In line with its strategic adjustment, the Bank streamlined the committees under the senior management and set up six committees that work with authorization from and report to the Senior Management Working Meeting, namely, Risk and Internal Control Committee, Information Technology Committee, Assets and Liabilities Management Committee, Wholesale Business Committee, Retail Business Committee and Support Committee.

**Reinforcement in risk identification and assessment.** In combination with the strategic requirements for risk management, the Bank developed a full risk management policy to improve its methods and tools of risk identification, assessment and management as well as its risk monitoring capacity. Covering all tools that measure the three major dimensions of risk, profit and interest generation, the Bank reinforced application of internal and external scorings portfolio to deepen application of the measurement tools at key business stages before, during and after lending.

**Improvement in internal controls measures.** With respect to credit risk management, the Bank reinforced quality management of credit assets, promoted risk early warning and proactive exit from risky areas, and strengthened LGFV loan management to ensure quality stability of credit assets bank-wide. With respect to liquidity risk management, the Bank exerted vigorous efforts to measure and monitor cash flows, and adopted pertinent measures to dissolve market impacts on asset portfolio liquidity and thereby ensure liquidity safety. With respect to market risk management, the Bank continued to intensify market risk limit management with market risk management departments and business departments jointly taking charge of the monitoring, reporting and handling of the execution of risk limit indicators. With respect to compliance risk management, the Bank reinforced tier-one legal person management and established an authorization-based management matrix on the principle of “unified management and stratified hierarchical responsibility” to regulate the authorizing bodies/persons and authorization procedures and define particulars of authorization such as business items and amounts authorized. With respect to operational risk management, the Bank searched for business areas prone to operational risk through analysis of historical data, reinforced process management of seals and licenses, continuously promoted job rotation and mandatory leave-taking mechanisms for employees working at critical posts at all levels throughout the bank, enhanced employee awareness and capability in preventing illegal financing and combating irregularities and crimes, and required signing of letters of responsibility for crime prevention and control at all levels.

**Boosting information exchange and communication.** The Bank reinforced its management of the reporting of significant risk incidents, built up its capacity of responding to significant risk incidents, effectively prevented and dissolved risks and held accountable those responsible for losing the best risk disposal opportunity or causing material losses due to untimely risk reporting with a tough hand. With the use of internal platforms, the Bank shared experiences and released risk reminders. Efforts were also made to improve information disclosure and management of investor relations, such as communication with domestic and overseas investors regarding future competitiveness and development strategy of the Bank. Reports to the concerned regulators were delivered in a timely manner, including quarterly/yearly submission of the Report on Important Internal Control Items.

**More intensive internal supervision, assessment and correction.** The Bank implemented more vigorous supervision and inspection on risk prevention and control in key areas. Special financial inspections were carried out to improve financial management; on-site inspections of loan quality were conducted to enhance management of credit quality and ensure truthful and accurate reflection of asset quality and early dissolution of credit risk; off-balance sheet corporate credit business and supply chain finance business were audited on-site to upgrade business management; and attention was paid to truthfulness of credit asset risk classification, basic credit management and other relevant areas. For problems discovered thereby, the Bank made active efforts to rectify and correct and hold the responsible persons accountable, so as to keep improving its management quality/capacity and reinforcing risk control.

### Internal Audit

Under the goal of “enforcement of strict audit with a tougher hand” and “disclosure of material irregularities and systemic, trendy and suggestive problems”, the Bank continued to refine its internal audit system, enhance professional skills, improve quality control and realize the role of audit as an independent force of supervision.

During the reporting period, the Bank reinforced audit of business areas prone to irregularities and high risk exposures, organized special audit of areas including data accuracy, off-balance sheet business, supply chain finance and credit asset quality, and conducted full audit of some branches. Efforts were made to further refine its independent professional internal audit system. Two regional audit centers, located in Chengdu and Shenzhen respectively, were set up to strengthen institutional development and enhance audit independence. Off-site audit approaches were made full use of to screen employee behavior. Audit operation models were optimized with early in-depth analysis of doubtful data to upgrade audit efficiency and effectiveness.

### Operational Risk Management

The Bank continued to construct a professional, standard, and computerized operational risk management system. The formulation of the CITIC Bank Measures for Management of Key Risk Indicators of Operational risk (Interim) and the drafting of the CITIC Bank Measures for Management of Operational risk and Control Self Assessment provide institutional guarantee to reinforce management of key risk indicators and standardize assessment criteria and process of operational risk. The Bank's operational risk management system started operation and was spread in batches, covering application functions for operational risk control such as risk and control self assessment (RCSA), key risk indicators (KRIs), loss data collection (LDC) and integral management of employee violation of control measures. The Bank also implemented management of reports from its branches and sub-branches and subsidiaries whose financial statements are consolidated by the Bank and completed submission of its annual report on operational risk to the regulator.

During the reporting period, the Bank was free of material loss incidents resulting from operational risk, with its overall risk profile assessed at medium to low level.

### Anti-Money Laundering

In line with the Anti-Money Laundering Law of the People's Republic of China and relevant rules and regulations on anti-money laundering, the Bank diligently fulfilled its anti-money laundering obligations through management efforts against money laundering on all fronts. During the reporting period, the Bank further improved its internal controls for anti-money laundering purpose and the work mechanism that clarified division of duty between the Head Office, the branches and the sub-branches. Following the PBC philosophy of "risk-oriented" anti-money laundering risk management, the Bank shifted its anti-money laundering duties from the Accounting Department to the Compliance Department at the Head Office.

In its efforts to reinforce institutional development for anti-money laundering management, the Bank started to amend its basic regulations on anti-money laundering management, defined the route of reporting anti-money laundering risk information to the Board of Directors and the senior management, set anti-money control targets, and put forward requirements for risk monitoring mechanisms and risk management performance evaluation. The Bank strictly executed daily monitoring of anti-money laundering risks such as more stringent customer ID identification, classified management of customer risk levels, and close attention paid to the money flow and usage of suspicious transaction funds from money laundry and terrorist financing. To optimize functions of its anti-money laundering system, the Bank incorporated such system construction into its three-year technology development plan, while earnestly improving, optimizing and upgrading functions such as autonomous monitoring of suspicious transactions, identification, investigation and analysis of customers, customer name list management and follow-up monitoring and assessment of customer money laundry risk.

### | Capital Management

The Bank practices total capital management covering management of regulatory capital, economic capital and book capital in general and capital adequacy ratio management, capital planning and financing management and economic capital management, etc. in particular.

Capital adequacy ratio is one of the core areas for the Bank's capital management, reflecting the capacity of the Bank in prudent operation and risk prevention. From 2013 onward, the Bank calculates, manages and discloses its capital adequacy ratio according to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC in June 2012. Regulatory requirements as per capital adequacy ratio of commercial banks include: minimum capital requirements, reserve capital requirements and counter-cyclical capital requirements, plus additional capital requirements for systematically important banks. As of 1 January 2013, capital adequacy ratios of commercial banks in China should meet minimum capital requirements (core tier-one capital adequacy ratio no lower than 5%; tier-one capital adequacy ratio no lower than 6%; and capital adequacy ratio no lower than 8%;) with additional capital requirements to be met on the part of systematically important domestic banks. During the transition period (2013-18), reserve capital requirement (2.5%) will be gradually introduced. As at the end of the reporting period, the Bank's capital adequacy ratio complied with all statutory regulatory requirements, ahead of the required deadline.

Based on the new regulatory requirements and with comprehensive consideration of business development, market positioning and risk bearing, the Bank set its yearly targets for internal management of capital adequacy ratios. Meanwhile, via timely monitoring, analysis and reporting, the Bank ensured that its target of capital adequacy ratio met the requirements of external regulation and internal management. In its capital planning and management, the Bank adopted scenario simulation and stress testing to predict future capital supply and demand in a forward-looking manner in comparison with its targets of capital adequacy ratio and according to external regulatory provisions and its own strategic plans and risk preferences, which helped the Bank to project potential capital gap of the Group in the future. Based on regular capital planning, the Bank developed and implemented programs for internal and external capital financing, made reasonable use of various capital tools and kept optimizing its capital structure while ensuring continuous compliance of its capital adequacy ratio with regulatory requirements. The Bank practiced the economic capital management system with “economic profit” and “return on risk capital” as the core to realize optimal allocation of economic resources in various institutions, products and sectors and enhance capital use efficiency via the construction of an internal economic capital transmission system.

## | Securities Investment

### Shareholdings in Other Listed Companies and Financial Enterprises

As at the end of the reporting period, the Group’s holding of shares and securities in other listed companies are as follows:

*Unit: RMB*

Stock No. code	Stock name	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in shareholder’s equity during the reporting Period	Accounting item	Source of investment
1 00762	China Unicom (HK)	7,020,000.00	—	3,281,797.10	—	4,125,467.49	(843,670.39)	Available-for-sale financial assets	Cash purchase
2 V	Visa Inc.	7,509,605.39	—	57,350,734.69	78,761.41	47,957,141.51	9,393,593.18	Available-for-sale financial assets	Gift/Bonus share
3 MA	Mastercard International	201,629.69	—	2,690,755.03	4,822.13	2,340,846.04	349,908.99	Available-for-sale financial assets	Bonus share
<b>Total</b>		<b>14,731,235.08</b>		<b>63,323,286.82</b>	<b>83,583.54</b>	<b>54,423,455.04</b>	<b>8,899,831.78</b>		

## Report of the Board of Directors

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

*Unit: RMB*

Name of Company	Initial investment amount	Number of shares held (share)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the Reporting Period	Changes in shareholder's equity during the reporting Period	Accounting item	Source of investment
China Union Pay Co. Ltd.	113,750,000.00	87,500,000	2.99%	113,750,000.00	—	—	Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	22	—	477,931.62	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,103,042.97	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	12,904,153.77	—	—	Available-for-sale financial assets	Bonus share
<b>Total</b>	<b>132,710,234.79</b>			<b>131,235,128.36</b>	<b>—</b>	<b>—</b>		

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with net value of RMB309 million as at the end of the reporting period.

## Investment of Funds Raised

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

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

As at the end of the reporting period, the Bank had used all the proceeds raised from initial public offering and the two rights issues to replenish its capital, upgrade its capital adequacy ratio and improve its risk resistance in accordance with replies from both the CBRC and the CSRC. No material investment was made with non-raised funds.

## Formulation of Cash Dividend Distribution Policy and its Implementation

As approved by the 2012 Shareholders' Annual General Meeting, the Bank paid the 2012 final dividends in cash to its A-share shareholders on the register as at 17 July 2013 and H-share shareholders on the register as at 10 June 2013 at RMB0.15 (pre-tax) per share, with total payments amounting to approximately RMB7.018 billion. The details of our profit distribution plan were disclosed in the 2012 Annual Report of the Bank. Except for the above-mentioned profit distribution, the Bank made no other declaration or payment of dividends, or conversion of capital reserve into share capital or scheme for new share issue.

## | Outlook

As at the end of the reporting period, the Bank effectively implemented its business plan in general, net profit enjoying steady increase, NPL ratio controlled within the planned target despite its slight rise and business structure exhibiting continuous optimization.

For the second half of 2013, the overall world economy as a whole will present gradual and weak recovery. The US economy will enjoy relative clear signs of recovery. The Euro zone will remain weak in employment and consumption. Benefiting from its quantitative easing monetary policy, the Japanese economy will turn for the better in the short run. The emerging markets and developing economies, however, will witness changes in economic growth patterns. In general, the foundations of global economic recovery remain weak; the main economies are unbalanced in their processes of recovery; and major uncertainties still prevail on the international financial market. Under policy guidance of the new administration, the Chinese economy will pace up its transformation and restructuring process, with the driving forces of economic growth gradually shifting from investment and export to consumption. With the PBC announcing full deregulation over loan interest rates of financial institutions in July 2013, interest rate liberalization will accelerate markedly, bringing along severe challenges to the business model of domestic banks which is heavily dependent on deposit-loan spread.

In face with such complicated externalities, the Bank will persevere with its new strategic development concept and gradually return to the traditional, standard and prudent business operation pattern according to the principles of “safety, liquidity and profitability”. Efforts will be made to: (1) arrange business in a counter-cyclic manner to proactively maintain the distance between input of resources/credit and the economic cycle and thereby avoid drastic fluctuations resulting from the economic cycle; (2) build up a capital-efficient structure so that development priorities will be shifted to low capital consumption business areas and capital will be allocated to business areas featuring limited occupation of economic capital and small risk exposures; and (3) control business scale with low credit leverage so as to maintain reasonable leverage ratio and loan-to-deposit ratio, and to avoid excessive risk bearing due to excessive expansion of asset leverage in pursuit of business scale.

# *Significant* Events

## | Purchase, Sales or Redemption of Shares

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

## | Material Acquisitions, Disposals or Restructurings of Assets

During the reporting period, the Bank did not engage itself in any material acquisitions, disposals or restructurings of assets.

## | Material Contracts and their Performance

During the reporting period, the Bank did not custody, contract or lease any material assets of other companies, nor did other companies custody, contract or lease any material assets of the Bank.

The guarantee business is one of the Bank's regular off-balance sheet business. During the reporting period, the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services that are within the approved business scope of the Bank.

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

## | Appropriation of Funds by the Controlling Shareholder

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

## | Material Related Party Transactions

When entering into related party transactions with the related parties during its ordinary and usual course of business, the Bank stuck to general commercial principles and executed the transactions with terms available to related parties being no more favorable than those available to independent third parties for similar transactions. Please refer to note 57 "Related Party" to the Financial Statements in this report for detailed data of related party transaction.

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

During the reporting period, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets.

## Credit Extension Related Party Transactions

The Bank attaches great importance to the daily monitoring and management of credit-extension related party transactions and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as process-oriented management, risk review and post-lending management. As at the end of the reporting period, the credit balance extended to related parties totalled RMB7.685 billion, of which the credit balance to CITIC Group and its subsidiaries totalled RMB6.981 billion and that to BBVA and its subsidiaries totalled RMB704 million. The above-mentioned credit granted to related party shareholders were all normal bank loans with proper credit risk exposures based on their sound underlying quality and therefore would not have material impact on the normal operation of the Bank in terms of transaction volume, structure and quality.

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

## Non-Credit Extension Continuing connected Transactions

According to the framework agreements on continuing connected transactions, the Bank conducted transactions with CITIC Group and its associates, BBVA and its associates, and CIFH and its subsidiaries within the corresponding annual caps of the year. According to the applicable provisions of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Chapter 10 of Rules of the Shanghai Stock Exchange for the Listing of Stocks, we hereby provide details on the above-mentioned continuing connected transactions as follows:

### Non-credit Extension Continuing Connected Transactions with CITIC Group and its Associates:

#### Third-Party Escrow Services

According to the Third-Party Escrow Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the third-party escrow services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2013, the annual cap for the transactions under the Third-Party Escrow Service Framework Agreement was RMB60 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.



## Significant Events

### Investment Product Agency Sales Services

According to the Investment Product Agency Sales Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the agency sales services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2013, the annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement was RMB2.0036 billion. As at the end of the reporting period, the actual amount incurred did not exceed the cap of the year.

### Asset Custody Services

According to the Asset Custody Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the asset custody services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The asset custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In October 2011, the Bank adjusted the annual cap for the transactions under the Asset Custody Service Framework Agreement. The new cap for 2013 was RMB400 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

### Financial Consulting and Asset Management Services

According to the Financial Consulting and Asset Management Service Framework Agreement entered into between the Bank and CITIC Group in December 2012, the financial consulting and asset management services provided by the Bank to CITIC Group and its associates have no fixed prices or rates. The prices and rates applicable to a particular type of services shall be determined upon arm's length negotiations between the parties and on terms no more favorable than those available to independent third parties and be based on the market prices and rates applicable to independent counterparties for similar transactions. In 2013, the annual cap for the transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB190 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

### Call Center Outsourcing Services

According to the Framework Agreement on Call Center Outsourcing services entered into between the Bank and CITIC Group in October 2011, CITIC Group and its associates shall provide call center outsourcing services to the Bank, including staff, premises, equipment and system, or more specifically, customer calling, telephone banking, telephone marketing, payment collection, verification via telephone, operation consulting, training, data and information service, marketing consulting, interactive marketing, etc. The service fees payable by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon arm's length negotiations between the parties and be based on the market prices and rates applicable to independent counterparties for similar transactions. In 2013, the annual cap for transactions under the Framework Agreement on Call Center Outsourcing services was RMB630 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

#### Treasury Market Transactions

According to the Treasury Market Transactions Framework Agreement entered into between the Bank and CITIC Group in December 2012, the Bank, CITIC Group and its associates shall conduct treasury market transactions in their daily business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for these transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for similar transactions. In 2013, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as applicable) of the transactions under the Treasury Market Transactions Framework Agreement was RMB1.31 billion each and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB4.21 billion each. As at the end of the reporting period, the actual amount incurred did not exceed the caps of the year.

#### Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement renewed between the Bank and CITIC Group in August 2010 and approved by the third extraordinary general meeting in 2010, the loan asset transfer transactions conducted between the Bank and CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the loan assets minus appropriate discount to reflect the appropriate risks of the loan assets. In 2013, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was RMB53.00 billion while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

#### Wealth Management Services

According to the Wealth Management Service Framework Agreement entered into between the Bank and CITIC Group in December 2012, CITIC Group and its associates shall provide the Bank with back-end services (such as trust services) of wealth management, while the Bank shall provide CITIC Group and its associates with investment wealth management services including principal-guaranteed and non-principal-guaranteed wealth management, according to applicable general market practices and on normal commercial terms in their ordinary course of business. In 2013, the annual cap for period-end balance of principals of principal-guaranteed wealth management services under the Wealth Management Services Framework Agreement was RMB6.70 billion, the annual cap for proceeds generated therefrom was RMB150 million, and that of front-end and back-end service fees for wealth management services was RMB120 million. As at the end of the reporting period the actual amounts incurred did not exceed the caps of the year.

#### Property Lease

According to the Property Lease Framework Agreement entered into between the Bank and CITIC Group in December 2012, the Bank, CITIC Group and its associates shall conduct property leasing transactions in their daily business according to applicable general market practices and on normal commercial terms with the rentals thereof to be determined upon arm's length negotiations between the parties and with reference to market prices of similar property lease transactions. In 2013, the annual cap for the transactions under the Property Leasing Framework Agreement was RMB80 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

## Significant Events

### Comprehensive Services

According to the Comprehensive Services Framework Agreement entered into between the Bank and CITIC Group in December 2012, CITIC Group and its associates shall provide the Bank with comprehensive services including technological service, supplementary medical insurance, enterprise annuity, conference service, outsourcing service, advertising service and commodity purchase. The Bank, CITIC Group and its associates shall conduct transactions of comprehensive services in their daily business according to applicable general market practices and on normal commercial terms, with service fees to be determined upon arm's length negotiations between the parties and with reference to market prices of similar transactions. In 2013, the annual cap for the transactions under the Comprehensive Services Framework Agreement was RMB110 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

### Non-Credit Extension Continuing Connected Transactions with BBVA and its Associates

#### Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and BBVA in October 2011, the loan asset transfer transactions conducted between the Bank and BBVA and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discount to reflect the appropriate risks of the loan assets. In 2013, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was USD200 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

#### Treasury Market Transactions

According to the Inter-bank Transactions Master Agreement entered into between the Bank and BBVA in December 2012, the Bank, BBVA and its associates shall conduct treasury market transactions in daily business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for these transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for similar transactions. In 2013, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as applicable) of the transactions under the Inter-bank Transactions Master Agreement was RMB650 million each, that for the fair value of derivative financial instruments recorded as assets was RMB1.3 billion, and that for the fair value of derivative financial instruments recorded as liabilities was RMB1.2 billion. As at the end of the reporting period, the actual amount incurred did not exceed the cap of the year.

## Non-Credit Extension Continuing Connected Transactions with CIFH and its Subsidiaries

### Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and CIFH in October 2011, the transactions conducted between the Bank and CIFH and its subsidiaries shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discount to reflect the appropriate risks of the loan assets. In 2013, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was USD500 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

### Treasury Market Transactions

According to the Treasury Market Transactions Framework Agreement entered into between the Bank and CIFH in December 2012, the Bank, CIFH and its subsidiaries shall conduct capital market transactions in their daily business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for these transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for the similar transactions. In 2013, the annual cap under the framework agreement for realized gains, realized losses, unrealized gains and unrealized losses (if applicable) of the transactions under the Treasury Market Transactions Framework Agreement was RMB1.0 billion each and that for the fair value of the derivative financial instruments (whether recorded as assets or liabilities) was RMB3.50 billion each. As at the end of the reporting period the actual amount incurred did not exceed the caps of the year.

## | Material Litigations and Arbitrations

The Group was involved in several litigation and arbitration cases during its daily operation, most of which were initiated by the Group to enforce loan recovery, plus litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, the Group was involved in 144 litigation and arbitration cases each exceeding RMB30 million in disputed amount (either as plaintiff/claimant or defendant/respondent) with an aggregate disputed amount of RMB9.586 billion. The Group was involved in 52 outstanding cases (regardless of the disputed amounts) where the Group acted as defendant/respondent with an aggregate dispute amount of RMB230 million. The management of the Bank is of the view that these legal actions will not have any material impact on either operating results or financial position of the Bank.

During the reporting period, the Bank was not aware of any events that were widely questioned by public media. As to the news report by some media with regard to the decline in private banking customers as disclosed in the 2012 annual report, the Bank made a clarification through an announcement. The decline in private banking customers disclosed in the 2012 annual report was due to the adjustment of calculation standard, and the actual amount of private banking customers grew steadily. For more detailed information, please refer to the voluntary announcement dated 17 April 2013 published on the HKExnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([bank.ecitic.com](http://bank.ecitic.com)). Save as disclosed above, there were no other significant issues of the Bank that were questioned by public media and needed to be clarified by announcement during the reporting period.

## Significant Events

### | Investigation and Punishment against the Company, its Board of Directors, its Directors, its Senior Management, its Shareholders and its De Facto Controller and the Company's Rectification thereof

During the reporting period, none of the Bank, or its Board of Directors, or its directors, or its senior management members, or its shareholders holding 5% or more shares in the Bank or its *de facto* controller was subject to investigation by competent authorities, coercive measures by judicial and disciplinary inspection departments, transfer to judiciary authorities or recourse of criminal liabilities, or investigation, administrative penalty, ban of entry into securities markets, criticism by notice circulation by the CSRC, identification as inappropriate candidates, material punishments by other administrative authorities and public reprimands from any stock exchanges, or any penalties by other regulatory authorities that would exert material impact on the Bank's operation.

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

No new undertakings were made by the shareholders holding 5% or more shares in the Bank during the reporting period. The number of ongoing undertakings remains the same as those disclosed in the 2012 annual report. The Bank is not aware of any violation of the original undertakings on the part of shareholders that hold 5% or more shares in the Bank.

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

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

Name of Directors	Name of associated corporation	Nature of interests	Class/number of share interests held	Percentage in the issued share capital	Execution period
Dou Jianzhong	CIAM Group Limited	Personal interests	1,250,000 shares <sup>(L)</sup> options	0.28%	2011.09.09–2014.09.08
			1,250,000 shares <sup>(L)</sup> options	0.28%	2014.04.15–2016.04.14

(L) — Long position

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

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

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the *Corporate Governance Code* (“Code”) set out in Appendix 14 to the *Listing Rules* throughout the six months ended 30 June 2013, except for the following:

According to Code A.1.3, the meeting notice shall be given at least 14 days before each regular Board meeting, while a 10-day prior written notice to directors and supervisors shall be given for regular Board meetings according to Article 167 of the Articles of Association. We adopted the 10-day prior notice for regular Board meetings in the Articles of Association because a 10-day prior notice is deemed as sufficient according to PRC law.

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

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

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

The Bank has made special inquiries with all directors, supervisors and senior management in this regard, while all directors, supervisors and senior management have confirmed that they have strictly complied with the Model Code provisions regarding securities transactions conducted by directors, supervisors and senior management throughout the first half of 2013.

## | Notes on Amendments to Business Plan

The Bank did not modify its business plan during the reporting period.

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

The Bank is not aware of any situation that would lead to the forecast of possible losses or substantial year-on-year changes to be recorded in cumulative net profit from the beginning of the year to the end of the next reporting period.

### | Review of Interim Results

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

### | Obtaining a Copy of the Interim Report

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

# Changes in Share Capital and Shareholdings of Substantial Shareholders

## | Changes in share capital

### Table on Changes of Shareholdings

Unit: share

	Before the change		Changes (+,-)				After the change		
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
<b>Shares subject to restrictions on sale:</b>	<b>2,138,179,203</b>	<b>4.57</b>						<b>0</b>	<b>0</b>
1. Shares held by the state	0	0				0	0	0	0
2. Shares held by state-owned legal persons	213,835,341	0.46				-213,835,341	-213,835,341	0	0
3. Other shares held by domestic investors	0	0				0	0	0	0
Including: Shares held by domestic non-state-owned legal persons	0	0				0	0	0	0
Shares held by domestic natural persons	0	0				0	0	0	0
4. Foreign-held shares	1,924,343,862	4.11				-1,924,343,862	-1,924,343,862	0	0
Including: Shares held by overseas legal persons	1,924,343,862	4.11				-1,924,343,862	-1,924,343,862	0	0
Shares held by overseas natural persons	0	0				0	0	0	0
<b>Shares not subject to restrictions on sale:</b>	<b>44,649,147,831</b>	<b>95.43</b>				<b>2,138,179,203</b>	<b>2,138,179,203</b>	<b>46,787,327,034</b>	<b>100.00</b>
1. Renminbi denominated ordinary shares	31,691,328,716	67.73				213,835,341	213,835,341	31,905,164,057	68.19
2. Domestically-listed foreign shares	0	0				0	0	0	0
3. Overseas-listed foreign shares	12,957,819,115	27.70				1,924,343,862	1,924,343,862	14,882,162,977	31.81
4. Others	0	0				0	0	0	0
<b>Total shares</b>	<b>46,787,327,034</b>	<b>100.00</b>				<b>0</b>	<b>0</b>	<b>46,787,327,034</b>	<b>100.00</b>

## | Information on Shareholders

### Number of Shareholders

Total Number of Shareholders (as at the end of the reporting period): 384,206 accounts, including 344,210 A-share accounts and 39,996 H-share accounts.



## Changes in Share Capital and Shareholdings of Substantial Shareholders

### Shareholdings of the Top 10 Shareholders

Unit: Share

No.	Name of Shareholder	Nature of Shareholder	Class of Shares	Total number of Shares Held	Shareholding Percentage (%)	Balance of shares subject to restrictions on sale	Increase or Decrease of Shareholding during the Reporting Period	Shares Pledged or Frozen
1	CITIC Limited	State-owned	A -Share	28,938,928,294	61.85	0	0	0
2	Hong Kong Securities Clearing Company Nominee Limited	Foreign	H -Share	7,371,638,772	15.76	0	3,996,700	Unknown
3	BBVA	Foreign	H -Share	7,018,099,055	15.00	0	0	0
4	NSSF	State-owned	A -Share, H -Share <sup>(2)</sup>	338,513,209	0.72	0	0	Unknown
5	China Construction Bank	State-owned	H- Share	168,599,268	0.36	0	0	Unknown
6	Mizuho Corporate Bank	Foreign	H- Share	81,910,800	0.18	0	0	Unknown
7	New China Life Insurance Co., Ltd. -Traditional-Ordinary Insurance Products-018L-CT001Y, Shanghai	Other	A -Share	76,000,000	0.16	0	76,000,000	Unknown
8	Shanghai Pudong Development Bank-Changxinjinli Equity Fund	Other	A -Share	59,959,305	0.13	0	-869,016	Unknown
9	Agricultural Bank of China-China Post Core Growth Equity Fund	Other	A -Share	58,825,881	0.13	0	58,825,881	Unknown
10	Csop Asset Management Co., Ltd. -A50ETF	Other	A -Share	36,936,013	0.08	0	5,238,185	Unknown

- Note: (1) The shareholdings of H-share holders is calculated based on the Bank's share register maintained with the H-share registrar of the Bank.
- (2) The NSSF holds both A shares and H shares in the Bank totaling 338,513,209 shares, including 213,835,341 A shares transferred from CITIC Group in 2009, 68,259,000 H shares held in the capacity of H-share cornerstone investor at the time of the Bank's initial public offering, and 42,767,068 A shares and 13,651,800 H shares purchased during the A + H rights issue of the Bank in 2011.
- (3) Note on connected relations or concerted actions of the above shareholders. As at the end of the reporting period, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

## Changes in Share Capital and Shareholdings of Substantial Shareholders

### Shareholdings of the Top 10 Non-Restricted Shareholders

*Unit: Share*

No.	Name of Shareholder	Shares held not subject to restrictions on sale	Class of Shares
1	CITIC Limited	28,938,928,294	A-Share
2	Hong Kong Securities Clearing Company Nominee Limited	7,371,638,772	H-Share
3	BBVA	7,018,099,055	H-Share
4	NSSF	338,513,209	A -Share, H-Share
5	China Construction Bank	168,599,268	H-Share
6	Mizuho Corporate Bank	81,910,800	H-Share
7	New China Life Insurance Co., Ltd. – Traditional – Ordinary Insurance Products -018L-CT001, Shanghai	76,000,000	A-Share
8	Shanghai Pudong Development Bank – Changxinjinli Equity Fund	59,959,305	A-Share
9	Agricultural Bank of China – China Post Core Growth Equity Fund	58,825,881	A-Share
10	Csop Asset Management Co., Ltd. – A50ETF	36,936,013	A-Share

Note: (1) The shareholdings of H-share holders is calculated based on the Bank's share register maintained with the H-share registrar of the Bank.  
 (2) Note on connected relations or concerted actions of the above shareholders: As at the end of the reporting period, the Bank was not aware of any connected relations or concerted actions between the above-mentioned shareholders.

### Changes in Shares Subject to Restrictions on Sale

*Unit: Shares*

Name of Shareholder	Balance of shares subject to restrictions on sale at the Beginning of the Reporting Period	Number of shares relieved during the Reporting Period	Increase of Shares subject to restrictions on sale	Balance of shares subject to restrictions on sale at the End of the Reporting Period	Reasons of Restrictions	Date of relief
BBVA	1,924,343,862	1,924,343,862	0	0	Note (1)	2013.04.02
NSSF	213,835,341	213,835,341	0	0	Note (2)	2013.04.28
<b>Total</b>	<b>2,138,179,203</b>	<b>2,138,179,203</b>	<b>0</b>	<b>0</b>	—	—

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

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

## Changes in Share Capital and Shareholdings of Substantial Shareholders

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

As at 30 June 2013, interests and short positions in the shares and underlying shares of the Bank held by substantial shareholders and other persons as recorded in the register that the Bank has maintained pursuant to Section 336 of the *Securities and Futures Ordinance* are as follows:

Name	Number of Shares Held	Shareholding Percentage of the Issued Share Capital of the Same Class (%)	Class of Shares
BBVA	10,942,096,691 <sup>(L)</sup>	73.52 <sup>(L)</sup>	H-shares
	3,809,655, 853 <sup>(S)</sup>	25.60 <sup>(S)</sup>	
BBVA	24,329,608,919 <sup>(L)</sup>	76.26 <sup>(L)</sup>	A-Share
CITIC Group	7,032,455,195 <sup>(L)</sup>	47.25 <sup>(L)</sup>	H-share
	28,938,928,294 <sup>(L)</sup>	90.70 <sup>(L)</sup>	A-Share
CITIC Limited	28,938,928,294 <sup>(L)</sup>	90.70 <sup>(L)</sup>	A-Share
Lehman Brothers Asia Holdings Ltd	732,821,000 <sup>(L)</sup>	4.92 <sup>(L)(1)</sup>	H-shares
	732,821,000 <sup>(S)</sup>	4.92 <sup>(S)</sup>	
Lehman Brothers Asia Ltd	732,821,000 <sup>(L)</sup>	4.92 <sup>(L)(1)</sup>	H-shares
	732,821,000 <sup>(S)</sup>	4.92 <sup>(S)</sup>	
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000 <sup>(L)</sup>	4.92 <sup>(L)(1)</sup>	H-shares
	732,821,000 <sup>(S)</sup>	4.92 <sup>(S)</sup>	

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

(1) The proportion here represent the actual shareholding percentage of the issued share capital of the same class of each Lehman Brothers Company as at the end of 30 June, 2013.

Save as disclosed above, as at 30 June 2013, there were no other interests or short positions of any other person or company in the shares or underlying shares of the Bank recorded in the register that the Bank had maintained pursuant to Section 336 of the *Securities and Futures Ordinance* requiring disclosure in accordance with Sections II and III in Part XV of the *Securities and Futures Ordinance*.

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

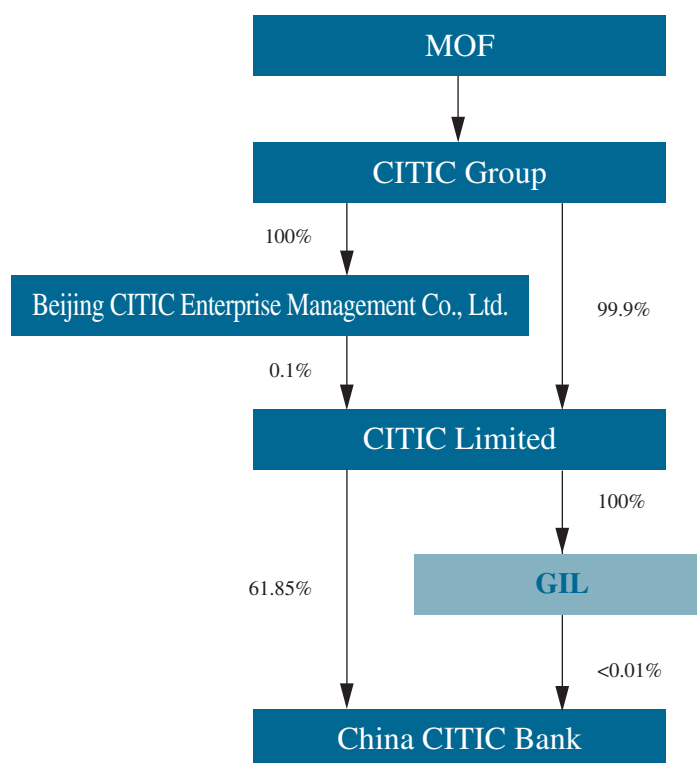
As at the end of reporting period, CITIC Limited is the controlling shareholder of the Bank, and CITIC Group is the *de facto* controller of the Bank. CITIC Limited directly owns 28,938,928,294 A-shares of the Bank, accounting for 61.85% of the total issued share capital of the Bank, as well as 710 H-shares of the Bank through its wholly owned subsidiary GIL, representing less than 0.01% of the Bank's total issued share capital. In total, CITIC Limited holds 61.85% of the Bank's total issued and outstanding shares.

CITIC Group is China's leading state-owned multinational conglomerate, focusing its investment in financial services, information technology, energy and heavy industries, with business operations in Hong Kong SAR, US, Canada and Australia. Initiated by Mr. Deng Xiaoping, the Chief Architect of China's reform and opening-up, and approved by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, the former Vice President of China, as the first window corporation in China for reform and opening up. Its registered address and place of business are both in Beijing.

## Changes in Share Capital and Shareholdings of Substantial Shareholders

On 27 December 2011, as part of its restructuring, CITIC Group contributed, together with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., the majority of its existing operating net assets to establish CITIC Limited, with CITIC Group and Beijing CITIC Enterprise Management Co., Ltd. holding 99.9% and 0.1% respectively of CITIC Limited's equity interest. CITIC Group was restructured into a wholly state-owned company as a whole and renamed as CITIC Group Corporation, which inherited all business lines and assets from the former CITIC Group. To complete the afore-mentioned capital contribution, CITIC Group transferred all the shares it held in the Bank to CITIC Limited as capital contribution, as a result of which CITIC Limited directly and indirectly holds 28,938,929,004 shares in the Bank, accounting for 61.85% of the Bank's total shares. On 25 February 2013, the relevant transfer formalities for the above-mentioned share transfer were officially completed with the approval from the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. Please refer to the announcements dated 16 January 2012, 12 July 2012, 21 September and 26 February 2013 published by the Bank on the official website of the Bank and the HKExnews website for more information with regard to the change of controlling shareholder of the Bank.

As at the end of the reporting period, the ownership structure and controlling relationship between the Bank and its *de facto* controller is as follows:



# Directors, Supervisors, Senior Management and Staffs

## | Basic Information on Directors, Supervisors and Senior Management of the Bank

### Board of Directors

Name	Title	Name	Title
Chang Zhenming	Chairman, Non-executive Director <sup>(Note)</sup>	Chen Xiaoxian	First Vice Chairman, Non-executive director
Zhu Xiaohuang	Executive Director, President	Dou Jianzhong	Non-executive Director
Ju Weimin	Non-executive Director	Guo Ketong	Non-executive Director
Cao Tong	Executive Director, Vice President	Zhang Xiaowei	Non-executive Director
Ángel Cano Fernández	Non-executive Director	Gonzalo José Toraño Vallina	Non-executive Director
Li Zheping	Independent Non-executive Director	Xing Tiancai	Independent Non-executive Director
Liu Shulan	Independent Non-executive Director	Wu Xiaoqing	Independent Non-executive Director
Wong Luen Cheung Andrew	Independent Non-executive Director		

Note: Mr. Chang Zhenming assumed office as Chairman and non-executive director of the Bank on 28 August 2013.

### Board of Supervisors

Name	Title	Name	Title
Ou-Yang Qian	Chairman of the Board of Supervisors <sup>(Note)</sup>	Zheng Xuexue	Supervisor
Zhuang Yumin	External Supervisor	Luo Xiaoyuan	External Supervisor
Li Gang	Employee Representative Supervisor	Deng Yuewen	Employee Representative Supervisor

Note: The qualifications for office of Mr. Ou-Yang Qian to be Chairman of the Board of Supervisors of the Bank are still subject to approval from the CBRC.

### Senior Management

Name	Title	Name	Title
Zhu Xiaohuang	Executive Director, President	Sun Deshun	Vice President
Cao Tong	Executive Director, Vice President	Su Guoxin	Vice President
Cao Guoqiang	Vice President	Zhang Qiang	Vice President
Wang Lianfu	Secretary of the Committee for Disciplinary Inspection, Chief Compliance Officer	Zhu Jialin	Member of the CPC Committee
Li Xin	Secretary to the Board of Directors		

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

As at the end of the reporting period, none of the directors, supervisors and senior management members of the Bank held any shares in the Bank.

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

1. In March 2013, Mr. Cao Bin left his position as Secretary of the Disciplinary Committee of the Bank due to work rearrangements.
2. In March 2013, Mr. Zhu Jialin joined the Bank as a member of senior management and a member of the CPC Committee of the Bank.
3. In April 2013, Mr. Tian Guoli resigned his positions as Chairman, non-executive director and Chairman & member of the Strategic Development Committee of the Board of Directors of the Bank as was required by national financial work. His resignation came into effect upon the service of the resignation letter to the Board of Directors of the Bank.
4. Mr. Chang Zhenming was nominated director candidate at the 11th Meeting of the Bank's Third Board of Directors held in April 2013. In May 2013, the 2012 Annual General Meeting elected Mr. Chang Zhenming director of the Bank. Mr. Chang Zhenming was elected Chairman of the Bank on the 13th meeting of the Third Session of the Board of Directors. Mr. Chang Zhenming assumed office as Chairman and non-executive director of the Bank upon CBRC approval of his qualifications for office on 28 August 2013.
5. In May 2013, Mr. Lin Zhengyue resigned his position as Secretary to the Board of Directors of the Bank due to internal work change, effective in August 2013 when the qualifications of the new Secretary to the Board of Directors of the Bank were approved by the CBRC.
6. In May 2013, the 13th Meeting of the Bank's Third Board of Directors elected Mr. Li Xin Secretary to the Board of Directors. In August 2013, Mr. Li Xin assumed office as Secretary to the Board of Directors of the Bank upon CBRC approval of his qualifications for office.
7. In June 2013, Mr. Ou-Yang Qian resigned his position as Vice President of the Bank due to work change, effective when the Board of Directors received his resignation letter.
8. Mr. Ou-Yang Qian was nominated supervisor candidate at the 7th Meeting of the Bank's Third Board of Supervisors held in June 2013. In August 2013, the first extraordinary general meeting of the Bank in 2013 elected Mr. Ou-Yang Qian supervisor of the Bank, effective immediately. The 8th Meeting of the Bank's Third Board of Supervisors elected Mr. Ou-Yang Qian Chairman of the Board of Supervisors, subject to the CBRC's approval of his qualifications for office.

### | Staffs

The Bank kept on strengthening and improving human resources management according to the principle of coordinating effective incentives with strict constraints. Great efforts were devoted to developing management teams at the Head Office as well as branch and sub-branch levels, enhancing performance evaluation, appointment and removal systems, building adequate reserve human resources, and promoting exchanges and rotation of managers. Other areas of improvement included scientific planning of human resources, reasonable set-up of internal organizational structures, better recruitment and staffing, and continuous optimization of the team structure of human resources. At the same time, the Bank further improved its remuneration, welfare and insurance systems with surveys, researches and analysis carried out to refine its internal hierarchy and remuneration system including optimization of the remuneration structure, standardize its welfare and insurance mechanisms, and increase the effectiveness of incentives. Knowledge training and professional exchanges enjoyed marked enhancement, resulting in higher level of information management, greater awareness of service and promotion of business development.

The Bank had 42,999 full-time employees and 493 retirees as at the end of the reporting period.

## *Corporate* Governance

The Bank has ascertained its framework of corporate governance consisting of the General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management and defined the responsibilities of the directors, the supervisors and the senior management by rules and regulations including the Articles of Association, Rules of Procedure of the Shareholders' General Meeting, Rules of Procedure of the Board of Directors, and Rules of Procedure of the Board of Supervisors, thereby effectively integrating duties, rights and interests, establishing scientific efficient mechanisms for decision making, execution, and supervision, ensuring clear division of duties, mutual cooperation as well as effective check and balance between decision-making, executive and supervisory bodies.

During the reporting period, the Board of Directors and the Board of Supervisors of the Bank assessed performance of the Board directors in 2012 in accordance with the CBRC Measures of Performance Assessment of Directors of Commercial Banks (Interim), Measures of the Board of Directors of CITIC Bank for Performance Assessment of Board Directors and Senior Management, and Measures of the Board of Supervisors of CITIC Bank for Performance Assessment of Directors, Supervisors and Senior Management and produced assessment reports thereof. All Board directors of the Bank were assessed to have performed their due diligence in 2012.

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

During the reporting period, the Bank convened 1 annual general meeting, 8 meetings of the Board of Directors and 4 meetings of the Board of Supervisors, all of which were held in compliance with relevant laws and regulations and procedures specified in the Bank's Articles of Association.

#### **Shareholders' General Meeting**

During the reporting period, the Bank convened 1 general meeting, i.e., the 2012 Annual General Meeting. The meeting was convened in strict compliance with the listing regulations required by the two listing venues. The Shareholders' General Meeting of the Bank makes decisions on major issues of the Bank according to law. The above-mentioned general meeting deliberated and adopted the proposals on the Work Report of the Board of Directors, 2012 Work Report of the Board of Supervisors, 2012 Annual Report, 2012 Annual Financial Report, Financial Budget Plan for 2013, 2012 Profit Distribution Plan, 2013 Plan for Engagement of Auditors and Their Remunerations, Lines of Credit to Be Granted to Related-Party Entities of CITIC Group, 2012 Social Responsibility Report, 2012 Report on Assessment of Internal Control, and Shareholders' Nomination of Mr. Chang Zhenming As Director of the Bank. The general meeting therefore safeguarded legitimate rights and interests of all shareholders, ensured lawful exercise of rights by shareholders, and promoted long-term, sound and sustainable development of the Bank.



### Board of Directors

As at the disclosure date of this report, the Board of Directors consisted of 15 members, including 2 executive directors, 8 non-executive directors and 5 independent non-executive directors.

During the reporting period, the Board of Directors of the Bank convened 8 meetings (including voting on-site and by correspondence) at which the Board deliberated and adopted the proposals on the 2012 Work Report of the Board of Directors, 2012 Annual Report of the Bank, 2012 Remuneration Plan for Senior Management, 2012 Remuneration Plan for Employees, 2013 Financial Budget Plan, First Quarterly Report of 2013, 2013 Plan for Engagement of Auditors and Their Remunerations, Lines of Credit to Be Granted to Related-Party Entities of CITIC Group, 2012 Social Responsibility Report, 2012 Report on Assessment of Internal Control, Shareholders' Nomination and Election of Mr. Chang Zhenming as Board Director and Board Chairman of the Bank and 2013 Institutional Development Plan, and presented the related proposals to the General Meeting for resolution via voting. As such, the Board of Directors effectively performed its due diligence.

### Board of Supervisors

As at the disclosure date of the report, the Board of Supervisors consists of 6 members, including 2 external supervisors, 2 shareholder representative supervisors and 2 employee representative supervisors.

During the reporting period, the Board of Supervisors of the Bank held 4 meetings, at which the supervisors deliberated and adopted the proposals on the 2012 Annual Work Report of the Board of Supervisors, 2012 Annual Report, First Quarterly Report of 2013, and 2012 Report of the Board of Supervisors on Annual Performance Assessment of Directors, and Nomination of Mr. Ou Yang Qian as Supervisor Candidate of the Third Board of Supervisors.

### Senior Management

The Bank's senior management consists of nine members, including one president, seven vice presidents (including those at the vice-president level), and one Secretary to the Board of Directors. There is strict division of duties and separation of power between the Bank's senior management and the Board of Directors. Authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its mandate.

## | Information Disclosure

The Bank always attaches great importance to information disclosure and makes information disclosure in strict compliance with the regulatory requirements of the listing venues and according to the principles of accuracy, truthfulness and completeness to ensure fair treatment of all investors from home and abroad and safeguard legitimate rights and interests of all shareholders.

The Bank published more than 50 announcements for the reporting period according to domestic and overseas regulatory requirements.

## | Management of Related Party Transactions

The Bank attached great importance to management of related party transactions. By continuously deepening and enhancing its efforts to improve the related party transactions management system, management of related parties and reporting/disclosure of related party transactions, the Bank ensured full realization of synergy of the CITIC financial platform and increase in shareholder value in a lawful and compliant manner.

In terms of the related party transactions management system, the Bank adopted the management principle of “concentrated management plus appropriate division of duties”. An increasingly refined management system featuring leadership by the Board of Directors, supervision by the Board of Supervisors and mutual cooperation and respective performance of duties between concerned departments of the Head Office and the branches ensured orderly, standard and efficient management of related party transactions.

In terms of management of related party transactions, the Bank reinforced the mechanism for management of credit-extension and non-credit-extension related party transactions. The RMB28.9 billion related credit extension to CITIC Group was pre-disclosed according to due procedure. The Bank added annual transaction caps for wealth management services, integrated services and property leasing on the basis of the existing eight major categories of non-credit-extension business. Meanwhile, monthly reporting, filing and statistical analysis were adopted to collect, sort out and monitor data of concerned transactions.

With regard to management of related parties, the Bank continued to improve classified management of related parties according to the principle of “classified management”. During the reporting period, the Bank further refined the full list of related parties covering all related natural persons and related legal persons in accordance with changes such as restructuring of CITIC Group, the de facto controller of the Bank, and adjustment of the senior management of the Bank, and in line with different definitions of related parties by domestic and overseas regulators, thereby laying a solid foundation for lawfulness and compliance of its related party transactions.

With regard to disclosure of related party transactions, the Bank followed the “tougher hand” principle and stringently performed its reporting and disclosure obligations. During the first half of 2013, the Bank published 3 special announcements on related party transactions at home and abroad, 5 announcements on Board of Directors resolutions concerning related party transactions, 2 announcements on General Meeting resolutions concerning related party transactions, and disclosed details of related party transactions via regular reports. In addition, the Board of Directors and its Audit and Related Party Transactions Committee reviews the annual special report on related party transactions produced by the senior management on a regular basis every year and thereafter submit the report to the General Meeting for deliberation, thus fully performing the obligation of reporting and disclosing related party transactions, safeguarding rights and interests of minority shareholders and creating a sound image of the Bank at the capital market.

## | Management of Investor Relations

Following the principle of compliance, fairness and high efficiency in investor relations management, the Bank keeps enhancing its management systems, standardizing its procedures and upgrading its work standards in daily operation to make its management of investor relations more proactive and interactive and provide more convenient and higher-quality services to investors.

During the reporting period, the Bank participated in 40 external large-scale investors' forums and routine meetings with investors, organized 1 annual results release, and conducted annual road shows in Hong Kong, USA, Japan and Singapore in conjunction with the release of the annual performance results. Senior management members of the Bank participated in important investor activities such as road shows at home and abroad and results releases in person for in-depth exchanges with institutional investors and proactive delivery of positive information to the capital market. The Bank also kept in touch with investors from all over the world in a timely and express manner via e-platforms such as telephone, E-mail, investor-relations website, and investor-relations mail box. By means of interaction between its internal departments, the Bank provided timely feedback to valuable suggestions put forward by shareholders and won high recognition from the shareholders. Further, the Bank engaged itself in in-depth communication with investors by convening the Online Briefing for 2012 Cash Dividend Distribution.

# Progress in Strategic Transformation

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The Bank puts forward the vision of “building a first-class commercial bank with unique market value” and the mission of “supporting real economy, creating employee happiness, improving shareholder value and serving social development”. Consistent efforts were put in place to support the real economy, deepen business restructuring, optimize operation and management systems and mechanisms, enter into the service industry on all fronts, vigorously develop emerging business such as SME financing business, online banking.



# Independent Auditors' Review Report

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

## Introduction

We have reviewed the interim financial report of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 91 to 192 which comprises the consolidated and Bank statements of financial position as at 30 June 2013 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

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

27 August 2013

# Consolidated Statement of Comprehensive Income

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

	Note	Six months ended 30 June	
		2013 Unaudited	2012 Unaudited
Interest income		75,399	68,337
Interest expense		(34,724)	(31,408)
<b>Net interest income</b>	3	<b>40,675</b>	36,929
Fee and commission income		8,581	5,817
Fee and commission expense		(604)	(412)
<b>Net fee and commission income</b>	4	<b>7,977</b>	5,405
Net trading gain	5	969	1,540
Net gain from investment securities	6	73	115
Other operating income		380	254
<b>Operating income</b>		<b>50,074</b>	44,243
Operating expenses	7	(17,940)	(15,858)
<b>Operating profit before impairment</b>		<b>32,134</b>	28,385
Impairment losses on			
– Loans and advances to customers		(4,719)	(2,447)
– Others		(170)	(77)
<b>Total impairment losses</b>	8	<b>(4,889)</b>	(2,524)
Revaluation gain on investment properties		1	35
Share of losses of associates		(3)	(20)
<b>Profit before tax</b>		<b>27,243</b>	25,876
Income tax	9	(6,600)	(6,291)
<b>Net profit</b>		<b>20,643</b>	19,585
<b>Other comprehensive income for the period</b>			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
– Net changes in fair value		(491)	1,090
– Net amount transferred to profit or loss		(136)	(23)
Exchange difference on translating foreign operations		(266)	67
Other comprehensive income of associates		12	6
<b>Total other comprehensive (loss)/income</b>		<b>(881)</b>	1,140
Income tax effects relating to each component of other comprehensive (loss)/income		147	(242)
<b>Other comprehensive (loss)/income, net of tax</b>	10	<b>(734)</b>	898
<b>Total comprehensive income</b>		<b>19,909</b>	20,483
<b>Net profit attributable to:</b>			
Shareholders of the Bank		20,391	19,373
Non-controlling interests		252	212
		<b>20,643</b>	19,585
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Bank		19,769	20,180
Non-controlling interests		140	303
		<b>19,909</b>	20,483
<b>Basic and diluted earnings per share (RMB)</b>	11	<b>0.44</b>	0.41

The notes on pages 99 to 192 form part of the unaudited interim financial report.

## Consolidated Statement of Financial Position

As at 30 June 2013

(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2013 Unaudited	31 December 2012 Audited
<b>Assets</b>			
Cash and balances with central bank	12	492,526	428,167
Deposits with banks and non-bank financial institutions	13	250,643	236,591
Placements with banks and non-bank financial institutions	14	90,051	151,803
Trading financial assets	15	20,413	12,285
Positive fair value of derivatives	16	5,407	4,160
Financial assets held under resale agreements	17	217,677	69,082
Interest receivable	18	13,656	13,040
Loans and advances to customers	19	1,787,895	1,627,576
Available-for-sale financial assets	20	225,564	196,849
Held-to-maturity investments	21	160,918	135,014
Investment classified as receivables	22	140,667	56,435
Investments in associates	23	2,109	2,134
Fixed assets	25	11,739	11,520
Investment properties	26	280	333
Goodwill	27	803	817
Intangible assets	28	319	339
Deferred tax assets	29	6,612	6,091
Other assets	30	9,666	7,703
<b>Total assets</b>		<b>3,436,945</b>	<b>2,959,939</b>
<b>Liabilities</b>			
Deposits from banks and non-bank financial institutions	32	441,513	370,108
Placements from banks and non-bank financial institutions	33	33,872	17,894
Negative fair value of derivatives	16	4,919	3,412
Financial assets sold under repurchase agreements	34	17,856	11,732
Deposits from customers	35	2,613,911	2,255,141
Accrued staff costs	36	8,921	10,578
Taxes payable	37	3,854	4,558
Interest payable	38	21,084	21,499
Provisions	39	93	93
Debt securities issued	40	44,502	44,809
Certificates of deposit issued	41	10,568	11,593
Other liabilities	42	19,875	5,436
<b>Total liabilities</b>		<b>3,220,968</b>	<b>2,756,853</b>

The notes on pages 99 to 192 form part of the unaudited interim financial report.

## Consolidated Statement of Financial Position (Continued)

*As at 30 June 2013*  
(Expressed in millions of Renminbi unless otherwise stated)

	Note	<b>30 June 2013 Unaudited</b>	31 December 2012 Audited
<b>Equity</b>			
Share capital	43	46,787	46,787
Share premium and other reserve	44	49,486	49,488
Investment revaluation reserve	45	(627)	(185)
Surplus reserve	46	11,709	11,709
General reserve	47	35,326	35,326
Retained earnings		70,724	57,351
Exchange difference		(2,298)	(2,120)
<b>Total equity attributable to shareholders of the Bank</b>		<b>211,107</b>	198,356
Non-controlling interests		4,870	4,730
<b>Total equity</b>		<b>215,977</b>	203,086
<b>Total liabilities and equity</b>		<b>3,436,945</b>	2,959,939

Approved and authorised for issue by the Board of Directors on 27 August 2013.

**Chen Xiaoxian**  
First Vice  
Chairman

**Zhu Xiaohuang**  
President

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

**Lu Wei**  
Head of Budget  
and Finance  
Department

**Company stamp**

The notes on pages 99 to 192 form part of the unaudited interim financial report.



## Statement of Financial Position

As at 30 June 2013

(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2013 Unaudited	31 December 2012 Audited
<b>Assets</b>			
Cash and balances with central bank	12	490,892	426,886
Deposits with banks and non-bank financial institutions	13	247,364	235,424
Placements with banks and non-bank financial institutions	14	73,270	129,052
Trading financial assets	15	20,361	12,209
Positive fair value of derivatives	16	3,290	2,665
Financial assets held under resale agreements	17	217,726	69,132
Interest receivable	18	13,184	12,534
Loans and advances to customers	19	1,694,818	1,541,748
Available-for-sale financial assets	20	210,428	181,862
Held-to-maturity investments	21	160,856	134,952
Investment classified as receivables	22	140,667	56,435
Investment in subsidiaries	24	9,986	9,986
Fixed assets	25	11,244	10,997
Intangible assets	28	319	339
Deferred tax assets	29	6,576	6,073
Other assets	30	8,989	7,338
<b>Total assets</b>		<b>3,309,970</b>	<b>2,837,632</b>
<b>Liabilities</b>			
Deposits from banks and non-bank financial institutions	32	453,637	383,493
Placements from banks and non-bank financial institutions	33	30,877	15,923
Negative fair value of derivatives	16	3,498	2,677
Financial assets sold under repurchase agreements	34	16,854	11,241
Deposits from customers	35	2,506,702	2,148,582
Accrued staff costs	36	8,610	10,241
Taxes payable	37	3,668	4,495
Interest payable	38	20,733	20,988
Provisions	39	93	93
Debt securities issued	40	38,471	38,470
Other liabilities	42	17,372	4,363
<b>Total liabilities</b>		<b>3,100,515</b>	<b>2,640,566</b>

The notes on pages 99 to 192 form part of the unaudited interim financial report.

## Statement of Financial Position (Continued)

*As at 30 June 2013  
(Expressed in millions of Renminbi unless otherwise stated)*

	Note	<b>30 June 2013 Unaudited</b>	31 December 2012 Audited
<b>Equity</b>			
Share capital	43	46,787	46,787
Share premium and other reserve	44	51,619	51,619
Investment revaluation reserve	45	(557)	(195)
Surplus reserve	46	11,709	11,709
General reserve	47	35,250	35,250
Retained earnings		64,647	51,896
<b>Total equity</b>		<b>209,455</b>	197,066
<b>Total liabilities and equity</b>		<b>3,309,970</b>	2,837,632

Approved and authorised for issue by the Board of Directors on 27 August 2013.

**Chen Xiaoxian**  
First Vice  
Chairman

**Zhu Xiaohuang**  
President

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

**Lu Wei**  
Head of Budget  
and Finance  
Department

**Company stamp**

The notes on pages 99 to 192 form part of the unaudited interim financial report.

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013— unaudited  
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Share capital	Share premium	Other reserve	Investment Revaluation Reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2013		46,787	49,214	274	(185)	11,709	35,326	57,351	(2,120)	4,730	203,086
Movements during the period											
(I) Net profit		—	—	—	—	—	—	20,391	—	252	20,643
(II) Other comprehensive income	10	—	—	(2)	(442)	—	—	—	(178)	(112)	(734)
Total comprehensive income		—	—	(2)	(442)	—	—	20,391	(178)	140	19,909
(III) Profit appropriations											
1. Appropriations to shareholders	48	—	—	—	—	—	—	(7,018)	—	—	(7,018)
As at 30 June 2013		46,787	49,214	272	(627)	11,709	35,326	70,724	(2,298)	4,870	215,977

	Note	Share capital	Share premium	Other reserve	Investment Revaluation Reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total Equity
As at 1 January 2012		46,787	49,214	277	214	8,691	20,825	50,622	(2,134)	4,285	178,781
Movements during the period											
(I) Net profit		—	—	—	—	—	—	19,373	—	212	19,585
(II) Other comprehensive income	10	—	—	—	756	—	—	—	51	91	898
Total comprehensive income		—	—	—	756	—	—	19,373	51	303	20,483
(III) Profit appropriations											
1. Appropriations to shareholders		—	—	—	—	—	—	(6,784)	—	—	(6,784)
As at 30 June 2012		46,787	49,214	277	970	8,691	20,825	63,211	(2,083)	4,588	192,480

	Note	Share capital	Share premium	Other reserve	Investment Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2012		46,787	49,214	277	214	8,691	20,825	50,622	(2,134)	4,285	178,781
Movements during the year											
(I) Net profit		—	—	—	—	—	—	31,032	—	353	31,385
(II) Other comprehensive income		—	—	(3)	(399)	—	—	—	14	92	(296)
Total comprehensive income		—	—	(3)	(399)	—	—	31,032	14	445	31,089
(III) Profit appropriations											
1. Appropriations to surplus reserve	46	—	—	—	—	3,018	—	(3,018)	—	—	—
2. Appropriations to general reserve	47	—	—	—	—	—	14,501	(14,501)	—	—	—
3. Appropriations to shareholders	48	—	—	—	—	—	—	(6,784)	—	—	(6,784)
As at 31 December 2012		46,787	49,214	274	(185)	11,709	35,326	57,351	(2,120)	4,730	203,086

The notes on pages 99 to 192 form part of the unaudited interim financial report.

## Consolidated Cash Flow Statement

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

	Six months ended 30 June	
	2013 Unaudited	2012 Unaudited
<b>Operating activities</b>		
Profit before tax	27,243	25,876
Adjustments for:		
— Revaluation loss/(gain) on investments, derivatives and investment properties	117	(370)
— Investment gains	(48)	(84)
— Net (gain)/loss on disposal of fixed assets and other assets	(14)	3
— Unrealised foreign exchange losses/(gains)	124	(149)
— Impairment losses	4,889	2,524
— Depreciation and amortisation	865	770
— Interest expense on debt securities and certificates of deposit issued	1,104	639
— Dividend income from equity investment	(22)	(11)
— Income tax paid	(7,427)	(6,364)
	<b>26,831</b>	22,834
<b>Changes in operating assets and liabilities:</b>		
Increase in balances with central bank	(61,080)	(31,378)
(Increase)/decrease in deposits with banks and non-bank financial institutions	(5,558)	23,244
Decrease/(increase) in placements with banks and non-bank financial institutions	38,892	(28,219)
Increase in trading financial assets	(9,045)	(7,743)
Increase in financial assets held under resale agreements	(148,627)	(63,252)
Increase in loans and advances to customers	(167,010)	(100,905)
Increase in investment classified as receivables	(84,232)	—
Increase/(decrease) in deposits from banks and non-bank financial institutions	72,222	(108,263)
Increase/(decrease) in placements from banks and non-bank financial institutions	16,190	(625)
Increase/(decrease) in financial assets sold under repurchase agreements	6,139	(4,725)
Increase in deposits from customers	365,195	220,173
Increase in other operating assets	(3,311)	(613)
Increase in other operating liabilities	775	3,921
Net cash flows from/(used in) operating activities	<b>47,381</b>	(75,551)

The notes on pages 99 to 192 form part of the unaudited interim financial report.

## Consolidated Cash Flow Statement (Continued)

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

	Note	Six months ended 30 June	
		2013 Unaudited	2012 Unaudited
<b>Investing activities</b>			
Proceeds from disposal and redemption of investments		288,028	253,677
Proceeds from disposal of fixed assets, land use rights and other assets		99	14
Cash received from equity investment income		22	11
Payments on acquisition of investments		(325,980)	(306,044)
Payments on acquisition of fixed assets, land use rights and other assets		(1,041)	(1,101)
<b>Net cash flows used in investing activities</b>		<b>(38,872)</b>	<b>(53,443)</b>
<b>Financing activities</b>			
Cash received from issuance of debt securities and certificates of deposit		4,612	19,969
Cash paid for redemption of debt securities and certificates of deposit		(5,408)	(1,579)
Interest paid on debt securities and certificates of deposit issued		(2,096)	(1,018)
Dividend paid		—	(222)
<b>Net cash flows (used in)/from financing activities</b>		<b>(2,892)</b>	<b>17,150</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,617</b>	<b>(111,844)</b>
Cash and cash equivalents as at 1 January		336,828	479,083
Effect of exchange rate changes on cash and cash equivalents		(1,490)	195
Cash and cash equivalents as at 30 June	49	340,955	367,434
<b>Cash flows from operating activities include:</b>			
Interest received		74,790	67,184
Interest paid, excluding interest expense on debt securities and certificates of deposit issued		(33,035)	(26,723)

The notes on pages 99 to 192 form part of the unaudited interim financial report.

# Notes to the Unaudited Interim Financial Report

*(Expressed in millions of Renminbi unless otherwise stated)*

## 1 Corporate information

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

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

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

As at 30 June 2013, the Group mainly operates in Mainland China with branches covering 30 provinces, autonomous regions and municipalities. In addition, the Bank’s subsidiaries have operations in Mainland China, Hong Kong and other overseas countries and regions.

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

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

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

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

In 2011, the Bank issued 7,754 million rights shares to both A shareholders and H shareholders with a par value of RMB1 each (“Rights Issue”), and finished the registration changes of registered capital on 5 July 2012.

The interim financial report was approved by the Board of Directors of the Bank on 27 August 2013.

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 2 Basis of preparation

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

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

The interim financial report contains selected explanatory notes, which provide explanations of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2012. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012.

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

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

#### (3) Significant accounting policies

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

- Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- Revised IAS 19, Employee benefits
- Annual Improvements to IFRSs 2009-2011 Cycle
- Amendments to IFRS 7, Financial instruments: Disclosures– Offsetting financial assets and financial liabilities

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

(Expressed in millions of Renminbi unless otherwise stated)

## 2 Basis of preparation (continued)

### (3) Significant accounting policies (continued)

#### *Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial report has been modified accordingly.

#### *IFRS 10, Consolidated financial statements*

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

#### *IFRS 11, Joint arrangements*

IFRS 11, which replaces IAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has no joint arrangements.

#### *IFRS 12, Disclosure of interests in other entities*

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

#### *IFRS 13, Fair value measurement*

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and nonfinancial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 56. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 2 Basis of preparation (continued)

#### (3) Significant accounting policies (continued)

##### *Revised IAS 19, Employee benefits*

Revised IAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised IAS 19 eliminates the “corridor method” under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised IAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised IAS 19, the Group has changed its accounting policy with respect to defined benefit plans. This change in accounting policy does not have any material impact on this interim financial report.

##### *Annual Improvements to IFRSs 2009-2011 Cycle*

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 53.

##### *Amendments to IFRS 7, Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. These new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group’s interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

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

The interim financial report has been reviewed by the Audit and Related Party Transactions Control Committee of the Bank, and was approved by the Board of Directors of the Bank on 27 August 2013. The interim financial report has also been reviewed by the Bank’s auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

The financial information for the year ended 31 December 2012 that is included in the interim financial report as previously reported information does not constitute the Group’s audited financial statements for that year but is derived from those financial statements. The auditor has expressed unqualified audit opinion on those financial statements in the report dated 28 March 2013.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 3 Net interest income

	Six months ended 30 June	
	2013	2012
<b>Interest income arising from:</b>		
Deposits with central banks	3,387	2,941
Deposits with banks and non-bank financial institutions	3,100	4,115
Placements with banks and non-bank financial institutions	2,656	3,742
Financial assets held under resale agreements	4,738	2,561
Investment classified as receivables	829	—
Loans and advances to customers (note (i))		
— corporate loans	40,800	39,280
— personal loans	10,838	8,659
— discounted bills	2,286	2,260
Investments in debt securities (note (ii))	6,764	4,778
Others	1	1
	<b>75,399</b>	<b>68,337</b>
<b>Interest expense arising from:</b>		
Deposits from banks and non-bank financial institutions	(7,570)	(7,857)
Placements from banks and non-bank financial institutions	(358)	(160)
Debt securities issued	(1,004)	(535)
Financial assets sold under repurchase agreements	(117)	(405)
Deposits from customers	(25,575)	(22,332)
Trading financial liabilities	—	(15)
Certificates of deposit issued	(100)	(104)
	<b>(34,724)</b>	<b>(31,408)</b>
<b>Net interest income</b>	<b>40,675</b>	<b>36,929</b>

Notes: (i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB130 million for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB111 million).

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

(iii) Interest income includes interest income arising from financial assets measured at fair value through profit and loss of RMB201 million (six months ended 30 June 2012: RMB173 million); interest expense includes no interest expense arising from financial liabilities measured at fair value through profit and loss (six months ended 30 June 2012: RMB15 million).

### 4 Net fee and commission income

	Six months ended 30 June	
	2013	2012
<b>Fee and commission income</b>		
Consultancy and advisory fees	2,504	1,506
Bank card fees	2,445	1,624
Settlement fees	1,259	1,446
Guarantee fees	467	263
Agency fees and commission (note(i))	542	465
Commission for wealth management services	950	280
Commission for custodian business	407	229
Others	7	4
<b>Total</b>	<b>8,581</b>	<b>5,817</b>
Fee and commission expense	(604)	(412)
<b>Net fee and commission income</b>	<b>7,977</b>	<b>5,405</b>

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

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 5 Net trading gain

	Six months ended 30 June	
	2013	2012
Trading profit:		
— debt securities	—	208
— foreign currencies	784	757
— derivatives	184	574
— financial instrument designated at fair value through profit and loss	1	1
<b>Total</b>	<b>969</b>	<b>1,540</b>

### 6 Net gain from investment securities

	Six months ended 30 June	
	2013	2012
Net (loss)/gain from sale of available-for-sale financial assets	(87)	79
Net revaluation gain reclassified from other comprehensive income on disposal	136	23
Others	24	13
<b>Total</b>	<b>73</b>	<b>115</b>

### 7 Operating expenses

	Six months ended 30 June	
	2013	2012
Staff costs		
— salaries and bonuses	6,144	5,286
— social insurance	760	670
— welfare expenses	406	367
— housing fund	301	258
— labor union expenses and employee education expenses	255	221
— housing allowance	133	120
— defined contribution retirement schemes	139	116
— supplementary retirement benefits	2	(1)
— others	69	68
<b>Subtotal</b>	<b>8,209</b>	<b>7,105</b>
Property and equipment expenses		
— rent and property management expenses	1,249	957
— depreciation	553	494
— amortisation expenses	312	276
— electronic equipment operating expenses	171	156
— maintenance	166	154
— others	223	191
<b>Subtotal</b>	<b>2,674</b>	<b>2,228</b>
Business tax and surcharges	3,588	3,257
Other general and administrative expenses	3,469	3,268
<b>Total</b>	<b>17,940</b>	<b>15,858</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 8 Impairment losses on assets

	Six months ended 30 June	
	2013	2012
Impairment losses charged on/(reversed from)		
— placements with banks and non-bank financial institutions	1	—
— Loans and advances to customers	4,719	2,447
— Available-for-sale financial assets	(9)	(9)
— Held-to-maturity investments	(82)	(4)
— Off-balance sheet credit commitments	57	85
— Repossessed assets	(13)	(5)
— Others	216	10
<b>Total</b>	<b>4,889</b>	<b>2,524</b>

### 9 Income tax

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

	Six months ended 30 June	
	2013	2012
Current tax		
— Mainland China	6,825	6,241
— Hong Kong	146	110
— Overseas	3	14
Deferred tax	(374)	(74)
<b>Income tax</b>	<b>6,600</b>	<b>6,291</b>

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

	Six months ended 30 June	
	2013	2012
Profit before tax	27,243	25,876
Income tax calculated at statutory tax rate	6,811	6,469
Effect of different tax rates in other regions	(84)	(70)
Tax effect of non-deductible expenses (Note (i))	178	186
Tax effect of non-taxable income		
— Interest income arising from PRC government bonds	(275)	(266)
— Others	(30)	(28)
<b>Income tax</b>	<b>6,600</b>	<b>6,291</b>

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

### 10 Other comprehensive (loss)/income

	Six months ended 30 June	
	2013	2012
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income of available-for-sale financial assets		
— Net changes in fair value recognised during the period	(491)	1,090
— Net amount transferred to profit or loss	(136)	(23)
Income tax relating to other comprehensive income of available-for-sale financial assets	147	(242)
Other comprehensive income for available-for-sale financial assets, net of tax	(480)	825
Exchange differences on translation	(266)	67
Shares of other comprehensive income of associates	12	6
<b>Net other comprehensive (loss)/income after tax during the period</b>	<b>(734)</b>	<b>898</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 11 Earnings per share

Earnings per share information for the six months ended 30 June 2013 and 2012 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2013 and 2012.

	Six months ended 30 June	
	2013	2012
Net profit attributable to shareholders of the Bank	20,391	19,373
Weighted average number of shares (in million shares)	46,787	46,787
Basic and diluted earnings per share (in RMB)	0.44	0.41

### 12 Cash and balances with central banks

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Cash	7,105	6,667	6,925	6,486
Balances with central banks				
— Statutory deposit reserve funds (note (i))	414,567	356,243	413,368	355,379
— Surplus deposit reserve funds (note (ii))	65,699	62,223	65,444	61,987
— Fiscal deposits	5,155	3,034	5,155	3,034
Total	492,526	428,167	490,892	426,886

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

As at 30 June 2013, the statutory deposit reserve placed with the PBOC was calculated at 18% (31 December 2012: 18%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (31 December 2012: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

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

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

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

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

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

Note	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China				
— Banks	226,530	217,771	221,248	213,090
— Non-bank financial institutions	4,551	2,743	9,636	8,344
Subtotal	231,081	220,514	230,884	221,434
Outside Mainland China				
— Banks	18,184	14,539	16,480	13,990
— Non-bank financial institutions	1,378	1,538	—	—
Subtotal	19,562	16,077	16,480	13,990
Gross balance	250,643	236,591	247,364	235,424
Less: Allowances for impairment losses	31	—	—	—
Net balance	250,643	236,591	247,364	235,424

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 13 Deposits with banks and non-bank financial institutions (continued)

#### (b) Analysed by remaining maturity

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Demand deposits		39,528	45,739	36,299	43,472
Time deposits with remaining maturity					
— within one month		157,232	127,020	157,184	128,120
— between one month and one year		52,039	62,800	52,037	62,800
— over one year		1,844	1,032	1,844	1,032
Subtotal		211,115	190,852	211,065	191,952
Gross balance		250,643	236,591	247,364	235,424
Less: Allowances for impairment losses	31	—	—	—	—
Net balance		250,643	236,591	247,364	235,424

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

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

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China					
— Banks		66,699	125,503	51,917	109,151
— Non-bank financial institutions		15,884	19,125	15,884	19,125
Subtotal		82,583	144,628	67,801	128,276
Outside Mainland China					
— Banks		7,477	7,183	4,819	—
— Non-bank financial institutions		—	—	659	784
Subtotal		7,477	7,183	5,478	784
Gross balance		90,060	151,811	73,279	129,060
Less: Allowances for impairment losses	31	(9)	(8)	(9)	(8)
Net balance		90,051	151,803	73,270	129,052

#### (b) Analysed by remaining maturity

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Within one month		32,616	48,721	23,472	38,884
Between one month and one year		57,365	103,015	49,751	90,132
Over one year		79	75	56	44
Gross balance		90,060	151,811	73,279	129,060
Less: Allowances for impairment losses	31	(9)	(8)	(9)	(8)
Net balance		90,051	151,803	73,270	129,052

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 15 Trading financial assets

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Held for trading purpose:					
— Debt trading financial assets	(i)	20,361	12,209	20,361	12,209
— Investment funds	(ii)	2	2	—	—
Financial assets designated at fair value through profit and loss	(iii)	50	74	—	—
<b>Total</b>		<b>20,413</b>	<b>12,285</b>	<b>20,361</b>	<b>12,209</b>

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

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China				
— Government	12,382	3,374	12,382	3,374
— PBOC	—	480	—	480
— Policy banks	139	735	139	735
— Banks and non-bank financial institutions	399	205	399	205
— Corporate entities	7,441	7,415	7,441	7,415
<b>Total</b>	<b>20,361</b>	<b>12,209</b>	<b>20,361</b>	<b>12,209</b>
Unlisted	20,361	12,209	20,361	12,209
<b>Total</b>	<b>20,361</b>	<b>12,209</b>	<b>20,361</b>	<b>12,209</b>

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Outside Mainland China				
— Corporate entities	2	2	—	—
<b>Total</b>	<b>2</b>	<b>2</b>	<b>—</b>	<b>—</b>
Unlisted	2	2	—	—
<b>Total</b>	<b>2</b>	<b>2</b>	<b>—</b>	<b>—</b>

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China				
— Government	10	10	—	—
— Banks and non-bank financial institutions	—	25	—	—
— Corporate entities	40	39	—	—
<b>Total</b>	<b>50</b>	<b>74</b>	<b>—</b>	<b>—</b>
Unlisted	50	74	—	—
<b>Total</b>	<b>50</b>	<b>74</b>	<b>—</b>	<b>—</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 16 Derivatives

Derivatives include forward and swap transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to produce risk management solutions to suit individual customer needs. These positions are actively managed through entering back to back deals with external parties to ensure the Group's net exposures remained are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage and hedge its own asset and liability portfolios and structural positions. Derivatives (except for derivatives which are designated as effective hedging instruments (Note 16(i))) are classified as held-for-trading for financial reporting purpose. The held-for-trading classification includes those derivatives used for sales and trading activities and those used for risk management purposes but which do not meet the qualifying criteria for hedge accounting.

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

	The Group					
	30 June 2013			31 December 2012		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Hedging Instruments						
— Interest rate derivatives	5,639	267	37	6,450	470	3
Non-Hedging Instruments						
— Interest rate derivatives	207,167	772	747	217,323	799	899
— Currency derivatives	810,608	4,368	4,132	550,812	2,891	2,495
— Other derivatives	52,151	—	3	21,584	—	15
<b>Total</b>	<b>1,075,565</b>	<b>5,407</b>	<b>4,919</b>	<b>796,169</b>	<b>4,160</b>	<b>3,412</b>

	The Bank					
	30 June 2013			31 December 2012		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
— Interest rate derivatives	161,492	711	673	181,469	732	765
— Currency derivatives	531,717	2,579	2,822	357,286	1,933	1,897
— Other derivatives	52,151	—	3	21,584	—	15
<b>Total</b>	<b>745,360</b>	<b>3,290</b>	<b>3,498</b>	<b>560,339</b>	<b>2,665</b>	<b>2,677</b>

### Nominal amount analysed by remaining maturity

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Within three months	405,144	307,371	292,370	220,054
Between three months and one year	407,474	321,598	319,811	269,131
Between one year and 5 years	259,686	163,907	133,008	71,004
Over five years	3,261	3,293	171	150
<b>Total</b>	<b>1,075,565</b>	<b>796,169</b>	<b>745,360</b>	<b>560,339</b>



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 16 Derivatives (continued)

#### Credit risk weighted amounts

	The Group 30 June 2013	The Bank 30 June 2013
Default risk of counter party		
— Interest rate derivatives	600	349
— Currency derivatives	9,469	4,226
— Other derivatives	6,651	6,651
Credit Valuation Adjustment	7,546	6,469
<b>Total</b>	<b>24,266</b>	<b>17,695</b>

- (i) The credit risk weighted amount has been computed in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” promulgated by the CBRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.
- (ii) As at 31 December 2012, the Group and Bank calculated the credit risk weighted amount of derivative assets and liabilities in accordance with “Regulations Governing Capital Adequacy of Commercial Banks” and other relevant regulations promulgated by the CBRC in the year of 2004 as below. This regulation has been superseded since 1 January 2013.

	The Group 31 December 2012	The Bank 31 December 2012
Interest rate derivatives	747	392
Currency derivatives	5,876	2,515
Other derivatives	3,893	3,893
<b>Total</b>	<b>10,516</b>	<b>6,800</b>

### 17 Financial assets held under resale agreements

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

Note	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China				
— Banks	213,851	61,495	213,851	61,495
— Non-bank financial institutions	3,783	7,587	3,783	7,587
— Corporate entities	43	—	43	—
Subtotal	217,677	69,082	217,677	69,082
Outside Mainland China				
— Non-bank financial institutions	—	—	49	50
Subtotal	—	—	49	50
Gross balance	217,677	69,082	217,726	69,132
Less: Allowances for impairment losses	31	—	—	—
<b>Net balance</b>	<b>217,677</b>	<b>69,082</b>	<b>217,726</b>	<b>69,132</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 17 Financial assets held under resale agreements (continued)

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

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Discounted bills		130,746	44,707	130,746	44,707
Securities		67,451	15,128	67,500	15,178
others		19,480	9,247	19,480	9,247
Gross balance		217,677	69,082	217,726	69,132
Less: Allowances for impairment losses	31	—	—	—	—
Net balance		217,677	69,082	217,726	69,132

#### (c) Analysed by remaining maturity

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Within one month		135,766	44,414	135,766	44,414
Between one month and one year		76,201	22,742	76,250	22,792
More than one year		5,710	1,926	5,710	1,926
Gross balance		217,677	69,082	217,726	69,132
Less: Allowances for impairment losses	31	—	—	—	—
Net balance		217,677	69,082	217,726	69,132

### 18 Interest receivable

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Debt securities		6,107	6,009	6,025	5,917
Loans and advances to customers		4,987	4,414	4,740	4,180
Others		3,020	2,859	2,877	2,679
Gross balance		14,114	13,282	13,642	12,776
Less: Allowances for impairment losses	31	(458)	(242)	(458)	(242)
Net balance		13,656	13,040	13,184	12,534

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 19 Loans and advances to customers

#### (a) Analysed by nature

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Corporate loans					
— Loans		1,359,397	1,252,217	1,288,388	1,188,415
— Discounted bills		74,940	74,994	67,664	68,166
— Lease payments receivable		848	1,043	—	—
Subtotal		1,435,185	1,328,254	1,356,052	1,256,581
Personal loans					
— Residential mortgages		213,515	194,614	205,033	185,935
— Business loans		79,898	63,539	79,898	63,539
— Credit cards		69,696	54,165	69,452	53,930
— Others		26,258	22,329	20,589	16,640
Subtotal		389,367	334,647	374,972	320,044
Gross balance		1,824,552	1,662,901	1,731,024	1,576,625
Less:	31				
— Individual impairment allowances		(6,510)	(6,699)	(6,288)	(6,484)
— Collective impairment allowances		(30,147)	(28,626)	(29,918)	(28,393)
Net balance		1,787,895	1,627,576	1,694,818	1,541,748

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

##### The Group

	30 June 2013			Total	Gross impaired loans and advances as a % of gross total loans and advances
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	for which allowances are individually assessed		
Gross loans and advances	1,808,182	1,644	14,726	1,824,552	0.90%
Less: Impairment allowances against loans and advances	(29,204)	(943)	(6,510)	(36,657)	
Net loans and advances	1,778,978	701	8,216	1,787,895	

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

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

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

	31 December 2012				Gross impaired loans and advances as a % of gross total loans and advances
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed		for which allowances are individually assessed	
Gross loans and advances	1,650,646	1,296	10,959	1,662,901	0.74%
Less: Impairment allowances against loans and advances	(27,643)	(983)	(6,699)	(35,325)	
<b>Net loans and advances</b>	<b>1,623,003</b>	<b>313</b>	<b>4,260</b>	<b>1,627,576</b>	

#### The Bank

	30 June 2013				Gross impaired loans and advances as a % of gross total loans and advances
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed		for which allowances are individually assessed	
Gross loans and advances	1,715,133	1,638	14,253	1,731,024	0.92%
Less: Impairment allowances against loans and advances	(28,977)	(941)	(6,288)	(36,206)	
<b>Net loans and advances</b>	<b>1,686,156</b>	<b>697</b>	<b>7,965</b>	<b>1,694,818</b>	

	31 December 2012				Gross impaired loans and advances as a % of gross total loans and advances
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed		for which allowances are individually assessed	
Gross loans and advances	1,564,756	1,273	10,596	1,576,625	0.75%
Less: Impairment allowances against loans and advances	(27,411)	(982)	(6,484)	(34,877)	
<b>Net loans and advances</b>	<b>1,537,345</b>	<b>291</b>	<b>4,112</b>	<b>1,541,748</b>	

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

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

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

(i) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

- individually, or
- collectively; that is the portfolios of homogeneous loans and advances.

(ii) As at 30 June 2013, the impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB14,726 million (31 December 2012: RMB10,959 million). The covered portion and uncovered portion of these loans and advances were RMB4,091 million (31 December 2012: RMB3,052 million) and RMB10,635 million (31 December 2012: RMB7,907 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB5,936 million (31 December 2012: RMB3,295 million). The individual impairment allowances made against these loans and advances were RMB6,510 million (31 December 2012: RMB6,699 million).

As at 30 June 2013, the impaired loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB14,253 million (31 December 2012: RMB10,596 million). The covered portion and uncovered portion of these loans and advances were RMB3,873 million (31 December 2012: RMB2,850 million) and RMB10,380 million (31 December 2012: RMB7,746 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB5,622 million (31 December 2012: RMB3,014 million). The individual impairment allowances made against these loans and advances were RMB6,288 million (31 December 2012: RMB6,484 million).

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

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

##### The Group

	Six months ended 30 June 2013			Total
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	for which allowances are individually assessed	
As at 1 January	27,643	983	6,699	35,325
Charge for the period				
— new impairment allowances charged to profit or loss	1,567	879	2,941	5,387
— impairment allowances released to profit or loss	(6)	(48)	(614)	(668)
Unwinding of discount	—	—	(129)	(129)
Transfers in/(transfers out)	—	—	(32)	(32)
Write-offs	—	(887)	(2,420)	(3,307)
Recoveries of loans and advances previously written off	—	16	65	81
As at 30 June	29,204	943	6,510	36,657

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

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

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

##### The Group (continued)

	Year ended 31 December 2012			Total
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	
As at 1 January	18,547	752	3,959	23,258
Charge for the year				
— new impairment allowances charged to profit or loss	9,096	415	4,244	13,755
— impairment allowances released to profit or loss	—	(56)	(895)	(951)
Unwinding of discount	—	—	(206)	(206)
Transfers in/(transfers out)	—	—	(54)	(54)
Write-offs	—	(184)	(558)	(742)
Recoveries of loans and advances previously written off	—	56	209	265
As at 31 December	27,643	983	6,699	35,325

##### The Bank

	Six months ended 30 June 2013			Total
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	
As at 1 January	27,411	982	6,484	34,877
Charge for the period				
— new impairment allowances charged to profit or loss	1,566	841	2,903	5,310
— impairment allowances released to profit or loss	—	(14)	(601)	(615)
Unwinding of discount	—	—	(127)	(127)
Transfers in/(transfers out)	—	—	(24)	(24)
Write-offs	—	(882)	(2,405)	(3,287)
Recoveries of loans and advances previously written off	—	14	58	72
As at 30 June	28,977	941	6,288	36,206

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

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

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

##### The Bank (continued)

	Year ended 31 December 2012			Total
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	for which allowances are individually assessed	
As at 1 January	18,266	752	3,800	22,818
Charge for the year				
— new impairment allowances charged to profit or loss	9,145	407	4,091	13,643
— impairment allowances released to profit or loss	—	(51)	(859)	(910)
Unwinding of discount	—	—	(202)	(202)
Transfers in/(transfers out)	—	—	(54)	(54)
Write-offs	—	(177)	(482)	(659)
Recoveries of loans and advances previously written off	—	51	190	241
As at 31 December	27,411	982	6,484	34,877

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

##### The Group

	30 June 2013				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	3,036	1,534	216	170	4,956
Guaranteed loans	2,893	4,310	430	394	8,027
Loans with pledged assets	8,258	7,100	1,738	606	17,702
— Loans secured by tangible assets	7,501	5,177	1,378	585	14,641
— Loans secured by monetary assets	757	1,923	360	21	3,061
Total	14,187	12,944	2,384	1,170	30,685

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

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

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

##### The Group (continued)

	31 December 2012				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	2,210	1,083	483	668	4,444
Guaranteed loans	2,525	1,103	341	1,070	5,039
Loans with pledged assets	6,968	3,206	946	882	12,002
— Loans secured by tangible assets	5,467	2,774	693	862	9,796
— Loans secured by monetary assets	1,501	432	253	20	2,206
<b>Total</b>	<b>11,703</b>	<b>5,392</b>	<b>1,770</b>	<b>2,620</b>	<b>21,485</b>

##### The Bank

	30 June 2013				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	2,933	1,519	216	153	4,821
Guaranteed loans	2,689	4,291	429	381	7,790
Loans with pledged assets	7,843	7,082	1,544	525	16,994
— Loans secured by tangible assets	7,092	5,159	1,325	504	14,080
— Loans secured by monetary assets	751	1,923	219	21	2,914
<b>Total</b>	<b>13,465</b>	<b>12,892</b>	<b>2,189</b>	<b>1,059</b>	<b>29,605</b>

	31 December 2012				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	2,151	1,082	483	650	4,366
Guaranteed loans	2,514	1,097	327	1,060	4,998
Loans with pledged assets	6,632	3,148	711	881	11,372
— Loans secured by tangible assets	5,135	2,716	602	861	9,314
— Loans secured by monetary assets	1,497	432	109	20	2,058
<b>Total</b>	<b>11,297</b>	<b>5,327</b>	<b>1,521</b>	<b>2,591</b>	<b>20,736</b>

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



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

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

#### (e) Lease payments receivables

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

	The Group		31 December 2012	
	30 June 2013 Present value of minimum leases receivables	Minimum leases receivables	Present value of minimum leases receivables	Minimum leases receivables
Within 1 year (including 1 year)	168	192	187	216
1 year to 2 years (including 2 years)	101	116	119	137
2 years to 3 years (including 3 years)	58	68	67	81
Over 3 years	521	603	670	782
	<b>848</b>	<b>979</b>	1,043	1,216
Less:				
— Individual impairment allowances	—		—	
— Collective impairment allowances	—		—	
Net balance	<b>848</b>		1,043	

### 20 Available-for-sale financial assets

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Debt securities	(i)	213,730	192,196	203,798	181,411
Investment funds	(ii)	6,799	679	6,490	314
Certificates of deposit	(iii)	4,841	3,787	—	—
Equity investments	(iv)	194	187	140	137
Total		<b>225,564</b>	196,849	<b>210,428</b>	181,862

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

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

#### (i) Debt securities issued by

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China					
— Government		31,429	30,114	31,429	29,606
— PBOC		50	6,325	50	6,325
— Policy banks		30,205	19,252	30,205	19,252
— Banks and non-bank financial institutions		56,623	49,510	55,800	48,884
— Corporate entities		86,715	76,387	85,301	76,355
Subtotal		205,022	181,588	202,785	180,422
Outside Mainland China					
— Government		3,168	4,982	188	193
— Banks and non-bank financial institutions		3,773	4,604	926	908
— Public sector entities		1	—	—	—
— Corporate entities		1,898	1,166	31	32
Subtotal		8,840	10,752	1,145	1,133
Gross balance		213,862	192,340	203,930	181,555
Less: Allowance for impairment losses	31	(132)	(144)	(132)	(144)
Net balance		213,730	192,196	203,798	181,411
Listed in Hong Kong		4,742	3,546	4,742	3,546
Listed outside Hong Kong		1,478	1,550	1,447	1,418
Unlisted		207,510	187,100	197,609	176,447
Total		213,730	192,196	203,798	181,411

#### (ii) Investment funds issued by

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Outside Mainland China					
— Banks and non-bank financial institutions		6,804	684	6,490	314
Gross balance		6,804	684	6,490	314
Less: Allowance for impairment losses	31	(5)	(5)	—	—
Net balance		6,799	679	6,490	314
Listed in Hong Kong		—	—	—	—
Listed outside Hong Kong		—	—	—	—
Unlisted		6,799	679	6,490	314
Total		6,799	679	6,490	314

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

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

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China				
— Banks and non-bank financial institutions	2,197	1,777	—	—
Outside Mainland China				
— Banks and non-bank financial institutions	2,644	2,010	—	—
<b>Total</b>	<b>4,841</b>	<b>3,787</b>	<b>—</b>	<b>—</b>
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	37	—	—	—
Unlisted	4,804	3,787	—	—
<b>Total</b>	<b>4,841</b>	<b>3,787</b>	<b>—</b>	<b>—</b>

#### (iv) Equity investments issued by

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China				
— Corporate entities	117	118	114	114
Outside Mainland China				
— Banks and non-bank financial institutions	26	23	26	23
— Corporate entities	51	46	—	—
<b>Total</b>	<b>194</b>	<b>187</b>	<b>140</b>	<b>137</b>
Listed in Hong Kong	3	4	—	—
Listed outside Hong Kong	60	51	26	23
Unlisted	131	132	114	114
<b>Total</b>	<b>194</b>	<b>187</b>	<b>140</b>	<b>137</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 21 Held-to-maturity investments

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

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China					
— Government		38,250	35,251	38,250	35,251
— PBOC		9,277	4,728	9,277	4,728
— Policy banks		22,063	24,733	22,063	24,733
— Banks and non-bank financial institutions		58,071	48,683	58,071	48,683
— Corporate entities		32,665	20,793	32,665	20,793
Subtotal		160,326	134,188	160,326	134,188
Outside Mainland China					
— Government		28	28	28	28
— Banks and non-bank financial institutions		175	471	175	471
— Public sector entities		30	39	30	39
— Corporate entities		411	418	349	356
Subtotal		644	956	582	894
Gross balance		160,970	135,144	160,908	135,082
Less: Allowance for impairment losses	31	(52)	(130)	(52)	(130)
Net balance		160,918	135,014	160,856	134,952
Listed in Hong Kong		117	119	117	119
Listed outside Hong Kong		686	695	624	633
Unlisted		160,115	134,200	160,115	134,200
Net balance		160,918	135,014	160,856	134,952
Fair value of held-to-maturity investments		159,295	133,390	159,231	133,324
In which: Market value of listed securities		825	848	761	782

### 22 Investment classified as receivables

Investment classified as receivables are analysed by type of collaterals:

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Trust investment plans		66,976	26,880	66,976	26,880
Investment management products managed by securities companies		25,213	3,269	25,213	3,269
Wealth Management Products issued by financial institutions		28,436	4,030	28,436	4,030
Corporate bonds		19,342	15,370	19,342	15,370
Others		700	6,886	700	6,886
Gross balance		140,667	56,435	140,667	56,435
Less: Allowance for impairment losses	31	—	—	—	—
Net balance		140,667	56,435	140,667	56,435

Among the above funds from investment classified as receivables, RMB28,418 million (as at 31 December 2012: RMB31,380 million) was managed by CITIC Securities Co., Ltd and CITIC Trust Co., Ltd. ("CITIC Trust"), the fellow entities of CITIC Group.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 23 Investment in associates

- (a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 30 June 2013 are as follows:

Name of company	Forms of business structure	Place of incorporation	Percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC Capital Holding Limited ("CCHL")	Incorporated	Hong Kong	21.39%	Investment holding	HKD 65 million
CITIC International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	Investment holding and assets management	HKD 2,218 million

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

Name of Enterprise	As at or for the six months ended 30 June 2013				
	Total assets	Total liabilities	Total net assets	Operating income	Net gain/(loss)
CCHL	10,107	4,482	5,625	271	40
CIAM	2,418	175	2,243	40	(3)
Total	12,525	4,657	7,868	311	37

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

	CCHL	CIAM	Total
Initial investment cost	1,038	893	1,931
As at 1 January 2013	1,281	853	2,134
Investment income/(loss) and other comprehensive income/(loss) recognised under equity method	6	3	9
Exchange difference	(19)	(15)	(34)
As at 30 June 2013	1,268	841	2,109
	CCHL	CIAM	Total
As at 1 January 2012	1,383	829	2,212
Investment income/(loss) and other comprehensive income/(loss) recognised under equity method	(100)	24	(76)
Exchange difference	(2)	—	(2)
As at 31 December 2012	1,281	853	2,134

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 24 Investment in subsidiaries

	Note	The Bank	
		30 June 2013	31 December 2012
Investment in subsidiaries			
— CIFH	(i)	9,797	9,797
— China Investment and Finance Limited (“CIFL”)	(ii)	87	87
— Zhejiang Lin’an CITIC Rural Bank Corporation Limited (“Lin’an Rural Bank”)	(iii)	102	102
<b>Total</b>		<b>9,986</b>	9,986

Major subsidiaries of the Group as at 30 June 2013 are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group’s effective interest
CIFH (note (i))	Hong Kong	HKD7,459 million	Commercial banking and other financial services	70.32%	—	70.32%
CIFL (note (ii))	Hong Kong	HKD25 million	Lending services	95%	5%	98.5%
Lin’an Rural Bank (note (iii))	Mainland China	RMB200 million	Commercial banking	51%	—	51%

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

(ii) CIFL was founded in Hong Kong in 1984 with a registered capital of HKD25 million. It also has a “Money Lending License” issued by the Hong Kong Company Registrar. Its business scope includes capital market investment, lending and a number of other related services. The Bank holds 95% of CIFL’s shares and voting rights. The remaining 5% shares are held by CIFH, the Bank’s subsidiary.

(iii) Lin’an Rural Bank was founded in Zhejiang Province of Mainland China, in 2011 with a registered capital of RMB200 million. Its principal activities are commercial banking. The Bank holds 51% of Lin’an Rural Bank’s shares and voting rights.

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

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 25 Fixed assets

#### The Group

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
As at 1 January 2013	9,932	1,338	5,729	16,999
Additions	491	40	255	786
Disposals	(8)	—	(141)	(149)
Exchange difference	(8)	—	(16)	(24)
As at 30 June 2013	10,407	1,378	5,827	17,612
<b>Accumulated depreciation:</b>				
As at 1 January 2013	(2,164)	—	(3,315)	(5,479)
Depreciation charges	(184)	—	(369)	(553)
Disposals	5	—	139	144
Exchange difference	4	—	11	15
As at 30 June 2013	(2,339)	—	(3,534)	(5,873)
<b>Net carrying value:</b>				
As at 1 January 2013 (Note (i))	7,768	1,338	2,414	11,520
As at 30 June 2013 (Note (i))	8,068	1,378	2,293	11,739

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
As at 1 January 2012	8,917	892	4,891	14,700
Additions	1,022	446	966	2,434
Disposals	(6)	—	(130)	(136)
Exchange difference	(1)	—	2	1
As at 31 December 2012	9,932	1,338	5,729	16,999
<b>Accumulated depreciation:</b>				
As at 1 January 2012	(1,834)	—	(2,750)	(4,584)
Depreciation charges	(336)	—	(672)	(1,008)
Disposals	6	—	108	114
Exchange difference	—	—	(1)	(1)
As at 31 December 2012	(2,164)	—	(3,315)	(5,479)
<b>Net carrying value:</b>				
As at 1 January 2012	7,083	892	2,141	10,116
As at 31 December 2012 (Note (i))	7,768	1,338	2,414	11,520

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 25 Fixed assets (continued)

#### The Bank

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
As at 1 January 2013	9,452	1,337	4,879	15,668
Additions	491	40	225	756
Disposals	—	—	(134)	(134)
As at 30 June 2013	9,943	1,377	4,970	16,290
<b>Accumulated depreciation:</b>				
As at 1 January 2013	(1,955)	—	(2,716)	(4,671)
Depreciation charges	(179)	—	(328)	(507)
Disposals	—	—	132	132
As at 30 June 2013	(2,134)	—	(2,912)	(5,046)
<b>Net carrying value:</b>				
As at 1 January 2013 (Note (i))	7,497	1,337	2,163	10,997
As at 30 June 2013 (Note (i))	7,809	1,377	2,058	11,244

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
As at 1 January 2012	8,436	891	4,119	13,446
Additions	1,022	446	857	2,325
Disposals	(6)	—	(97)	(103)
As at 31 December 2012	9,452	1,337	4,879	15,668
<b>Accumulated depreciation:</b>				
As at 1 January 2012	(1,634)	—	(2,193)	(3,827)
Depreciation charges	(327)	—	(598)	(925)
Disposals	6	—	75	81
As at 31 December 2012	(1,955)	—	(2,716)	(4,671)
<b>Net carrying value:</b>				
As at 1 January 2012	6,802	891	1,926	9,619
As at 31 December 2012 (Note (i))	7,497	1,337	2,163	10,997



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 25 Fixed assets (continued)

#### The Bank (continued)

Note: (i) As at 30 June 2013, the net book value of the Group's premises for which the ownership registration procedures had not been completed was approximately RMB1,059 million (31 December 2012: RMB1,045 million). The Group anticipated that there would be no significant issues or costs in completing such procedures.

(ii) Analysed by remaining term of leases

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Long term leases (over 50 years), held in Hong Kong	66	68	—	—
Medium term leases (10-50 years), held in Hong Kong	169	179	—	—
Medium term leases (10-50 years), held in Mainland China	7,809	7,497	7,809	7,497
Permanent term lease, held in overseas	24	24	—	—
Total	8,068	7,768	7,809	7,497

### 26 Investment properties

	The Group	
	Six months ended 30 June 2013	Year ended 31 December 2012
Fair value as at 1 January	333	272
Addition:		
— Change in fair value	1	62
Decrease:		
— Disposal	(48)	—
Exchange difference	(6)	(1)
Fair value as at 30 June/31 December	280	333

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties locate and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 30 June 2013.

All investment properties of the Group were revalued at 30 June 2013 by an independent firm of surveyors, Prudential Surveyors International Ltd., on an open market value basis. The revaluation surplus or deficit has been credited to the profit or charged to the loss respectively. Prudential Surveyors International Ltd. has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 26 Investment properties (continued)

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

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

	The Group	
	30 June 2013	31 December 2012
Long term leases (over 50 years), held in Hong Kong	12	12
Medium term leases (10-50 years), held in Hong Kong	239	292
Medium term leases (10-50 years), held in Mainland China	29	29
Total	280	333

### 27 Goodwill

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

	The Group	
	Six months ended 30 June 2013	Year ended 31 December 2012
As at 1 January	817	818
Exchange difference	(14)	(1)
As at 30 June/31 December	803	817

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

	The Group	
	30 June 2013	31 December 2012
Commercial banking business	803	817

The Group considered that there was no indication of impairment of goodwill as at 30 June 2013 (as at 31 December 2012: nil).

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 28 Intangible assets

#### The Group and the Bank

	Software	Others	Total
<b>Cost</b>			
As at 1 January 2013	644	41	685
Additions	31	2	33
As at 30 June 2013	675	43	718
<b>Amortization</b>			
As at 1 January 2013	(336)	(10)	(346)
Charge for the period	(52)	(1)	(53)
As at 30 June 2013	(388)	(11)	(399)
<b>Net carrying value</b>			
As at 1 January 2013	308	31	339
As at 30 June 2013	287	32	319
	Software	Others	Total
<b>Cost</b>			
As at 1 January 2012	486	28	514
Additions	158	13	171
As at 31 December 2012	644	41	685
<b>Amortization</b>			
As at 1 January 2012	(251)	(9)	(260)
Charge for the year	(85)	(1)	(86)
As at 31 December 2012	(336)	(10)	(346)
<b>Net carrying value</b>			
As at 1 January 2012	235	19	254
As at 31 December 2012	308	31	339

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 29 Deferred tax assets

### (a) Analysed by nature

	<b>The Group</b>			
	<b>30 June 2013</b>		31 December 2012	
	<b>Deductible/ (taxable) temporary differences</b>	<b>Deferred tax assets/ (liabilities)</b>	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Impairment allowances	20,747	5,171	17,893	4,454
— Fair value adjustments	1,142	277	222	60
— Employee retirement benefits and salaries payable	5,033	1,258	6,833	1,709
— Others	(402)	(94)	(548)	(132)
<b>Total</b>	<b>26,520</b>	<b>6,612</b>	24,400	6,091

	<b>The Bank</b>			
	<b>30 June 2013</b>		31 December 2012	
	<b>Deductible/ (taxable) temporary differences</b>	<b>Deferred tax assets/ (liabilities)</b>	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Impairment allowances	20,567	5,142	17,686	4,421
— Fair value adjustments	1,037	259	275	69
— Employee retirement benefits and salaries payable	5,030	1,258	6,830	1,708
— Others	(330)	(83)	(497)	(125)
<b>Total</b>	<b>26,304</b>	<b>6,576</b>	24,294	6,073

### (b) Movement of deferred tax assets

#### The Group

	<b>Impairment allowances</b>	<b>Fair value adjustment</b>	<b>Employee retirement benefits and salaries payable</b>	<b>Others</b>	<b>Total deferred tax assets</b>
As at 1 January 2013	4,454	60	1,709	(132)	6,091
Recognized in profit or loss	717	70	(451)	38	374
Recognized in other comprehensive income	—	147	—	—	147
<b>As at 30 June 2013</b>	<b>5,171</b>	<b>277</b>	<b>1,258</b>	<b>(94)</b>	<b>6,612</b>
As at 1 January 2012	1,999	(182)	1,325	(171)	2,971
Recognized in profit or loss	2,451	93	384	39	2,967
Recognized in other comprehensive income	—	149	—	—	149
Exchange difference	4	—	—	—	4
<b>As at 31 December 2012</b>	<b>4,454</b>	<b>60</b>	<b>1,709</b>	<b>(132)</b>	<b>6,091</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 29 Deferred tax assets (continued)

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

##### The Bank

	Impairment Allowances	Fair value adjustment	Employee retirement benefits and salaries payable	Others	Total deferred tax assets
As at 1 January 2013	4,421	69	1,708	(125)	6,073
Recognized in profit or loss	721	69	(450)	42	382
Recognized in other comprehensive income	—	121	—	—	121
As at 30 June 2013	5,142	259	1,258	(83)	6,576
As at 1 January 2012	1,954	(226)	1,325	(163)	2,890
Recognized in profit or loss	2,467	87	383	38	2,975
Recognized in other comprehensive income	—	208	—	—	208
As at 31 December 2012	4,421	69	1,708	(125)	6,073

Note: (i) The Bank has no material unrecognised deferred tax assets or liabilities as at 30 June 2013 (31 December 2012: nil).

### 30 Other assets

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Leasehold improvements		982	1,021	982	1,021
Repossessed assets	(i)	236	277	236	277
Land use rights		618	627	618	627
Prepaid rental		564	512	552	508
Others	(ii)	7,266	5,266	6,601	4,905
Total		9,666	7,703	8,989	7,338

#### (i) Repossessed assets

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Premises		350	421	350	421
Others		27	23	27	23
Gross balance		377	444	377	444
Less: Allowance for impairment losses	31	(141)	(167)	(141)	(167)
Net balance		236	277	236	277

#### (ii) Others

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Gross balance		7,889	5,913	7,223	5,551
Less: Allowance for impairment losses	31	(623)	(647)	(622)	(646)
Net balance		7,266	5,266	6,601	4,905

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 31 Movements of allowances for impairment losses

#### The Group

	Note	Six months ended 30 June 2013					As at 30 June
		As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	
Deposit with banks and non-bank financial institutions	13	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	14	8	1	—	—	—	9
Financial assets held under resale agreements	17	—	—	—	—	—	—
Interest receivable	18	242	258	(38)	—	(4)	458
Loans and advances to customers	19	35,325	5,387	(668)	(80)	(3,307)	36,657
Available-for-sale financial assets	20	149	—	(9)	(3)	—	137
Held-to-maturity investments	21	130	—	(82)	4	—	52
Investment classified as receivables	22	—	—	—	—	—	—
Repossessed assets	30(i)	167	7	(20)	(1)	(12)	141
Other assets	30(ii)	647	11	(15)	(7)	(13)	623
<b>Gross balance</b>		<b>36,668</b>	<b>5,664</b>	<b>(832)</b>	<b>(87)</b>	<b>(3,336)</b>	<b>38,077</b>

	Note	Year ended 31 December 2012					As at 31 December
		As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	
Deposit with banks and non-bank financial institutions	13	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	14	8	—	(5)	5	—	8
Financial assets held under resale agreements	17	—	—	—	—	—	—
Interest receivable	18	56	231	(31)	—	(14)	242
Loans and advances to customers	19	23,258	13,755	(951)	5	(742)	35,325
Available-for-sale financial assets	20	303	6	(16)	(144)	—	149
Held-to-maturity investments	21	137	—	(6)	(1)	—	130
Investment classified as receivables	22	—	—	—	—	—	—
Repossessed assets	30(i)	161	39	(38)	14	(9)	167
Other assets	30(ii)	700	22	(33)	2	(44)	647
<b>Gross balance</b>		<b>24,623</b>	<b>14,053</b>	<b>(1,080)</b>	<b>(119)</b>	<b>(809)</b>	<b>36,668</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

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

#### The Bank

	Note	Six months ended 30 June 2013					As at 30 June
		As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	
Deposit with banks and non-bank financial institutions	13	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	14	8	1	—	—	—	9
Financial assets held under resale agreements	17	—	—	—	—	—	—
Interest receivable	18	242	258	(38)	—	(4)	458
Loans and advances to customers	19	34,877	5,310	(615)	(79)	(3,287)	36,206
Available-for-sale financial assets	20	144	—	(9)	(3)	—	132
Held-to-maturity investments	21	130	—	(82)	4	—	52
Investment classified as receivables	22	—	—	—	—	—	—
Repossessed assets	30(i)	167	7	(20)	(1)	(12)	141
Other assets	30(ii)	646	10	(15)	(6)	(13)	622
<b>Gross balance</b>		<b>36,214</b>	<b>5,586</b>	<b>(779)</b>	<b>(85)</b>	<b>(3,316)</b>	<b>37,620</b>

	Note	Year ended 31 December 2012					As at 31 December
		As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	
Deposit with banks and non-bank financial institutions	13	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	14	8	—	(5)	5	—	8
Financial assets held under resale agreements	17	—	—	—	—	—	—
Interest receivable	18	56	231	(31)	—	(14)	242
Loans and advances to customers	19	22,818	13,643	(910)	(15)	(659)	34,877
Available-for-sale financial assets	20	159	—	(16)	1	—	144
Held-to-maturity investments	21	137	—	(6)	(1)	—	130
Investment classified as receivables	22	—	—	—	—	—	—
Repossessed assets	30(i)	161	39	(38)	14	(9)	167
Other assets	30(ii)	697	15	(33)	2	(35)	646
<b>Gross balance</b>		<b>24,036</b>	<b>13,928</b>	<b>(1,039)</b>	<b>6</b>	<b>(717)</b>	<b>36,214</b>

Note: Transfer in/(out) includes the effect of exchange rate and disposals during the period. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet items. Details are disclosed in Note 8.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

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

Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China				
— Banks	305,050	237,241	306,003	238,751
— Non-bank financial institutions	125,203	124,620	125,202	124,615
Subtotal	430,253	361,861	431,205	363,366
Outside Mainland China				
— Banks	11,260	8,247	22,432	20,127
Subtotal	11,260	8,247	22,432	20,127
Total	441,513	370,108	453,637	383,493

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

Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China				
— Banks	16,152	14,460	15,623	13,915
— Non-bank financial institutions	625	730	625	730
Subtotal	16,777	15,190	16,248	14,645
Outside Mainland China				
— Banks	17,095	2,704	14,629	1,278
Subtotal	17,095	2,704	14,629	1,278
Total	33,872	17,894	30,877	15,923

### 34 Financial assets sold under repurchase agreements

(a) Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
In Mainland China				
— PBOC	1,156	6,491	1,156	6,491
— Banks	11,278	4,248	11,278	4,000
— Non-bank financial institutions	4,370	700	4,370	700
Subtotal	16,804	11,439	16,804	11,191
Outside Mainland China				
— Banks	1,052	293	50	50
Subtotal	1,052	293	50	50
Total	17,856	11,732	16,854	11,241



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 34 Financial assets sold under repurchase agreements (continued)

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Debt securities	16,700	11,001	15,698	10,510
Discounted bills	1,156	731	1,156	731
<b>Total</b>	<b>17,856</b>	<b>11,732</b>	<b>16,854</b>	<b>11,241</b>

### 35 Deposits from customers

#### Analysed by natures of deposits

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Demand deposits				
— Corporate customers	954,764	845,515	935,443	827,084
— Personal customers	116,530	102,120	102,937	86,953
<b>Subtotal</b>	<b>1,071,294</b>	<b>947,635</b>	<b>1,038,380</b>	<b>914,037</b>
Time and call deposits				
— Corporate customers	1,178,185	990,759	1,133,619	948,090
— Personal customers	352,827	310,311	323,098	280,019
<b>Subtotal</b>	<b>1,531,012</b>	<b>1,301,070</b>	<b>1,456,717</b>	<b>1,228,109</b>
Outward remittance and remittance payables	11,605	6,436	11,605	6,436
<b>Total</b>	<b>2,613,911</b>	<b>2,255,141</b>	<b>2,506,702</b>	<b>2,148,582</b>

Deposits from customers included pledged deposits for:

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Bank acceptances	341,849	309,526	341,748	309,509
Letters of credit	37,220	32,012	37,023	31,897
Guarantees	17,698	14,516	15,921	14,179
Others	77,611	54,337	74,609	51,208
<b>Total</b>	<b>474,378</b>	<b>410,391</b>	<b>469,301</b>	<b>406,793</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 36 Accrued staff costs

#### The Group

	Note	Six months ended 30 June 2013			As at 30 June
		As at 1 January	Accrual for the period	Payment for the period	
Salaries and bonuses		9,901	6,144	(7,966)	8,079
Social insurance	(i)	36	760	(723)	73
Welfare expenses		—	406	(406)	—
Housing fund		22	301	(295)	28
Labor union expenses and employee education expenses		446	255	(139)	562
Housing allowance		31	133	(124)	40
Defined contribution retirement schemes	(ii)	3	139	(136)	6
Supplementary retirement benefits	(iii)	35	2	(3)	34
Others		104	69	(74)	99
<b>Total</b>		<b>10,578</b>	<b>8,209</b>	<b>(9,866)</b>	<b>8,921</b>

	Note	Year ended 31 December 2012			As at 31 December
		As at 1 January	Accrual for the year	Payment for the year	
Salaries and bonuses		8,282	11,460	(9,841)	9,901
Social insurance	(i)	21	1,293	(1,278)	36
Welfare expenses		—	944	(944)	—
Housing fund		20	575	(573)	22
Labor union expenses and employee education expenses		350	480	(384)	446
Housing allowance		28	259	(256)	31
Defined contribution retirement schemes	(ii)	3	238	(238)	3
Supplementary retirement benefits	(iii)	41	—	(6)	35
Others		116	185	(197)	104
<b>Total</b>		<b>8,861</b>	<b>15,434</b>	<b>(13,717)</b>	<b>10,578</b>

#### The Bank

	Note	Six months ended 30 June 2013			As at 30 June
		As at 1 January	Accrual for the period	Payment for the period	
Salaries and bonuses		9,568	5,640	(7,437)	7,771
Social insurance	(i)	35	752	(715)	72
Welfare expenses		—	402	(402)	—
Housing fund		22	298	(293)	27
Labor union expenses and employee education expenses		444	254	(137)	561
Housing allowance		31	132	(123)	40
Defined contribution retirement schemes	(ii)	3	136	(133)	6
Supplementary retirement benefits	(iii)	35	2	(3)	34
Others		103	34	(38)	99
<b>Total</b>		<b>10,241</b>	<b>7,650</b>	<b>(9,281)</b>	<b>8,610</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 36 Accrued staff costs (continued)

#### The Bank (continued)

	Note	Year ended 31 December 2012			As at 31 December
		As at 1 January	Accrual for the year	Payment for the year	
Salaries and bonuses		8,020	10,594	(9,046)	9,568
Social insurance	(i)	21	1,277	(1,263)	35
Welfare expenses		—	935	(935)	—
Housing fund		20	570	(568)	22
Labor union expenses and employee education expenses		350	477	(383)	444
Housing allowance		28	256	(253)	31
Defined contribution retirement schemes	(ii)	3	232	(232)	3
Supplementary retirement benefits	(iii)	41	—	(6)	35
Others		112	110	(119)	103
<b>Total</b>		<b>8,595</b>	<b>14,451</b>	<b>(12,805)</b>	<b>10,241</b>

(i) **Social insurance**

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

(ii) **Defined contribution retirement schemes**

In addition to the above statutory retirement plan, the Group's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group. The Scheme is managed by the CITIC Group. The Bank has made annuity contributions at 4% of its employee's gross wages. The Bank made annuity contribution amounting to RMB136 million for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB113 million).

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

(iii) **Supplementary retirement benefits**

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

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

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 37 Taxes payable

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Income tax	2,038	2,542	1,870	2,492
Business tax and surcharges	1,801	2,002	1,792	1,997
Others	15	14	6	6
<b>Total</b>	<b>3,854</b>	<b>4,558</b>	<b>3,668</b>	<b>4,495</b>

### 38 Interest payable

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Deposits from customers	18,326	17,458	18,101	17,193
Certificates of deposit and debt securities issued	191	1,036	90	1,006
Others	2,567	3,005	2,542	2,789
<b>Total</b>	<b>21,084</b>	<b>21,499</b>	<b>20,733</b>	<b>20,988</b>

### 39 Provisions

	The Group and the Bank	
	30 June 2013	31 December 2012
Litigation provisions	93	93

Movement of provisions:

	Six months ended 30 June 2013	Year ended 31 December 2012
As at 1 January	93	36
Charge for the period/year	—	57
<b>As at 30 June/31 December</b>	<b>93</b>	<b>93</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 40 Debt securities issued

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Notes issued	(i)	906	908	—	—
Subordinated bonds issued:					
— by the Bank	(ii)	38,471	38,470	38,471	38,470
— by CIFH	(iii)	5,125	5,431	—	—
<b>Total</b>		<b>44,502</b>	44,809	<b>38,471</b>	38,470

- (i) The notes were issued by CBI.
- (ii) The carrying value of the Bank's subordinated bonds issued as at 30 June 2013 and 31 December 2012 represents:

	Note	30 June 2013	31 December 2012
Subordinated fixed rate bonds maturing:			
— in May 2020	(a)	5,000	5,000
— in June 2021	(b)	2,000	2,000
— in May 2025	(c)	11,500	11,500
— in June 2027	(d)	19,971	19,970
<b>Total</b>		<b>38,471</b>	38,470

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

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 40 Debt securities issued (continued)

(iii) The carrying value of CBI's subordinated bonds issued as at 30 June 2013 and 31 December 2012 represents:

	Note	30 June 2013	31 December 2012
Subordinated fixed rate notes maturing in June 2020	(a)	3,318	3,560
Subordinated fixed rate notes maturing in September 2017	(b)	1,807	1,871
<b>Total</b>		<b>5,125</b>	5,431

- (a) Subordinated notes with an interest rate of 6.875% per annum and with face value of USD500 million were issued on 24 June 2010 by CBI. The notes are listed on SGX-ST and will be mature on 24 June 2020.
- (b) Subordinated notes with an interest rate of 3.875% per annum and with face value of USD300 million were issued on 27 September 2012 by CBI. The notes will be mature on 28 September 2017.

### 41 Certificates of deposit issued

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Certificates of deposit issued	(i)	10,568	11,593	—	—
<b>Total</b>		<b>10,568</b>	11,593	—	—

(i) Certificates of deposit were issued by CBI.

### 42 Other liabilities

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Settlement accounts	2,535	808	1,338	705
Dormant accounts	209	207	209	207
Payment and collection clearance accounts	315	502	315	502
Dividend payable	6,798	—	6,798	—
Others	10,018	3,919	8,712	2,949
<b>Total</b>	<b>19,875</b>	5,436	<b>17,372</b>	4,363

### 43 Share capital

#### Structure of share capital

	The Group and the Bank	
	30 June 2013	31 December 2012
A-Share	31,905	31,905
H-Share	14,882	14,882
<b>Total</b>	<b>46,787</b>	46,787

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 44 Share premium and other reserve

#### Structure of Reserve

	Note	The Group		The Bank	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Share premium	(i)	49,214	49,214	51,619	51,619
Other reserve		272	274	—	—
<b>Total</b>		<b>49,486</b>	<b>49,488</b>	<b>51,619</b>	<b>51,619</b>

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

### 45 Investment revaluation reserve

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

	The Group		The Bank	
	Six months ended 30 June 2013	Year ended 31 December 2012	Six months ended 30 June 2013	Year ended 31 December 2012
As at 1 January	(185)	214	(195)	428
Changes in fair value of available-for-sale financial assets during the period/year	(448)	(492)	(356)	(816)
Net amount transferred to profit or loss	(133)	(75)	(127)	(15)
Less: Tax effect	139	168	121	208
<b>As at 30 June/31 December</b>	<b>(627)</b>	<b>(185)</b>	<b>(557)</b>	<b>(195)</b>

### 46 Surplus reserve

#### Movement of surplus reserve

	The Group and the Bank	
	Six months ended 30 June 2013	Year ended 31 December 2012
As at 1 January	11,709	8,691
Appropriations	—	3,018
<b>As at 30 June/31 December</b>	<b>11,709</b>	<b>11,709</b>

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

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

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 47 General reserve

	The Group		The Bank	
	Six months ended 30 June 2013	Year ended 31 December 2012	Six months ended 30 June 2013	Year ended 31 December 2012
As at 1 January	35,326	20,825	35,250	20,750
Appropriations	—	14,501	—	14,500
As at 30 June/31 December	35,326	35,326	35,250	35,250

Pursuant to relevant MOF notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. Effective from 1 July 2012, the minimum general reserve balance should increase to 1.5% of the ending balance of gross risk-bearing assets with a transition period of five years.

### 48 Profit appropriations and retained earnings

- (a) In accordance with the resolution approved in the Annual General Meeting of the Bank on 28 May 2013, a total amount of approximately RMB7,018 million (RMB150 cents per 10 shares) were distributed in the form of cash dividend to the Bank's shareholders on 24 July 2013.
- (b) As at 30 Jun 2013, the retained earnings included the statutory surplus reserve of RMB28 million contributed by the subsidiaries and attributable to the Bank (31 December 2012: RMB28 million). The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.

### 49 Notes to consolidated cash flow statement

#### Cash and cash equivalents

##### The Group

	30 June 2013	30 June 2012
Cash	7,105	5,785
Cash equivalents		
Surplus deposit reserve funds	65,699	40,968
Deposits with banks and non-bank financial institutions due within three months when acquired	218,937	266,109
Placements with banks and non-bank financial institutions due within three months when acquired	25,375	37,413
Investment securities due within three months when acquired	23,839	17,159
Total of cash equivalents	333,850	361,649
Total	340,955	367,434



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 50 Commitments and contingent liabilities

#### (a) Credit commitments

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

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

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
<b>Contractual amount</b>				
Loan commitments				
— with an original maturity of within one year	<b>60,944</b>	100,858	<b>23,588</b>	67,499
— with an original maturity of one year or beyond	<b>40,818</b>	14,388	<b>39,771</b>	12,679
Subtotal	<b>101,762</b>	115,246	<b>63,359</b>	80,178
Guarantees	<b>101,969</b>	89,554	<b>93,342</b>	86,140
Letters of credit	<b>159,250</b>	166,268	<b>155,061</b>	162,004
Acceptances	<b>729,124</b>	666,007	<b>726,669</b>	664,502
Credit card commitments	<b>90,944</b>	80,452	<b>85,423</b>	74,906
Total	<b>1,183,049</b>	1,117,527	<b>1,123,854</b>	1,067,730

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 50 Commitments and contingent liabilities (continued)

#### (b) Credit risk weighted amount

	<b>The Group</b> <b>30 June</b> <b>2013</b>	<b>The Bank</b> <b>30 June</b> <b>2013</b>
Credit risk weighted amount of credit commitments	<b>419,811</b>	<b>415,368</b>

The credit risk weighted amount refers to the amount calculated in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” promulgated by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

There are no relevant standards prescribed in IFRS with regard to the calculation of the above credit risk weighted amounts. The Group and Bank’s credit risk weighted amount as at 31 December 2012 which was calculated based on the rules of “Regulations Governing Capital Adequacy of Commercial Banks” was RMB414,221 million and 410,520 million respectively. This rule has been superceded since 1 January 2013.

#### (c) Capital commitments

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 June</b> <b>2013</b>	31 December 2012	<b>30 June</b> <b>2013</b>	31 December 2012
— Contracted for	<b>641</b>	612	<b>580</b>	582
— Authorized but not contracted for	<b>588</b>	69	<b>588</b>	69

#### (d) Operating lease commitments

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 June</b> <b>2013</b>	31 December 2012	<b>30 June</b> <b>2013</b>	31 December 2012
Within one year	<b>1,860</b>	1,935	<b>1,672</b>	1,760
After one year but within two years	<b>1,884</b>	1,786	<b>1,714</b>	1,625
After two years but within three years	<b>1,577</b>	1,656	<b>1,431</b>	1,509
After three years but within five years	<b>2,345</b>	2,236	<b>2,128</b>	2,002
After five years	<b>2,784</b>	2,384	<b>2,499</b>	2,051
Total	<b>10,450</b>	9,997	<b>9,444</b>	8,947

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 50 Commitments and contingent liabilities (continued)

#### (e) Outstanding litigations and disputes

As at 30 June 2013, the Group was the defendant in certain pending litigations with gross claims of RMB230 million (as at 31 December 2012: RMB227 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB93 million (as at 31 December 2012: RMB93 million). The Group believes that these accruals are reasonable and adequate.

#### (f) Bonds redemption obligations

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

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

	The Group and the Bank	
	30 June 2013	31 December 2012
Bonds redemption obligations	4,308	4,525

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

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

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

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 51 Pledged assets

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

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Debt securities	26,535	10,992	25,447	10,471
Discounted bills	1,135	734	1,135	734
Others	68	69	—	—
Total	27,738	11,795	26,582	11,205

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

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

### 52 Transactions on behalf of customers

#### (a) Entrusted lending business

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

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

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

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

	The Group and the Bank	
	30 June 2013	31 December 2012
Entrusted loans	275,338	179,072
Entrusted funds	275,338	179,072

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 52 Transactions on behalf of customers (continued)

#### (b) Wealth management services

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

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised on the statement of financial position.

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Investments under wealth management services	333,922	255,294	260,273	181,004
Funds from wealth management services	333,922	255,294	260,273	181,004

Amongst the above funds from wealth management service, RMB60,101 million was entrusted with CITIC Trust, for management, a wholly owned subsidiary of CITIC Group, as at 30 June 2013 (as at 31 December 2012: RMB54,908 million).

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 53 Segment reporting

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

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

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

### (a) Business segments

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

#### *Corporate banking*

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

#### *Personal banking*

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise personal loans, deposit services and securities agency services, as well as loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services provided to small enterprises.

#### *Treasury business*

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

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Segment reporting (continued)

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

##### Others and unallocated

These represent the assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

Changes in disclosure of segment results and assets and liabilities

The Group has further strengthened the centralized operations management and optimized the resource allocation at Group level during the reporting period. In addition, the Group's small enterprises business has now been classified as part of "Personal banking", rather than "Corporate banking"; the disclosure of business segment has been changed accordingly. The Group has also reclassified the business with other financial institution as part of "Treasury business" instead of "Corporate banking". Compared to the old method, the new method better reflects current management model in the Group.

The 2012 comparative figures have not been restated as it is impractical.

The segment information as at 30 June 2013 has been presented using the new method as below:

	Six months ended 30 June 2013				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
External net interest income	23,738	7,741	8,768	428	40,675
Internal net interest income/(expense)	4,844	(1,133)	(5,897)	2,186	—
<b>Net interest income</b>	<b>28,582</b>	<b>6,608</b>	<b>2,871</b>	<b>2,614</b>	<b>40,675</b>
Net fee and commission income	4,737	2,955	298	(13)	7,977
Other net income (note 1)	410	45	740	227	1,422
<b>Operating income</b>	<b>33,729</b>	<b>9,608</b>	<b>3,909</b>	<b>2,828</b>	<b>50,074</b>
Operating expenses					
Depreciation and amortization	(387)	(356)	(64)	(58)	(865)
Others	(10,023)	(6,350)	(301)	(401)	(17,075)
Impairment (losses)/reversal	(3,552)	(1,219)	76	(194)	(4,889)
Revaluation gain on investment properties	—	—	—	1	1
Share of losses of associates	—	—	—	(3)	(3)
<b>Profit before tax</b>	<b>19,767</b>	<b>1,683</b>	<b>3,620</b>	<b>2,173</b>	<b>27,243</b>
<b>Capital expenditure</b>	<b>394</b>	<b>363</b>	<b>41</b>	<b>20</b>	<b>818</b>

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 53 Segment reporting (continued)

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

	30 June 2013				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
<b>Segment assets</b>	1,823,540	448,887	1,156,181	(384)	3,428,224
Investment in associates	—	—	—	2,109	2,109
Deferred tax assets					6,612
<b>Total asset</b>					<b>3,436,945</b>
<b>Segment liabilities</b>	2,192,577	490,417	551,925	(13,951)	3,220,968
Deferred tax liabilities					—
<b>Total liabilities</b>					<b>3,220,968</b>
Off-balance sheet credit commitments	1,086,541	96,508	—	—	1,183,049

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



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Segment reporting (continued)

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

	31 December 2012				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
<b>Segment assets</b>	1,626,232	418,449	904,886	2,147	2,951,714
Investment in associates	—	—	—	2,134	2,134
Deferred tax assets					6,091
<b>Total asset</b>					2,959,939
<b>Segment liabilities</b>	1,856,062	419,089	484,134	(2,432)	2,756,853
Deferred tax liabilities					—
<b>Total liabilities</b>					2,756,853
Off-balance sheet credit commitments	1,037,076	80,451	—	—	1,117,527

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

#### (b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 30 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are registered and operating in Hong Kong. Another subsidiary, Lin'an Rural Bank is registered in Mainland China.

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

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

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

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 53 Segment reporting (continued)

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

	Six months ended 30 June 2013									Total
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	
External net interest income	6,509	4,680	5,334	4,420	4,913	1,276	12,603	940	—	40,675
Internal net interest income/(expense)	2,133	576	2,643	1,180	76	15	(6,887)	264	—	—
Net interest income	8,642	5,256	7,977	5,600	4,989	1,291	5,716	1,204	—	40,675
Net fee and commission income	1,504	576	1,462	932	823	283	2,121	276	—	7,977
Other net income (note 1)	273	135	296	101	55	18	115	429	—	1,422
<b>Operating income</b>	<b>10,419</b>	<b>5,967</b>	<b>9,735</b>	<b>6,633</b>	<b>5,867</b>	<b>1,592</b>	<b>7,952</b>	<b>1,909</b>	<b>—</b>	<b>50,074</b>
Operating expenses										
— depreciation and amortization	(154)	(83)	(171)	(89)	(89)	(26)	(174)	(79)	—	(865)
— others	(3,865)	(2,188)	(3,335)	(2,312)	(2,005)	(484)	(2,078)	(808)	—	(17,075)
Impairment (losses)/reversal	(2,876)	(623)	(770)	(265)	(366)	(34)	68	(23)	—	(4,889)
Revaluation gain on investment properties	—	—	—	—	—	—	—	1	—	1
Share of losses of associates	—	—	—	—	—	—	—	(3)	—	(3)
<b>Profit before tax</b>	<b>3,524</b>	<b>3,073</b>	<b>5,459</b>	<b>3,967</b>	<b>3,407</b>	<b>1,048</b>	<b>5,768</b>	<b>997</b>	<b>—</b>	<b>27,243</b>
<b>Capital expenditure</b>	<b>43</b>	<b>29</b>	<b>65</b>	<b>32</b>	<b>498</b>	<b>9</b>	<b>112</b>	<b>30</b>	<b>—</b>	<b>818</b>

	30 June 2013									Total
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	
<b>Segment assets</b>	<b>772,074</b>	<b>533,154</b>	<b>815,306</b>	<b>442,359</b>	<b>431,534</b>	<b>86,397</b>	<b>1,161,770</b>	<b>147,719</b>	<b>(962,089)</b>	<b>3,428,224</b>
Interests in associates	—	—	—	—	—	—	—	2,109	—	2,109
Deferred tax assets										6,612
<b>Total assets</b>										<b>3,436,945</b>
<b>Segment liabilities</b>	<b>766,834</b>	<b>528,470</b>	<b>807,570</b>	<b>437,824</b>	<b>426,567</b>	<b>84,826</b>	<b>997,563</b>	<b>133,563</b>	<b>(962,249)</b>	<b>3,220,968</b>
Deferred tax liabilities										—
<b>Total liabilities</b>										<b>3,220,968</b>
Off-balance sheet credit commitments	287,131	152,652	267,934	172,752	126,064	31,899	85,423	59,194	—	1,183,049

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 53 Segment reporting (continued)

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

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

	31 December 2012									Total
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	
<b>Segment assets</b>	<b>720,231</b>	<b>438,698</b>	<b>727,706</b>	<b>351,283</b>	<b>356,213</b>	<b>77,278</b>	<b>962,733</b>	<b>144,134</b>	<b>(826,562)</b>	<b>2,951,714</b>
Interests in associates	—	—	—	—	—	—	—	2,134	—	2,134
Deferred tax assets										6,091
<b>Total assets</b>										<b>2,959,939</b>
<b>Segment liabilities</b>	<b>709,635</b>	<b>431,981</b>	<b>715,812</b>	<b>344,631</b>	<b>349,718</b>	<b>75,502</b>	<b>825,654</b>	<b>130,482</b>	<b>(826,562)</b>	<b>2,756,853</b>
Deferred tax liabilities										—
<b>Total liabilities</b>										<b>2,756,853</b>
Off-balance sheet credit commitment	283,996	139,730	247,185	170,851	121,042	30,020	74,906	49,797	—	1,117,527

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

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management

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

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

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

#### (a) Credit risk

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

##### *Credit business*

In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction.

The Group undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as individual problem loans, both actual and potential, on a regular basis.

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans and advances are classified as non-impaired and impaired based on the different risk level. When one or more event demonstrates there is objective evidence of impairment and causes losses, corresponding loans and advances are considered to be classified as impaired. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The Group applies a series of criteria in determining the classification of loans. The loan classification criteria focuses on a number of factors, including (i) the borrower's ability to repay the loan; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the net realizable value of any collateral; and (v) the prospect for the support from any financially responsible guarantor. The Group also takes into account the length of time for which payments of principal and interest on a loan are overdue.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

##### *Credit business (continued)*

The Group's retail credit policy and approval process are designed for the fact that there are large volumes of relatively homogeneous, small value transactions in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on the Group's strategy and statistical analyses of risks with respect to different products and types of customers. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

The risks involved in credit-related commitments and contingencies are essentially the same as the risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers' application for loans.

Concentration of credit risk exists when changes in geographic, economic or industrial factors similarly affect the Group's counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instruments is diversified along industry, geographic and product sectors.

##### *Treasury business*

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical area. The system closely monitors the credit exposure on a real-time basis, regularly reviews its credit limit policies and adjusts the credit limits, taken into accounts various factors including market condition at the time.

#### (i) Maximum credit risk exposure

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each financial asset in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Balances with central banks	485,421	421,500	483,967	420,400
Deposits with bank and non-bank financial institutions	250,643	236,591	247,364	235,424
Placements with banks and non-bank financial	90,051	151,803	73,270	129,052
Trading financial assets	20,411	12,283	20,361	12,209
Positive fair value of derivatives	5,407	4,160	3,290	2,665
Financial assets held under resale agreements	217,677	69,082	217,726	69,132
Interest receivable	13,656	13,040	13,184	12,534
Loans and advances to customers	1,787,895	1,627,576	1,694,818	1,541,748
Available-for-sale financial assets	218,571	195,983	203,798	181,411
Held-to-maturity investments	160,918	135,014	160,856	134,952
Investment classified as receivables	140,667	56,435	140,667	56,435
Other financial assets	7,097	4,963	6,437	4,737
Subtotal	3,398,414	2,928,430	3,265,738	2,800,699
Credit commitments	1,183,049	1,117,527	1,123,854	1,067,730
Maximum credit risk exposure	4,581,463	4,045,957	4,389,592	3,868,429

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

(ii) *Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements, debt securities investments and certificates of deposit, and investment classified as receivable are as follows:*

#### The Group

Note	30 June 2013				
	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investment classified as receivables
<b>Impaired</b>					
— Individually assessed					
	Gross balance	14,726	43	—	193
	Allowance for impairment	(6,510)	(9)	—	(184)
	Net balance	8,216	34	—	9
— Collectively assessed					
	Gross balance	1,644	—	—	—
	Allowance for impairment	(943)	—	—	—
	Net balance	701	—	—	—
<b>Overdue but not impaired</b>					
(1)	Gross balance	14,530	15	—	—
	Within which				
	— Less than 3 months	13,336	15	—	—
	— 3 months to 1 year	1,194	—	—	—
	— Over 1 year	—	—	—	—
	Allowance for impairment	(904)	—	—	—
	Net balance	13,626	15	—	—
<b>Neither overdue nor impaired</b>					
	Gross balance	1,793,652	340,645	217,677	399,891
	Allowance for impairment	(28,300)	—	—	—
	Net balance	1,765,352	340,645	217,677	399,891
	<b>Net balance of total assets</b>	<b>1,787,895</b>	<b>340,694</b>	<b>217,677</b>	<b>399,900</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

(ii) *Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements, debt securities investments and certificates of deposit, and investment classified as receivable are as follows: (continued)*  
**The Group (continued)**

		31 December 2012				
Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investment classified as receivables	
<b>Impaired</b>						
— Individually assessed						
	Gross balance	10,959	30	—	374	
	Allowance for impairment	(6,699)	(8)	—	(274)	
	Net balance	4,260	22	—	100	
— Collectively assessed						
	Gross balance	1,296	—	—	—	
	Allowance for impairment	(983)	—	—	—	
	Net balance	313	—	—	—	
<b>Overdue but not impaired</b>						
(1)	Gross balance	10,012	15	—	—	
Within which						
	— Less than 3 months	9,334	15	—	—	
	— 3 months to 1 year	678	—	—	—	
	— Over 1 year	—	—	—	—	
	Allowance for impairment	(623)	—	—	—	
	Net balance	9,389	15	—	—	
<b>Neither overdue nor impaired</b>						
	Gross balance	1,640,634	388,357	69,082	343,180	
(2)	Allowance for impairment	(27,020)	—	—	—	
	Net balance	1,613,614	388,357	69,082	343,180	
<b>Net balance of total assets</b>						
		1,627,576	388,394	69,082	343,280	

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

(ii) *Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements, debt securities investments and certificates of deposit, and investment classified as receivable are as follows: (continued)*

#### The Bank

Note	30 June 2013				
	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investment classified as receivables
<b>Impaired</b>					
— Individually assessed					
Gross balance	14,253	43	—	193	—
Allowance for impairment	(6,288)	(9)	—	(184)	—
Net balance	7,965	34	—	9	—
— Collectively assessed					
Gross balance	1,638	—	—	—	—
Allowance for impairment	(941)	—	—	—	—
Net balance	697	—	—	—	—
<b>Overdue but not impaired</b>					
(1)					
Gross balance	13,891	15	—	—	—
Within which					
— Less than 3 months	12,697	15	—	—	—
— 3 months to 1 year	1,194	—	—	—	—
— Over 1 year	—	—	—	—	—
Allowance for impairment	(895)	—	—	—	—
Net balance	12,996	15	—	—	—
<b>Neither overdue nor impaired</b>					
Gross balance	1,701,242	320,585	217,726	385,006	140,667
Allowance for impairment	(28,082)	—	—	—	—
Net balance	1,673,160	320,585	217,726	385,006	140,667
<b>Net balance of total assets</b>					
	1,694,818	320,634	217,726	385,015	140,667



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

(ii) *Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements, debt securities investments and certificates of deposit, and investment classified as receivable are as follows: (continued)*  
**The Bank (continued)**

		31 December 2012				
Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	Investment classified as receivables	
<b>Impaired</b>						
— Individually assessed						
	Gross balance	10,596	30	—	374	—
	Allowance for impairment	(6,484)	(8)	—	(274)	—
	Net balance	4,112	22	—	100	—
— Collectively assessed						
	Gross balance	1,273	—	—	—	—
	Allowance for impairment	(982)	—	—	—	—
	Net balance	291	—	—	—	—
<b>Overdue but not impaired</b>						
(1)	Gross balance	9,621	15	—	—	—
Within which						
	— Less than 3 months	8,943	15	—	—	—
	— 3 months to 1 year	678	—	—	—	—
	— Over 1 year	—	—	—	—	—
	Allowance for impairment	(616)	—	—	—	—
	Net balance	9,005	15	—	—	—
<b>Neither overdue nor impaired</b>						
	Gross balance	1,555,135	364,439	69,132	328,472	56,435
(2)	Allowance for impairment	(26,795)	—	—	—	—
	Net balance	1,528,340	364,439	69,132	328,472	56,435
<b>Net balance of total assets</b>						
		1,541,748	364,476	69,132	328,572	56,435

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

##### (ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements, debt securities investments and certificates of deposit, and investment classified as receivable are as follows: (continued)

Notes: (1) Collaterals and other credit enhancements for overdue but not impaired loans and advances

As at 30 June 2013, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB7,895 million (as at 31 December 2012: RMB4,238 million). The covered portion and uncovered portion of these loans and advances were RMB4,284 million (as at 31 December 2012: RMB2,316 million) and RMB3,611 million (as at 31 December 2012: RMB1,922 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB9,632 million (as at 31 December 2012: RMB5,379 million).

As at 30 June 2013, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB7,256 million (as at 31 December 2012: RMB4,180 million). The covered portion and uncovered portion of these loans and advances were RMB3,875 million (as at 31 December 2012: RMB2,302 million) and RMB3,381 million (as at 31 December 2012: RMB1,878 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB8,234 million (as at 31 December 2012: RMB5,329 million).

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

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

##### (iii) Loans and advances to customers analysed by economic sector concentrations:

	30 June 2013			31 December 2012		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	384,766	21.1	146,068	356,625	21.4	130,319
— Wholesale and retail	274,905	15.1	154,135	232,252	14.0	133,876
— Transportation, storage and postal services	139,611	7.7	67,456	135,952	8.2	57,499
— Real estate	130,885	7.2	116,400	133,927	8.1	115,547
— Construction	73,193	4.0	31,787	63,653	3.8	26,643
— Water, environment and public utility management	69,979	3.8	34,032	62,897	3.8	29,756
— Production and supply of electric power, gas and water	56,265	3.1	15,032	59,329	3.6	13,749
— Rent and business services	59,651	3.3	33,923	53,886	3.2	30,638
— Public management and social organizations	17,001	0.9	3,008	17,723	1.1	3,241
— Others	153,989	8.4	47,260	137,016	8.2	35,123
Subtotal	1,360,245	74.6	649,101	1,253,260	75.4	576,391
Personal loans	389,367	21.3	300,815	334,647	20.1	263,770
Discounted bills	74,940	4.1	—	74,994	4.5	—
Gross loans and advances to customers	1,824,552	100.0	949,916	1,662,901	100.0	840,161

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

##### (iii) Loans and advances to customers analysed by economic sector concentrations: (continued)

	The Bank			31 December 2012		
	30 June 2013		Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
	Gross balance	%				
Corporate loans						
— Manufacturing	379,477	21.9	144,318	352,782	22.4	128,206
— Wholesale and retail	265,372	15.3	151,047	220,334	14.0	122,093
— Transportation, storage and postal services	137,435	7.9	66,695	133,782	8.5	56,175
— Real estate	118,966	6.9	104,569	127,183	8.1	110,155
— Construction	72,738	4.2	31,604	63,403	4.0	26,513
— Water, environment and public utility management	69,929	4.0	34,032	62,897	4.0	29,756
— Production and supply of electric power, gas and water	55,863	3.2	15,010	59,017	3.7	13,661
— Rent and business services	59,348	3.4	33,811	53,710	3.4	30,547
— Public management and social organizations	17,001	1.0	3,008	17,723	1.1	3,241
— Others	112,259	6.6	39,854	97,584	6.2	30,476
Subtotal	1,288,388	74.4	623,948	1,188,415	75.4	550,823
Personal loans	374,972	21.7	287,296	320,044	20.3	249,660
Discounted bills	67,664	3.9	—	68,166	4.3	—
Gross loans and advances to customers	1,731,024	100.0	911,244	1,576,625	100.0	800,483

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

##### (iii) Loans and advances to customers analysed by economic sector concentrations: (continued)

Impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

#### The Group

	Impaired loans and advances	Individually assessed impairment allowances	30 June 2013 Collectively assessed impairment allowances	Impairment charged during the period	Impaired loan written off during the period
Manufacturing	5,421	2,340	5,730	692	(872)
Wholesale and retail	7,895	3,429	4,598	2,422	(849)

	Impaired loans and advances	Individually assessed impairment allowances	31 December 2012 Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	4,272	2,686	5,563	3,530	(258)
Wholesale and retail	4,765	2,555	3,924	3,678	(170)

#### The Bank

	Impaired loans and advances	Individually assessed impairment allowances	30 June 2013 Collectively assessed impairment allowances	Impairment charged during the period	Impaired loan written off during the period
Manufacturing	5,294	2,320	5,715	690	(872)
Wholesale and retail	7,892	3,428	4,575	2,392	(839)

	Impaired loans and advances	Individually assessed impairment allowances	31 December 2012 Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	4,189	2,665	5,551	3,478	(226)
Wholesale and retail	4,740	2,546	3,905	3,655	(127)

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

(iv) Loans and advances to customers analysed by geographical sector risk concentrations:

##### The Group

	30 June 2013			31 December 2012		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	475,631	26.1	205,175	436,743	26.3	189,357
Yangtze River Delta	452,107	24.8	235,972	427,019	25.7	222,023
Pearl River Delta and West Strait	265,369	14.5	176,465	226,989	13.7	139,365
Central	246,703	13.5	132,396	223,232	13.4	111,818
Western	240,864	13.2	129,232	213,609	12.8	108,106
Northeastern	56,616	3.1	35,927	53,108	3.2	33,057
Outside Mainland China	87,262	4.8	34,749	82,201	4.9	36,435
<b>Total</b>	<b>1,824,552</b>	<b>100.0</b>	<b>949,916</b>	<b>1,662,901</b>	<b>100.0</b>	<b>840,161</b>

##### The Bank

	30 June 2013			31 December 2012		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	473,969	27.4	204,151	435,620	27.6	188,455
Yangtze River Delta	449,320	26.0	234,237	424,908	27.0	220,460
Pearl River Delta and West Strait	263,552	15.2	175,299	226,148	14.3	138,587
Central	246,703	14.2	132,396	223,232	14.2	111,818
Western	240,864	13.9	129,232	213,609	13.5	108,106
Northeastern	56,616	3.3	35,929	53,108	3.4	33,057
<b>Total</b>	<b>1,731,024</b>	<b>100.0</b>	<b>911,244</b>	<b>1,576,625</b>	<b>100.0</b>	<b>800,483</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

##### (iv) Loans and advances to customers analysed by geographical sector risk concentrations: (continued)

Impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

#### The Group

	Impaired loans and advances	30 June 2013 Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	1,757	1,130	6,457
Yangtze River Delta	10,027	3,787	8,439
Pearl River Delta and West Strait	2,196	565	6,092
Central	724	145	4,301
Western	410	179	3,779
		31 December 2012	
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,581	1,302	8,106
Yangtze River Delta	5,275	2,617	8,013
Pearl River Delta and West Strait	2,244	1,505	4,065
Central	625	265	4,012
Western	492	323	3,364

#### The Bank

	Impaired loans and advances	30 June 2013 Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	1,713	1,110	6,453
Yangtze River Delta	10,007	3,776	8,434
Pearl River Delta and West Strait	2,162	565	6,091
Central	724	145	4,301
Western	410	179	3,779
		31 December 2012	
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,536	1,281	8,102
Yangtze River Delta	5,257	2,606	8,009
Pearl River Delta and West Strait	2,244	1,505	4,064
Central	625	265	4,012
Western	492	323	3,364

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (a) Credit risk (continued)

##### (v) Loans and advances to customers analysed by types of collaterals

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Unsecured loans	351,734	329,704	336,067	317,351
Guaranteed loans	447,962	418,042	416,049	390,625
Secured loans				
— Tangible assets other than monetary assets	693,882	630,393	659,456	595,688
— Monetary assets	256,034	209,768	251,788	204,795
Subtotal	1,749,612	1,587,907	1,663,360	1,508,459
Discounted bills	74,940	74,994	67,664	68,166
Gross loans and advances to customers	1,824,552	1,662,901	1,731,024	1,576,625

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

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	5,115	0.28%	4,775	0.29%
Less:				
— rescheduled loans and advances overdue more than 3 months	3,510	0.19%	2,474	0.15%
— rescheduled loans and advances overdue less than 3 months	1,605	0.09%	2,301	0.14%

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (b) Market risk

Market risk refers to risks that may cause a loss of on-balance-sheet and off-balance-sheet business for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has constructed a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and quota management.

The Market Risk Committee is responsible for formulating the Group's market risk management policies and procedures and examining the access of product and risk exposure threshold of the Treasury and Capital Market Business. The Risk Management Department is responsible for the day-to-day management of market risks, including formulating procedures to identify, assess, measure and control market risks. The business departments are responsible for carrying out the various policies and procedures of market risk management and ensuring that risk levels are within the set limits.

The Group uses its sensitivity analysis, exposure and gap of interest rate re-pricing as the primary instruments to monitor market risk.

Interest rate risk and currency risk are major market risks that confront the Group.

#### *Interest rate risk*

The Group's interest rate exposures mainly comprise the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjusts the ratio of floating and fixed rate accounts, the loan re-pricing cycle, as well as optimises the term structure of its deposits according to the gap status.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure and monitor interest risk exposure; risk exposure limits, such as interest rate sensitivity, duration and risk exposure are set regularly, and the relevant implementation of these limits are also supervised, managed and reported on a regular basis.



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (b) Market risk (continued)

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

#### The Group

	Effective interest rate (note (i))	30 June 2013					
		Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
<b>Assets</b>							
Cash and balances with central bank	1.49%	492,526	7,105	485,421	—	—	—
Deposits with banks and non-bank financial institutions	3.49%	250,643	28	232,568	16,203	1,844	—
Placements with banks and non-bank financial institutions	3.77%	90,051	21	59,050	30,967	13	—
Financial assets held under resale agreements	4.36%	217,677	—	185,135	27,123	5,419	—
Investment classified as receivable	7.55%	140,667	410	52,505	49,205	38,547	—
Loans and advances to customers (note (ii))	6.16%	1,787,895	203	750,455	989,598	46,131	1,508
Investments (note (iii))	3.68%	409,004	9,209	79,818	96,750	151,357	71,870
Others		48,482	48,482	—	—	—	—
<b>Total assets</b>		<b>3,436,945</b>	<b>65,458</b>	<b>1,844,952</b>	<b>1,209,846</b>	<b>243,311</b>	<b>73,378</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	3.64%	441,513	845	380,745	58,933	990	—
Placements from banks and non-bank financial institutions	2.00%	33,872	—	28,019	5,228	625	—
Financial assets sold under repurchase agreements	3.55%	17,856	—	15,935	1,921	—	—
Deposits from customers	2.15%	2,613,911	16,272	1,814,078	556,997	224,421	2,143
Certificates of deposit issued	1.82%	10,568	—	5,200	4,649	719	—
Debt securities issued	4.50%	44,502	—	—	—	2,713	41,789
Others		58,746	58,746	—	—	—	—
<b>Total liabilities</b>		<b>3,220,968</b>	<b>75,863</b>	<b>2,243,977</b>	<b>627,728</b>	<b>229,468</b>	<b>43,932</b>
<b>Asset-liability gap</b>		<b>215,977</b>	<b>(10,405)</b>	<b>(399,025)</b>	<b>582,118</b>	<b>13,843</b>	<b>29,446</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (b) Market risk (continued)

##### The Group (continued)

	Effective interest rate (note (i))	Total	Non-interest bearing	31 December 2012			
				Less than three months	Between three months and one year	Between one and five years	More than five years
<b>Assets</b>							
Cash and balances with central bank	1.50%	428,167	6,667	421,500	—	—	—
Deposits with banks and non-bank financial institutions	3.97%	236,591	—	221,045	14,514	1,032	—
Placements with banks and non-bank financial institutions	4.64%	151,803	22	104,911	46,856	14	—
Financial assets held under resale agreements	4.29%	69,082	—	60,689	6,467	1,926	—
Investment classified as receivable	5.79%	56,435	—	14,490	34,625	7,320	—
Loans and advances to customers (note (ii))	6.69%	1,627,576	190	928,220	678,056	19,744	1,366
Investments (note (iii))	3.63%	346,282	3,131	60,239	95,504	120,340	67,068
Others		44,003	44,003	—	—	—	—
<b>Total assets</b>		<b>2,959,939</b>	<b>54,013</b>	<b>1,811,094</b>	<b>876,022</b>	<b>150,376</b>	<b>68,434</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	4.21%	370,108	1,169	298,852	70,087	—	—
Placements from banks and non-bank financial institutions	3.80%	17,894	—	14,471	2,693	730	—
Financial assets sold under repurchase agreements	4.03%	11,732	—	11,666	66	—	—
Deposits from customers	2.25%	2,255,141	15,092	1,588,779	464,699	184,422	2,149
Certificates of deposit issued	2.08%	11,593	—	5,510	5,090	993	—
Debt securities issued	4.33%	44,809	—	—	—	2,779	42,030
Others		45,576	45,576	—	—	—	—
<b>Total liabilities</b>		<b>2,756,853</b>	<b>61,837</b>	<b>1,919,278</b>	<b>542,635</b>	<b>188,924</b>	<b>44,179</b>
<b>Asset-liability gap</b>		<b>203,086</b>	<b>(7,824)</b>	<b>(108,184)</b>	<b>333,387</b>	<b>(38,548)</b>	<b>24,255</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (b) Market risk (continued)

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

#### The Bank

	Effective interest rate (note (i))	30 June 2013					
		Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
<b>Assets</b>							
Cash and balances with central bank	1.49%	490,892	6,925	483,967	—	—	—
Deposits with banks and non-bank financial institutions	3.55%	247,364	—	229,319	16,201	1,844	—
Placements with banks and non-bank financial institutions	4.51%	73,270	21	43,920	29,316	13	—
Financial assets held under resale agreements	4.36%	217,726	—	185,184	27,123	5,419	—
Investment classified as receivables	7.55%	140,667	410	52,505	49,205	38,547	—
Loans and advances to customers (note (ii))	6.30%	1,694,818	—	663,989	984,031	45,489	1,309
Investments (note (iii))	3.70%	401,631	16,679	73,201	92,251	147,748	71,752
Others		43,602	43,602	—	—	—	—
<b>Total assets</b>		<b>3,309,970</b>	<b>67,637</b>	<b>1,732,085</b>	<b>1,198,127</b>	<b>239,060</b>	<b>73,061</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	3.74%	453,637	246	393,226	59,175	990	—
Placements from banks and non-bank financial institutions	2.58%	30,877	—	25,064	5,188	625	—
Financial assets sold under repurchase agreements	3.78%	16,854	—	15,197	1,657	—	—
Deposits from customers	2.20%	2,506,702	11,605	1,738,304	532,649	222,000	2,144
Debt securities issued	4.68%	38,471	—	—	—	—	38,471
Others		53,974	53,974	—	—	—	—
<b>Total liabilities</b>		<b>3,100,515</b>	<b>65,825</b>	<b>2,171,791</b>	<b>598,669</b>	<b>223,615</b>	<b>40,615</b>
<b>Asset-liability gap</b>		<b>209,455</b>	<b>1,812</b>	<b>(439,706)</b>	<b>599,458</b>	<b>15,445</b>	<b>32,446</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (b) Market risk (continued)

##### The Bank (continued)

	Effective interest rate (note (i))	Total	Non-interest bearing	31 December 2012			
				Less than three months	Between three months and one year	Between one and five years	More than five years
<b>Assets</b>							
Cash and balances with central bank	1.50%	426,886	6,486	420,400	—	—	—
Deposits with banks and non-bank financial institutions	4.06%	235,424	—	219,878	14,514	1,032	—
Placements with banks and non-bank financial institutions	5.23%	129,052	22	83,813	45,203	14	—
Financial assets held under resale agreements	4.29%	69,132	—	60,739	6,467	1,926	—
Investment classified as receivables	5.79%	56,435	—	14,490	34,625	7,320	—
Loans and advances to customers (note (ii))	6.87%	1,541,748	—	851,944	669,018	19,427	1,359
Investments (note (iii))	3.70%	339,009	10,525	51,062	93,046	117,308	67,068
Others		39,946	39,946	—	—	—	—
<b>Total assets</b>		<b>2,837,632</b>	<b>56,979</b>	<b>1,702,326</b>	<b>862,873</b>	<b>147,027</b>	<b>68,427</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	4.22%	383,493	643	312,763	70,087	—	—
Placements from banks and non-bank financial institutions	5.39%	15,923	—	12,500	2,693	730	—
Financial assets sold under repurchase agreements	4.10%	11,241	—	11,175	66	—	—
Deposits from customers	2.29%	2,148,582	6,436	1,510,161	446,331	183,505	2,149
Debt securities issued	4.55%	38,470	—	—	—	—	38,470
Others		42,857	42,857	—	—	—	—
<b>Total liabilities</b>		<b>2,640,566</b>	<b>49,936</b>	<b>1,846,599</b>	<b>519,177</b>	<b>184,235</b>	<b>40,619</b>
<b>Asset-liability gap</b>		<b>197,066</b>	<b>7,043</b>	<b>(144,273)</b>	<b>343,696</b>	<b>(37,208)</b>	<b>27,808</b>

- Notes: (i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.
- (ii) For loans and advances to customers at Group level, the above “Less than three months” category includes overdue amounts (net of allowances for impairment losses) of RMB22,409 million as at 30 June 2013 (as at 31 December 2012: RMB13,530 million).  
For loans and advances to customers at Bank level, the above “Less than three months” category includes overdue amounts (net of allowances for impairment losses) of RMB21,558 million as at 30 June 2013 (as at 31 December 2012: RMB13,054 million).
- (iii) Investments include the trading financial assets, available-for-sale financial assets, held-to-maturity investments and investments in associates. At the bank level, it also includes the investments in subsidiaries.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (b) Market risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 30 June 2013 and 31 December 2012.

	30 June 2013		31 December 2012	
	Change in interest rates (in basis point)		Change in interest rates (in basis point)	
(Decrease)/Increase in annualized net interest income (in millions of RMB)	(100)	100	(100)	100
	(376)	376	(1,419)	1,419

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods (i.e., all the assets and liabilities that reprice or mature within three months reprice or mature immediately, and all the assets and liabilities that reprice or mature after three months but within one year reprice or mature immediately after three months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

#### *Currency risk*

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance-sheet and off-balance sheet business of the bank. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial tools, mainly foreign exchange swaps, to manage its exposure.

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 54 Financial risk management (continued)

#### (b) Market risk (continued)

The exposures at the reporting date were as follows:

##### The Group

	30 June 2013				
	RMB	USD	HKD	Others	Total
<b>Assets</b>					
Cash and balances with central bank	484,431	7,536	387	172	492,526
Deposits with banks and non-bank financial institutions	210,468	34,366	2,398	3,411	250,643
Placements with banks and non-bank financial institutions	74,220	15,559	243	29	90,051
Financial assets held under resale agreements	217,677	—	—	—	217,677
Investment classified as receivables	140,667	—	—	—	140,667
Loans and advances to customers	1,593,717	147,614	43,185	3,379	1,787,895
Investments	378,382	19,587	8,582	2,453	409,004
Others	47,248	(1,757)	2,610	381	48,482
<b>Total assets</b>	<b>3,146,810</b>	<b>222,905</b>	<b>57,405</b>	<b>9,825</b>	<b>3,436,945</b>
<b>Liabilities</b>					
Deposits from banks and non-bank financial institutions	385,481	40,116	4,023	11,893	441,513
Placements from banks and non-bank financial institutions	8,878	23,092	14	1,888	33,872
Financial assets sold under repurchase agreements	16,804	1,052	—	—	17,856
Deposits from customers	2,400,162	140,593	58,764	14,392	2,613,911
Certificates of deposit issued	1,998	1,375	3,770	3,425	10,568
Debt securities issued	39,377	5,125	—	—	44,502
Others	53,498	(519)	4,996	771	58,746
<b>Total Liabilities</b>	<b>2,906,198</b>	<b>210,834</b>	<b>71,567</b>	<b>32,369</b>	<b>3,220,968</b>
<b>Net on-balance sheet position</b>	<b>240,612</b>	<b>12,071</b>	<b>(14,162)</b>	<b>(22,544)</b>	<b>215,977</b>
Credit commitments	1,052,933	100,425	21,772	7,919	1,183,049
Derivatives (note(i))	3,549	(1,783)	26,750	22,325	50,841

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (b) Market risk (continued)

##### The Group (continued)

	31 December 2012				
	RMB	USD	HKD	Others	Total
<b>Assets</b>					
Cash and balances with central bank	420,643	6,984	380	160	428,167
Deposits with banks and non-bank financial institutions	186,644	44,655	2,053	3,239	236,591
Placements with banks and non-bank financial institutions	137,007	11,349	3,446	1	151,803
Financial assets held under resale agreements	69,082	—	—	—	69,082
Investment classified as receivables	54,549	1,886	—	—	56,435
Loans and advances to customers	1,479,690	101,044	43,448	3,394	1,627,576
Investments	321,358	12,168	10,725	2,031	346,282
Others	39,761	1,275	2,340	627	44,003
<b>Total assets</b>	<b>2,708,734</b>	<b>179,361</b>	<b>62,392</b>	<b>9,452</b>	<b>2,959,939</b>
<b>Liabilities</b>					
Deposits from banks and non-bank financial institutions	323,359	41,536	3,702	1,511	370,108
Placements from banks and non-bank financial institutions	12,778	4,353	20	743	17,894
Financial assets sold under repurchase agreements	11,439	293	—	—	11,732
Deposits from customers	2,053,129	117,472	60,292	24,248	2,255,141
Certificates of deposit issued	3,385	927	5,418	1,863	11,593
Debt securities issued	39,378	5,431	—	—	44,809
Others	39,996	3,036	1,330	1,214	45,576
<b>Total liabilities</b>	<b>2,483,464</b>	<b>173,048</b>	<b>70,762</b>	<b>29,579</b>	<b>2,756,853</b>
<b>Net on-balance sheet position</b>	<b>225,270</b>	<b>6,313</b>	<b>(8,370)</b>	<b>(20,127)</b>	<b>203,086</b>
Credit commitments	1,004,173	84,770	20,705	7,879	1,117,527
Derivatives (note (i))	(29,252)	(7,699)	20,945	19,847	3,841

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (b) Market risk (continued)

##### The Bank

	RMB	USD	30 June 2013 HKD	Others	Total
<b>Assets</b>					
Cash and balances with central bank	483,289	7,262	218	123	490,892
Deposits with banks and non-bank financial institutions	209,356	34,256	402	3,350	247,364
Placements with banks and non-bank financial institutions	65,682	7,572	16	—	73,270
Financial assets held under resale agreements	217,677	49	—	—	217,726
Investment classified as receivables	140,667	—	—	—	140,667
Loans and advances to customers	1,582,404	109,423	221	2,770	1,694,818
Investments	386,534	13,937	286	874	401,631
Others	41,965	1,409	2	226	43,602
<b>Total assets</b>	<b>3,127,574</b>	<b>173,908</b>	<b>1,145</b>	<b>7,343</b>	<b>3,309,970</b>
<b>Liabilities</b>					
Deposits from banks and non-bank financial institutions	397,461	40,288	3,995	11,893	453,637
Placement from banks and Non-bank financial institutions	8,500	20,490	—	1,887	30,877
Financial assets sold under repurchase agreements	16,805	49	—	—	16,854
Deposits from customers	2,379,695	117,306	3,372	6,329	2,506,702
Debt securities issued	38,471	—	—	—	38,471
Others	48,202	3,132	2,081	559	53,974
<b>Total liabilities</b>	<b>2,889,134</b>	<b>181,265</b>	<b>9,448</b>	<b>20,668</b>	<b>3,100,515</b>
<b>Net on-balance sheet position</b>	<b>238,440</b>	<b>(7,357)</b>	<b>(8,303)</b>	<b>(13,325)</b>	<b>209,455</b>
Credit commitments	1,047,281	69,670	32	6,871	1,123,854
Derivatives (note(i))	15,389	15,616	8,087	13,106	52,198



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (b) Market risk (continued)

##### The Bank (continued)

	31 December 2012				
	RMB	USD	HKD	Others	Total
<b>Assets</b>					
Cash and balances with central bank	419,831	6,710	212	133	426,886
Deposits with banks and non-bank financial institutions	187,242	44,468	532	3,182	235,424
Placements with banks and non-bank financial institutions	126,422	2,605	25	—	129,052
Financial assets held under resale agreements	69,082	50	—	—	69,132
Investment classified as receivable	54,549	1,886	—	—	56,435
Loans and advances to customers	1,469,596	69,441	63	2,648	1,541,748
Investments	329,709	7,676	668	956	339,009
Others	37,739	1,695	5	507	39,946
<b>Total assets</b>	<b>2,694,170</b>	<b>134,531</b>	<b>1,505</b>	<b>7,426</b>	<b>2,837,632</b>
<b>Liabilities</b>					
Deposits from banks and non-bank financial institutions	336,932	41,467	3,584	1,510	383,493
Placements from banks and non-bank financial institutions	12,283	2,897	—	743	15,923
Financial assets sold under repurchase agreements	11,191	50	—	—	11,241
Deposits from customers	2,034,414	95,264	2,386	16,518	2,148,582
Debt securities issued	38,470	—	—	—	38,470
Others	39,663	2,155	99	940	42,857
<b>Total liabilities</b>	<b>2,472,953</b>	<b>141,833</b>	<b>6,069</b>	<b>19,711</b>	<b>2,640,566</b>
<b>Net on-balance sheet position</b>	<b>221,217</b>	<b>(7,302)</b>	<b>(4,564)</b>	<b>(12,285)</b>	<b>197,066</b>
Credit commitments	1,000,904	59,906	59	6,861	1,067,730
Derivatives (note(i))	(18,373)	6,152	4,209	11,964	3,952

Note: (i) The derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's annualized profit. The following table sets forth, as at 30 June 2013 and 31 December 2012, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

	30 June 2013		31 December 2012	
	Change in foreign currency exchange rate (in basis point)		Change in foreign currency exchange rate (in basis point)	
(Decrease)/increase in annualized profit (in millions of RMB)	(100)	100	(100)	100
	(37)	37	(17)	17

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net foreign exchange gain and loss resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (c) Liquidity risk

Liquidity risk arises when the Group is unable to receive sufficient funds in a timely manner cost-effectively to meet the bank's customers deposit withdrawals due and expansion of the bank asset base. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities; customers may withdraw in advance, or concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the whole Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by holding liquid assets (including deposits at PBOC, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The Group regularly or irregularly stress tests its liquidity position.

In terms of measuring liquidity risk, the Group principally uses liquidity gap analysis. Different scenarios are applied to assess the impact on liquidity for proprietary trading and client businesses.

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the reporting date.

#### The Group

	30 June 2013						Total
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	
<b>Assets</b>							
Cash and balances with central banks	72,804	—	—	—	—	419,722	492,526
Deposits with banks and non-bank financial institutions	39,528	193,068	16,203	1,844	—	—	250,643
Placements with banks and non-bank financial institutions	175	57,592	32,214	36	—	34	90,051
Financial assets held under resale agreements	—	184,872	27,095	5,710	—	—	217,677
Investment classified as receivables	410	42,505	49,205	48,547	—	—	140,667
Loans and advances to customers (note(ii))	8,506	415,779	726,733	328,804	294,036	14,037	1,787,895
Investments	6,553	38,008	70,044	202,394	89,342	2,663	409,004
Others	8,582	11,599	4,560	1,473	358	21,910	48,482
<b>Total assets</b>	<b>136,558</b>	<b>943,423</b>	<b>926,054</b>	<b>588,808</b>	<b>383,736</b>	<b>458,366</b>	<b>3,436,945</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	53,440	326,343	60,740	990	—	—	441,513
Placements from banks and non-bank financial institutions	749	27,270	5,228	625	—	—	33,872
Financial assets sold under repurchase agreements	—	15,984	1,872	—	—	—	17,856
Deposits from customers	1,237,931	603,446	545,303	225,088	2,143	—	2,613,911
Certificates of deposit issued	—	3,534	5,123	1,911	—	—	10,568
Debt securities issued	—	—	—	2,713	41,789	—	44,502
Others	27,656	4,824	16,335	5,333	1,205	3,393	58,746
<b>Total liabilities</b>	<b>1,319,776</b>	<b>981,401</b>	<b>634,601</b>	<b>236,660</b>	<b>45,137</b>	<b>3,393</b>	<b>3,220,968</b>
<b>(Short)/Long position</b>	<b>(1,183,218)</b>	<b>(37,978)</b>	<b>291,453</b>	<b>352,148</b>	<b>338,599</b>	<b>454,973</b>	<b>215,977</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (c) Liquidity risk (continued) The Group (continued)

	31 December 2012						Total
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	
<b>Assets</b>							
Cash and balances with central banks	68,890	—	—	—	—	359,277	428,167
Deposits with banks and non-bank financial institutions	45,739	175,306	14,514	1,032	—	—	236,591
Placements with banks and non-bank financial institutions	15	103,588	48,133	45	—	22	151,803
Financial assets held under resale agreements	—	60,689	6,467	1,926	—	—	69,082
Investment classified as receivables	—	14,490	34,625	7,320	—	—	56,435
Loans and advances to customers (note(ii))	6,334	354,102	725,780	270,407	263,325	7,628	1,627,576
Investments	389	28,538	71,501	161,729	81,300	2,825	346,282
Others	6,631	9,622	5,395	1,179	520	20,656	44,003
<b>Total assets</b>	<b>127,998</b>	<b>746,335</b>	<b>906,415</b>	<b>443,638</b>	<b>345,145</b>	<b>390,408</b>	<b>2,959,939</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	52,467	246,983	70,658	—	—	—	370,108
Placements from banks and non-bank financial institutions	321	13,565	3,278	730	—	—	17,894
Financial assets sold under repurchase agreements	—	11,666	66	—	—	—	11,732
Deposits from customers	1,135,792	469,344	463,224	184,632	2,149	—	2,255,141
Certificates of deposit issued	—	3,644	5,744	2,205	—	—	11,593
Debt securities issued	—	—	—	2,779	42,030	—	44,809
Others	15,255	3,284	8,951	12,926	2,218	2,942	45,576
<b>Total liabilities</b>	<b>1,203,835</b>	<b>748,486</b>	<b>551,921</b>	<b>203,272</b>	<b>46,397</b>	<b>2,942</b>	<b>2,756,853</b>
<b>(Short)/Long position</b>	<b>(1,075,837)</b>	<b>(2,151)</b>	<b>354,494</b>	<b>240,366</b>	<b>298,748</b>	<b>387,466</b>	<b>203,086</b>

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 54 Financial risk management (continued)

#### (c) Liquidity risk (continued)

##### The Bank

	30 June 2013						Total
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	
<b>Assets</b>							
Cash and balances with central banks	72,369	—	—	—	—	418,523	490,892
Deposits with banks and non-bank financial institutions	36,299	193,020	16,201	1,844	—	—	247,364
Placements with banks and non-bank financial institutions	175	43,222	29,826	13	—	34	73,270
Financial assets held under resale agreements	—	184,872	27,144	5,710	—	—	217,726
Investment classified as receivables	410	42,505	49,205	48,547	—	—	140,667
Loans and advances to customers (note(ii))	7,995	390,909	699,155	306,129	276,967	13,663	1,694,818
Investments	6,553	34,096	64,438	197,622	88,787	10,135	401,631
Others	6,471	11,620	4,563	1,473	358	19,117	43,602
<b>Total assets</b>	<b>130,272</b>	<b>900,244</b>	<b>890,532</b>	<b>561,338</b>	<b>366,112</b>	<b>461,472</b>	<b>3,309,970</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	53,555	338,110	60,982	990	—	—	453,637
Placements from banks and non-bank financial institutions	616	24,448	5,188	625	—	—	30,877
Financial assets sold under repurchase agreements	—	15,197	1,657	—	—	—	16,854
Deposits from customers	1,205,214	544,695	532,649	222,000	2,144	—	2,506,702
Debt securities issued	—	—	—	—	38,471	—	38,471
Others	26,244	3,648	16,158	5,333	1,205	1,386	53,974
<b>Total liabilities</b>	<b>1,285,629</b>	<b>926,098</b>	<b>616,634</b>	<b>228,948</b>	<b>41,820</b>	<b>1,386</b>	<b>3,100,515</b>
<b>(Short)/Long position</b>	<b>(1,155,357)</b>	<b>(25,854)</b>	<b>273,898</b>	<b>332,390</b>	<b>324,292</b>	<b>460,086</b>	<b>209,455</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 54 Financial risk management (continued)

#### (c) Liquidity risk (continued) The Bank (continued)

	31 December 2012						Total
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	
<b>Assets</b>							
Cash and balances with central banks	68,473	—	—	—	—	358,413	426,886
Deposits with banks and non-bank financial institutions	43,472	176,406	14,514	1,032	—	—	235,424
Placements with banks and non-bank financial institutions	15	83,798	45,203	14	—	22	129,052
Financial assets held under resale agreements	—	60,739	6,467	1,926	—	—	69,132
Investment classified as receivables	—	14,490	34,625	7,320	—	—	56,435
Loans and advances to customers (note(ii))	5,942	333,232	699,619	249,409	246,080	7,466	1,541,748
Investments	389	21,765	67,618	158,142	80,872	10,223	339,009
Others	5,136	9,644	5,393	1,177	520	18,076	39,946
<b>Total assets</b>	<b>123,427</b>	<b>700,074</b>	<b>873,439</b>	<b>419,020</b>	<b>327,472</b>	<b>394,200</b>	<b>2,837,632</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	52,868	259,967	70,658	—	—	—	383,493
Placements from banks and non-bank financial institutions	—	12,169	3,024	730	—	—	15,923
Financial assets sold under repurchase agreements	—	11,175	66	—	—	—	11,241
Deposits from customers	1,102,193	414,404	446,331	183,505	2,149	—	2,148,582
Debt securities issued	—	—	—	—	38,470	—	38,470
Others	14,520	3,300	8,885	12,926	2,218	1,008	42,857
<b>Total liabilities</b>	<b>1,169,581</b>	<b>701,015</b>	<b>528,964</b>	<b>197,161</b>	<b>42,837</b>	<b>1,008</b>	<b>2,640,566</b>
<b>(Short)/Long position</b>	<b>(1,046,154)</b>	<b>(941)</b>	<b>344,475</b>	<b>221,859</b>	<b>284,635</b>	<b>393,192</b>	<b>197,066</b>

- Notes: (i) For cash and balances with central banks, the indefinite period amount represents statutory deposit reserves and fiscal balances maintained with the PBOC. For placements with banks and non-bank financial institutions, loans and advances to customers and investments, the indefinite period amount represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.
- (ii) For loans and advances to customers, the indefinite period amount represents the balance being impaired or overdue for more than one month. The balances which are overdue within one month but not impaired are included in repayable on demand.
- (iii) For financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets, the remaining term to maturity does not represent the Group's intended holding period.

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 54 Financial risk management (continued)

#### (d) Operational risk

Operational risk includes the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure and personnel, and other risks having an operational impact.

The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, control, manage and report risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. This has allowed the Group to identify and address the major operational risk inherent in all key products, activities, processes and systems. Key controls include:

- authorisation limits for various business activities to branches and functions are delegated after consideration of their respective business scope, risk management capabilities and credit approval procedures. Such authorities are revised on a timely basis to reflect changes in market conditions and business development and risk management needs;
- the use of the single legal responsibility framework and strict disciplinary measures in order to ensure accountability;
- systems and procedures to identify, control and report on the major risks: credit, market, liquidity and operational;
- promotion of a risk management culture throughout the organisation by building a team of risk management professionals, providing formal training and having an appraisal system in place, to raise the overall risk awareness among the Group's employees;
- cash management and account management are in compliance with the relevant regulations, and for improving training on anti-money laundering to ensure our staff are well-equipped with the necessary knowledge and basic skills;
- the review and approval by senior management of comprehensive financial and operating plans which are prepared by branches;
- the assessment of individual branches' financial performance against the comprehensive financial and operating plan; and
- the maintenance of contingent facilities (including backup systems and disaster recovery schemes) to support all major operations, especially back office operations, in the event of an unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain operational events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operation risk. Its management information system can record and store lost data and events of operation risk to further support operation risk control and self assessment, as well as monitor key risk indicators.

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 55 Capital Adequacy Ratio

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Group's sound operations and risk management capability. The Group's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

The Group's management monitors the capital adequacy regularly based on regulations issued by the CBRC. The required information is respectively filed with the CBRC by the Group and the Bank semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations promulgated by the CBRC in the year of 2012. As at 31 December 2012, the Group calculated the capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". For systematically important banks, CBRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. In addition, oversea subsidiaries and branches are directly regulated by local banking regulatory commissions, and the requirement of capital adequacy ratios differ by countries.

The risk-weighted assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet exposures, with adjustments made to reflect the more contingent nature of any potential loss. The risk-weighted assets of counterparty credit risk for over-the-counter (OTC) derivatives are the summation of default risk and credit value adjustment (CVA) risk capital charges. Market risk-weighted assets are calculated using the standardized approach. Basic indicator approach is used to calculate the risk-weighted assets of operational risk.

The Group calculates the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements promulgated by the CBRC. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the period, the Group has complied in full with all its externally imposed capital requirements.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 55 Capital Adequacy Ratio (continued)

The capital adequacy ratios calculated in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” and relevant requirements promulgated by the CBRC are listed as below.

	<b>30 June 2013 (unaudited)</b>
<b>Core tier-one capital adequacy ratio</b>	<b>8.92%</b>
<b>Tier-one capital adequacy ratio</b>	<b>8.92%</b>
<b>Capital adequacy ratio</b>	<b>11.47%</b>
Components of capital base	
Core tier-one capital:	
Paid-in capital	46,787
Valid portion of capital reserve	48,859
Surplus reserve	11,709
General reserve	35,326
Retained profits	70,724
Valid portion of non-controlling interests	3,349
Others <sup>(1)</sup>	(2,298)
Total core tier-one capital	214,456
Core tier-one capital deductions:	
Goodwill (net of related deferred tax liability)	803
Other intangible assets other than land use right (net of related deferred tax liability)	319
Net core tier-one capital	213,334
Other tier-one capital <sup>(2)</sup>	61
Net tier-one capital	213,395
Tier-two capital:	
Valid portion of tier-two capital instruments issued and share premium	39,511
Surplus provision for loan impairment	20,287
Valid portion of non-controlling interests	1,178
Tier-two capital deductions:	
Significant capital investments in tier-two capital instruments issued by financial sector entities that are not subject to consolidation	—
Net capital base	274,371
Credit risk-weighted assets	2,237,789
Market risk-weighted assets	15,411
Operational risk-weighted assets	138,270

(1) Pursuant to the “Regulation Governing Capital of Commercial Banks (provisional)” issued by the CBRC, others are foreign currency translation reserve.

(2) As at 30 June 2013, the Group’s other tier-one capital is the valid portion of non-controlling interests.

The Group calculates the capital adequacy ratios as at 31 December 2012 as below in accordance with “Regulations Governing Capital Adequacy of Commercial Banks” and relevant requirements promulgated by the CBRC.

	<b>31 December 2012</b>
Core capital adequacy ratio	9.89%
Capital adequacy ratio	13.44%



## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 56 Fair value

#### (a) Financial assets

The Group's financial assets mainly include cash, amounts due from central bank, banks and other financial institutions, loans and advances to customers, and investments.

##### *Amounts due from central banks, banks and other financial institutions, investment classified as receivables*

Amounts due from central banks, banks and other financial institutions, investment classified as receivables are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

##### *Loans and advances to customers*

Loans and advances to customers are repriced at market rates annually at least. Accordingly, their carrying values approximate the fair values.

##### *Investments*

Available-for-sale investments and trading debt securities are stated at fair value on the balance sheet. The carrying values and the fair values of held-to-maturity debt securities are presented in Note 21.

#### (b) Financial liabilities

The Group's financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers, certificates of deposit issued, subordinated bonds and other debt securities issued. The carrying values of financial liabilities approximated their fair values at the reporting date except as follows:

	The Group			
	Carrying values		Fair values	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Certificates of deposit (not for trading purpose)	10,568	11,593	10,572	11,621
Other debt securities issued	906	908	911	913
Subordinated bonds issued	43,596	43,901	41,907	42,007

	The Bank			
	Carrying values		Fair values	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Subordinated bonds issued	38,471	38,470	36,857	36,422

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 56 Fair value (continued)

#### (c) Valuation of financial instruments

The table below analyses financial instruments, measured at fair value in accordance with relevant definition by the level in the fair value hierarchy into which the fair value treatment is categorised:

	Level 1 (Note(i))	The Group Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	Total
As at 30 June 2013				
<b>Assets</b>				
Trading financial assets	10	20,361	42	20,413
Positive fair value of derivatives	9	5,383	15	5,407
Available-for-sale financial assets	13,072	212,039	339	225,450
<b>Total</b>	<b>13,091</b>	<b>237,783</b>	<b>396</b>	<b>251,270</b>
<b>Liabilities</b>				
Negative fair value of derivatives	—	(4,886)	(33)	(4,919)
<b>Total</b>	<b>—</b>	<b>(4,886)</b>	<b>(33)</b>	<b>(4,919)</b>
As at 31 December 2012				
<b>Assets</b>				
Trading financial assets	10	12,234	41	12,285
Positive fair value of derivatives	13	4,063	84	4,160
Available-for-sale financial assets	13,258	183,078	399	196,735
<b>Total</b>	<b>13,281</b>	<b>199,375</b>	<b>524</b>	<b>213,180</b>
<b>Liabilities</b>				
Negative fair value of derivatives	—	(3,295)	(117)	(3,412)
<b>Total</b>	<b>—</b>	<b>(3,295)</b>	<b>(117)</b>	<b>(3,412)</b>

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 56 Fair value (continued)

#### (c) Valuation of financial instruments (continued)

	Level 1 (Note(i))	The Bank Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	Total
As at 30 June 2013				
<b>Assets</b>				
Trading financial assets	—	20,361	—	20,361
Positive fair value of derivatives	—	3,275	15	3,290
Available-for-sale financial assets	6,125	204,180	9	210,314
<b>Total</b>	<b>6,125</b>	<b>227,816</b>	<b>24</b>	<b>233,965</b>
<b>Liabilities</b>				
Negative fair value of derivatives	—	(3,465)	(33)	(3,498)
<b>Total</b>	<b>—</b>	<b>(3,465)</b>	<b>(33)</b>	<b>(3,498)</b>

	Level 1 (Note(i))	The Bank Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	Total
As at 31 December 2012				
<b>Assets</b>				
Trading financial assets	—	12,209	—	12,209
Positive fair value of derivatives	—	2,581	84	2,665
Available-for-sale financial assets	6,148	175,586	14	181,748
<b>Total</b>	<b>6,148</b>	<b>190,376</b>	<b>98</b>	<b>196,622</b>
<b>Liabilities</b>				
Negative fair value of derivatives	—	(2,560)	(117)	(2,677)
<b>Total</b>	<b>—</b>	<b>(2,560)</b>	<b>(117)</b>	<b>(2,677)</b>

(i) During the current period, there were no significant transfer between Level 1 and Level 2 of the fair value hierarchy.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 56 Fair value (continued)

#### (c) Valuation of financial instruments (continued)

- (ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

##### The Group

	Assets			Liabilities			Total
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	
As at 1 January 2013	41	84	399	524	—	(117)	(117)
Total gains or losses:							
– In profit or loss	1	(65)	1	(63)	—	84	84
– In other comprehensive income	—	—	(53)	(53)	—	—	—
Settlements	—	(4)	(7)	(11)	—	—	—
Exchange effect	—	—	(1)	(1)	—	—	—
As at 30 June 2013	42	15	339	396	—	(33)	(33)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	1	(66)	1	(64)	—	68	68

	Assets			Liabilities			Total
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	
As at 1 January 2012	40	32	390	462	—	(73)	(73)
Total gains or losses:							
– In profit or loss	1	61	—	62	—	(42)	(42)
– In other comprehensive income	—	—	12	12	—	—	—
Settlements	—	(9)	(3)	(12)	—	(2)	(2)
Exchange effect	—	—	—	—	—	—	—
As at 31 December 2012	41	84	399	524	—	(117)	(117)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	1	61	—	62	—	(51)	(51)

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 56 Fair value (continued)

#### (c) Valuation of financial instruments (continued)

- (ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy (continued):

##### The Bank

	Assets			Liabilities			Total
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total	
As at 1 January 2013	—	84	14	98	—	(117)	(117)
Total gains or losses:							
– In profit or loss	—	(65)	1	(64)	—	84	84
– In other comprehensive income	—	—	1	1	—	—	—
Settlements	—	(4)	(7)	(11)	—	—	—
As at 30 June 2013	—	15	9	24	—	(33)	(33)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	—	(66)	1	(65)	—	68	68

	Assets			Liabilities			Total
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total	
As at 1 January 2012	—	32	15	47	—	(73)	(73)
Total gains or losses:							
– In profit or loss	—	61	—	61	—	(42)	(42)
– In other comprehensive income	—	—	2	2	—	—	—
Settlements	—	(9)	(3)	(12)	—	(2)	(2)
As at 31 December 2012	—	84	14	98	—	(117)	(117)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	—	61	—	61	—	(51)	(51)

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 57 Related parties

#### (a) Relationship of related parties

- (1) Related parties of the Group include CITIC Group and its fellow entities, subsidiaries, joint ventures and associates of the Group as well as BBVA, which is a strategic investor of the Group.
- (2) CITIC Group, the major shareholder of the Group, is a state-owned company established in Beijing in 1979. CITIC Group's core business covers financial services, industrial investments and business services in Mainland China and Overseas.
- (3) According to the relevant requirements on information disclosures of listed companies issued by CSRC, all parties that hold more than 5% of a listed company's shares should be recognized as related parties of the company. BBVA is a multinational financial services company registered in Spain. BBVA is mainly engaged in retail banking, asset management, private banking and wholesale banking operations. BBVA held 15% of the Bank's share as of 30 June 2013 (31 December 2012: 15%) and therefore BBVA is recognised as a related party of the Group with significant influence.
- (4) Besides the subsidiaries of the Bank mentioned in Note 24, CITIC Group is also a related party of the Bank that has control relations.

#### (b) Related party transactions

During the relevant periods, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit and off-balance sheet transactions. The banking transactions were priced at the relevant market rates prevailing at the time of each transaction. Transactions during the relevant periods and the corresponding balances outstanding at the reporting dates are as follows:

	Six months ended 30 June 2013			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Profit and loss				
Interest income	96	20	1	2
Fee and commission income and other operating income	118	—	—	—
Interest expense	(689)	(55)	(1)	(266)
Net trading (loss)/gain	(120)	219	—	—
Other service fees	(214)	—	—	(30)

	Six months ended 30 June 2012			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Interest income	84	14	1	18
Fee and commission income and other operating income	59	55	—	—
Interest expense	(743)	(64)	(1)	(11)
Net trading (loss)/gain	(14)	28	—	(1)
Other service fees	(122)	—	—	(36)

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 57 Related parties (continued)

#### (b) Related party transactions (continued)

	30 June 2013			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
<b>Assets</b>				
Gross loans and advances to customers	6,301	36	104	—
Less: individually assessed allowances for impairment loss	—	—	—	—
collectively assessed allowances for impairment loss	(116)	(1)	—	—
Loans and advances to customers (net)	6,185	35	104	—
Gross amount of deposits and placements with banks and non-bank financial institutions	30	5	—	1,195
Less: Allowances for impairment losses	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	22	5	—	1,195
Investments	654	—	2,109	9,986
Financial assets held under resale agreements	—	—	—	49
Other assets	47	268	—	2
<b>Liabilities</b>				
Deposits from customers	29,585	—	970	25
Deposits and placements from banks and non-bank financial institutions	20,697	814	—	12,283
Debt securities issued and certificates of deposit issued	—	1,659	—	—
Financial assets sold under repurchase agreements	—	—	—	—
Other liabilities	190	116	—	41
<b>Off-balance sheet items</b>				
Guarantees and letters of credit	234	—	—	—
Acceptances	837	—	—	—
Guarantees received	35	—	—	218
Nominal amount of derivatives	6,275	17,914	—	62

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 57 Related parties (continued)

#### (b) Related party transactions (continued)

	31 December 2012			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
<b>Assets</b>				
Gross loans and advances to customers	7,045	88	24	—
Less: individually assessed allowances for impairment loss	—	—	—	—
collectively assessed allowances for impairment loss	(68)	(1)	—	—
Loans and advances to customers (net)	6,977	87	24	—
Gross amount of deposits and placements with banks and non-bank financial institutions	30	2	—	1,121
Less: Allowances for impairment losses	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	22	2	—	1,121
Investments	708	—	2,134	9,986
Financial assets held under resale agreements	—	—	—	50
Other assets	50	357	—	2
<b>Liabilities</b>				
Deposits from customers	39,960	—	705	18
Deposits and placements from banks and non-bank financial institutions	18,431	378	—	13,579
Debt securities issued and certificates of deposit issued	61	1,780	—	—
Financial assets sold under repurchase agreements	700	—	—	—
Other liabilities	76	145	—	2
<b>Off-balance sheet items</b>				
Guarantees and letters of credit	433	—	2	—
Acceptances	773	—	—	—
Guarantees received	35	—	—	291
Nominal amount of derivatives	4,325	21,412	—	63

Notes: (i) The related party transactions between the Bank and the subsidiaries and among the subsidiaries are eliminated on consolidation.



## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 57 Related parties (continued)

#### (c) Key management personnel and their close family members and related companies

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group enters into banking transactions with key management personnel and their close family members and those companies controlled or significantly influenced by them in the normal course of business. Other than those disclosed as below, there are no material transactions and balances between the Group and these individuals or those companies controlled or significantly influenced by them.

The aggregate amount of relevant loans outstanding as at 30 June 2013 to directors, supervisors and executive officers amounted to RMB20.02 million (as at 31 December 2012: RMB20.72 million).

The aggregate of the compensations in respect of directors, supervisors and senior executives during the six months ended 30 June 2013 amounted to RMB7.44 million (six months ended 30 June 2012: 7.26 million).

#### (d) Contributions to defined contribution retirement schemes and supplementary retirement benefits

The Group has established a supplementary defined contribution plan for its qualified employees. The plan is administered by CITIC Group. The Group pays supplementary retirement benefits for its qualified employees in Mainland China (Note 36(iii)).

#### (e) Transaction with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other transactions were conducted between the Group and the annuity scheme as at 30 June 2013 and 31 December 2012.

## Notes to the Unaudited Interim Financial Report (Continued)

*(Expressed in millions of Renminbi unless otherwise stated)*

### 57 Related parties (continued)

#### (f) Transactions with other state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations (“state-owned entities”).

Transactions with other state-owned entities include but are not limited to the following:

- lending and deposit taking;
- taking and placing of inter-bank balances;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;
- purchase, sale and leases of property and other assets; and
- rendering and receiving of utilities and other services.

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

### 58 Ultimate parent

The Bank’s immediate parent is CITIC Limited and its ultimate parent is CITIC Group.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in millions of Renminbi unless otherwise stated)

### 59 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the interim financial report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2013 and which have not been adopted in the interim financial report.

- Amendments to IAS 32, *Financial instruments: Presentation*, “Offsetting financial assets and financial liabilities”;
- IFRS 9, *Financial instruments*;
- Amendments to IFRS 10, *Consolidated financial statements*, “Investment entities”
- Amendments to IAS 27 (2011), *Separate financial statements*, “Investment entities”
- Amendments to IFRS 12, *Disclosure of interests in other entities*; “Investment entities”
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*;
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The Group is in the process of making assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s results of operations and financial position except for IFRS 9, Financial instruments, which may have an impact on the Group’s results and financial position. The Group has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Group’s results and financial position has not been quantified.

### 60 Comparative figures

Certain comparative figures have been reclassified to conform with current period’s presentation.

### 61 Events after the reporting date

Up to the date of this report, the Group had no material events that require disclosure in or adjustments of the interim financial report after the reporting date.

# Unaudited Supplementary Financial Information

for the Six Months Ended 30 June 2013  
(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the unaudited interim financial report, and is included herein for information purposes only.

## 1 Difference between the financial report prepared under IFRS and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation limited (the “Bank”) prepares consolidated financial report for the six months ended 30 June 2013, which includes the financial report of the Bank and its subsidiaries (collectively the “Group”), in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”) promulgated by the International Accounting Standards Board.

As a financial institution incorporated in the People’s Republic of China (the “PRC”), the Group also prepares its consolidated financial report for the six months ended 30 June 2013 in accordance with the Accounting Standards for Business Enterprises 32, *Interim financial reporting* (“CAS 32”) issued by the Ministry of Finance of the PRC.

There is no difference in the net profit for the six months ended 30 June 2013 or total equity as at 30 June 2013 between the Group’s consolidated financial report prepared under IAS 34 and that prepared under CAS 32 respectively.

## 2 Liquidity ratios

	30 June 2013	31 December 2012
RMB current assets to RMB current liabilities	<b>48.23%</b>	48.85%
Foreign currency current assets to foreign currency current liabilities	<b>80.70%</b>	86.48%

The above liquidity ratios were calculated based on the financial report under PRC GAAP with reference to the revised formula issued by the China Banking Regulatory Commission (the “CBRC”) in 2006.

## 3 Currency concentrations

	30 June 2013			
	US Dollars	HK Dollars	Others	Total
Spot assets	222,905	57,405	9,825	290,135
Spot liabilities	(210,834)	(71,567)	(32,369)	(314,770)
Forward purchases	345,128	35,477	51,809	432,414
Forward sales	(348,317)	(8,705)	(28,741)	(385,763)
Options	1,406	(22)	(743)	641
Net long/(short) position	<b>10,288</b>	<b>12,588</b>	<b>(219)</b>	<b>22,657</b>

	31 December 2012			
	US Dollars	HK Dollars	Others	Total
Spot assets	179,361	62,392	9,452	251,205
Spot liabilities	(173,048)	(70,762)	(29,579)	(273,389)
Forward purchases	226,954	28,569	50,316	305,839
Forward sales	(227,130)	(7,694)	(30,600)	(265,424)
Options	(7,523)	70	131	(7,322)
Net (short)/long position	(1,386)	12,575	(280)	10,909

## Unaudited Supplementary Financial Information (Continued)

for the Six Months Ended 30 June 2013

(Expressed in millions of Renminbi unless otherwise stated)

### 4 Cross-border claims

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

For the purpose of these unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC (“Macau”) and Taiwan.

Cross-border claims include loans and advances, balances and placements with banks and other financial institutions, holding of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a region or a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2013			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	14,226	107	10,999	25,332
— of which attributed to Hong Kong	10,799	64	5,326	16,189
Europe	2,477	52	684	3,213
North and South America	21,399	9	1,837	23,245
Total	38,102	168	13,520	51,790

	31 December 2012			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	20,008	167	9,685	29,860
— of which attributed to Hong Kong	11,569	67	4,895	16,531
Europe	3,187	52	662	3,901
North and South America	18,055	203	1,482	19,740
Total	41,250	422	11,829	53,501

## Unaudited Supplementary Financial Information (Continued)

for the Six Months Ended 30 June 2013  
(Expressed in millions of Renminbi unless otherwise stated)

### 5 Overdue loans and advances to customers by geographical segments

	30 June 2013		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Bohai Rim (include Head Office)	475,631	1,834	1,757
Yangtze River Delta	452,107	10,229	10,027
Pearl River Delta and West Strait	265,369	2,136	2,196
Central	246,703	763	724
Western	240,864	457	410
Northeastern	56,616	799	875
Outside Mainland China	87,262	280	381
<b>Total</b>	<b>1,824,552</b>	<b>16,498</b>	<b>16,370</b>

	31 December 2012		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Bohai Rim (include Head Office)	436,743	2,155	2,581
Yangtze River Delta	427,019	3,565	5,275
Pearl River Delta and West Strait	226,989	2,374	2,244
Central	223,232	547	625
Western	213,609	376	492
Northeastern	53,108	485	715
Outside Mainland China	82,201	280	323
<b>Total</b>	<b>1,662,901</b>	<b>9,782</b>	<b>12,255</b>

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

- individually; or
- collectively: that is portfolios of homogeneous loans and advances.

### 6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

#### (i) Gross overdue amounts due from banks and other financial institutions

	30 June 2013	31 December 2012
Gross amounts due from banks and other financial institutions which have been overdue	58	45
As a percentage of total gross amounts due from banks and other financial institutions	0.02%	0.01%

## Unaudited Supplementary Financial Information (Continued)

for the Six Months Ended 30 June 2013  
(Expressed in millions of Renminbi unless otherwise stated)

### 6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (continued)

#### (ii) Gross amounts of overdue loans and advances to customers

	30 June 2013	31 December 2012
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	6,711	2,991
— between 6 and 12 months	6,233	2,401
— over 12 months	3,554	4,390
<b>Total</b>	<b>16,498</b>	<b>9,782</b>
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	0.37%	0.18%
— between 6 and 12 months	0.34%	0.14%
— over 12 months	0.19%	0.26%
<b>Total</b>	<b>0.90%</b>	<b>0.58%</b>

- The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.
- Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.
- Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.
- As at 30 June 2013, the loans and advances to customers of RMB14,463 million (as at 31 December 2012: 8,133 million) and RMB2,035 million (as at 31 December 2012: 1,649 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB5,170 million (as at 31 December 2012: 1,963 million) and RMB9,293 million (as at 31 December 2012: 6,170 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB8,178 million (as at 31 December 2012: 2,243 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB6,213 million (as at 31 December 2012: 5,043 million).

### 7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 30 June 2013, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the interim financial report.

## List of Domestic and Overseas Affiliates

As at the end of the reporting period, the Bank had 923 branches in China, consisting of 42 tier-one branches, 59 tier-two branches and 822 sub-branches, plus 1 domestic subsidiary and 2 overseas subsidiaries.

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
1	Beijing	1	Head Office	Address: Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100027 Website: <a href="http://www.ecitic.com">http://www.ecitic.com</a> SWIFT BIC: CIBKCNBJ	Tel: 010-6558888 Fax: 010-65550801 Hotline: 95558
		58	Beijing branch	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code: 100140	Tel: 010-66211769 Fax: 010-66211770
2	Tianjin	30	Tianjin Branch	Address: No.162+5, Zhangzizhong Road, Heping District, Tianjin Postal Code: 300200	Tel: 022-23028800 Fax: 022-23028800
3	Hebei Province	40			
	Shijiazhuang	25	Shijiazhuang Branch	Address: No. 209, Xinhua East Road, Shijiazhuang, Hebei Province Postal Code: 050000	Tel: 0311-87884438 Fax: 0311-87884436
	Tangshan	10	Tangshan Branch	Address: No. 46, Xinhua West Road, Tangshan, Hebei Province Postal Code: 063000	Tel: 0315-3738508 Fax: 0315-3738522
	Baoding	3	Baoding Branch	Address: No. 733, Yuhua West Road, Baoding Postal Code: 071000	Tel: 0312-2081598 Fax: 0312-5881160
	Handan	2	Handan Branch	Address: Jinlin Building, No. 408 Renmin Road, Congtai District, Handan, Hebei Province Postal Code: 056002	Tel: 0310-2081583 Fax: 0310-2076515
4	Liaoning Province	66			
	Shenyang	21	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	Tel: 024-31510456 Fax: 024-31510234
	Dalian	23	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	9	Anshan Branch	Address: No. 35, Wiyi Road, Tiedong District, Anshan, Liaoning Province Postal Code: 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	5	Fushun Branch	Address: No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113001	Tel: 0413-3886701 Fax: 0413-3886711
	Huludao	6	Huludao Branch	Address: No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	Tel: 0429-2808185 Fax: 0429-2800885
	Yingkou	2	Yingkou Branch	Address: No. 8, Yinggang Road, Bayu District, Liaoning Province Postal Code: 115007	Tel: 0417-8208988 Fax: 0417-8208989
	5	Shanghai	41	Shanghai Branch	Address: Aurora Plaza, No. 99, Fucheng Road, Pudong New District, Shanghai Postal Code: 200120



## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
6	Jiangsu Province	90			
	Nanjing	20	Nanjing Branch	Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	Tel: 025-83799181 Fax: 025-83799000
	Suzhou	23	Suzhou Branch	Address: No. 258, Zhuhui Road, Suzhou, Jiangsu Province Postal Code: 215006	Tel: 0512-65190307 Fax: 0512-65198570
	Wuxi	17	Wuxi Branch	Address: No. 112, Renmin Road, Wuxi, Jiangsu Province Postal Code: 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	9	Changzhou Branch	Address: Boai Plaza, No. 72, Boai Road, Changzhou, Jiangsu Province Postal Code: 213003	Tel: 0519-88108833 Fax: 0519-88107020
	Yangzhou	8	Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225300	Tel: 0514-87890717 Fax: 0514-87890531
	Taizhou	6	Taizhou Branch	Address: No. 15, Gulou Road, Taizhou, Jiangsu Province Postal Code: 225300	Tel: 0523-86399111 Fax: 0523-86399120
	Nantong	5	Nantong Branch	Address: Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province Postal Code: 226001	Tel: 0513-81120909 Fax: 0513-81120900
	Zhenjiang	2	Zhenjiang Branch	Address: No. 11, Changjiang Road, Zhenjiang, Jiangsu Province Postal Code: 212001	Tel: 0511-89886201 Fax: 0511-89886200
7	Zhejiang Province	88			
	Hangzhou	27	Hangzhou Branch	Address: No. 88, Yalan Road, Hangzhou, Zhejiang Province Postal Code: 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Ningbo	20	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	Tel: 0574-87733065 Fax: 0574-87973742
	Wenzhou	10	Wenzhou Branch	Address: Building 2, North Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou Postal Code: 325000	Tel: 0577-88858466 Fax: 0577-88858575
	Jiaxing	9	Jiaxing Branch	Address: No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province Postal Code: 314000	Tel: 0573-82097693 Fax: 0573-82093454
	Shaoxing	9	Shaoxing Branch	Address: No. 289, West Renmin Road, Shaoxing, Zhejiang Province Postal Code: 312000	Tel: 0575-85227222 Fax: 0575-85110428
	Taizhou	5	Taizhou Branch	Address: No. 489, Shifu Avenue, Taizhou, Zhejiang Province Postal Code: 318000	Tel: 0576-81889666 Fax: 0576-88819916
	Lishui	2	Lishui Branch	Address: No.1, Zijin Road, Lishui, Zhejiang Province Postal Code: 323000	Tel: 0578-2082977 Fax: 0578-2082985
	Yiwu	6	Yiwu Branch	Address: No. 100, Huangyuan Road, Yiwu, Zhejiang Province Postal Code: 322000	Tel: 0579-85378838 Fax: 0579-85378817

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
8	Anhui Province	23			
	Hefei	14	Hefei Branch	Address: No. 300, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	Tel: 0551-62898328 Fax: 0551-62896226
	Wuhu	3	Wuhu Branch	Address: X1-X4, West Jing Street, No. 8, Jinghu Road, Wuhu Postal Code: 241000	Tel: 0553-3888685 Fax: 0553-3888685
	Anqing	2	Anqing Branch	Address: No. 101, Zhongxing Road, Anqing, Anhui Province Postal Code: 246005	Tel: 0556-5280606 Fax: 0556-5280605
	Bengbu	2	Bengbu Branch	Address: No. 859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province Postal Code: 233000	Tel: 0552-2087000 Fax: 0522-2087000
	Chuzhou	1	Chuzhou Branch	Address: No.79 West Langya Road, Chuzhou City, Anhui Province Postal Code: 239000	Tel: 0550-3529558 Fax: 0550-3529559
	Maoshan	1	Maoshan Branch	Address: No.1177 Central Huxi Road, Maoshan City, Anhui Province Postal Code: 243000	Tel: 0555-2773228 Fax: 0555-2773217
9	Fujian Province	48			
	Fuzhou	18	Fuzhou Branch	Address: No. 99, Hudong Road, Fuzhou Postal Code: 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	14	Xiamen Branch	Address: CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province Postal Code: 361001	Tel: 0592-2995685 Fax: 0592-2389037
	Quanzhou	8	Quanzhou Branch	Address: 1/F -3/F, Kaixiang Building, No.336 Fengze Street, Quanzhou, Fujian Province Postal Code: 362000	Tel: 0595-22148687 Fax: 0595-22148222
	Putian	3	Putian Branch	Address: 1/F & 2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian, Fujian Province Postal Code: 351100	Tel: 0594-2853280 Fax: 0594-2853260
	Zhangzhou	3	Zhangzhou Branch	Address: 1/F -4/F, Yiqun Building, West Shengli Road, Zhangzhou Postal Code: 363000	Tel: 0596-2995568 Fax: 0596-2995207
	Longyan	1	Longyan Branch	Address: No. 153, Fushan International Center, Denggao West Road, Xinluo District, Longyan, Fujian Province Postal Code: 364000	Tel: 0597-2956510 Fax: 0597-2956500
	Ningde	1	Ningde Branch	Address: No.70 South Jiaocheng Road, Ningde, Fujian Province Postal Code: 352100	Tel: 0593-8991918 Fax: 0593-8991901

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
10	Shandong Province	69			
	Jinan	14	Jinan Branch	Address: CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province Postal Code: 250011	Tel: 0531-86911315 Fax: 0531-86929194
	Qingdao	22	Qingdao Branch	Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	Tel: 0532-85022889 Fax: 0532-85022888
	Zibo	7	Zibo Branch	Address: CITIC Mansion, No. 203 Liuquan Road, Zhangdian District, Zibo, Shandong Province Postal Code: 2210138	Tel: 0533-3169875 Fax: 0533-2210138
	Yantai	6	Yantai Branch	Address: No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province Postal Code: 264001	Tel: 0535-6611030 Fax: 0535-6611032
	Weihai	8	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	Tel: 0631-533802 Fax: 0631-5314076
	Jining	5	Jining Branch	Address: No. 28, Gongxiao Road, Jining, Shandong Province Postal Code: 272000	Tel: 0537-2338888 Fax: 0537-2338888
	Weifang	3	Weifang Branch	Address: No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province Postal Code: 261041	Tel: 0536-8056002 Fax: 0536-8056002
	Dongying	3	Dongying Branch	Address: No. 128, Fuqian Avenue, Dongcheng, Dongying, Shandong Province Postal Code: 257091	Tel: 0546-7922255 Fax: 0546-8198666
	Linyi	1	Linyi Branch	Address: No.138 Linyi Road, Linyi Economic Development Zone, Shandong Province Postal Code: 276034	Tel: 0539-8722768 Fax: 0539-8722765
11	Henan Province	35			
	Zhengzhou	22	Zhengzhou Branch	Address: CITIC Mansion, No.1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	Tel: 0371-55588888 Fax: 0371-55588555
	Luoyang	5	Luoyang Branch	Address: No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province Postal Code: 454000	Tel: 0391-8768282 Fax: 0391-8789969
	Jiaozuo	2	Jiaozuo Branch	Address: No. 1736, Tanan Road, Jiaozuo, Henan Province Postal Code: 471000	Tel: 0379-64682858 Fax: 0379-64682875
	Nanyang	3	Nanyang Branch	Address: Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province Postal Code: 473000	Tel: 0377-61628299 Fax: 0377-61628299
	Anyang	2	Anyang Branch	Address: Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province Postal Code: 455000	Tel: 0372-5998026 Fax: 0377-5998086
	Pingdingshan	1	Pingdingshan Branch	Address: F/1-2, Phase II of Pingan Yi Yuan, Middle Miners' Road, Pingdingshan City, Henan Province Postal Code: 467000	Tel: 0375-2195558 Fax: 0375-2195574

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
12	Hubei Province	28			
	Wuhan	24	Wuhan Branch	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	Tel: 027-85355111 Fax: 027-85355222
	Xiangfan	3	Xiangfan Branch	Address: No. 1, Paopu Street, South People's Square, Xiangfan, Hubei Province Postal Code: 441000	Tel: 0710-3454199 Fax: 0710-3454166
	Yichang	1	Yichang Branch	Address: No. 2 Meianchangdi Office Wing, Floor 1 & 2, Xilinyi Road, Xilin District, Yichang, Hubei Province Postal Code: 443000	Tel: 0717-6495558 Fax: 0717-6433689
13	Hunan Province	27			
	Changsha	26	Changsha Branch	Address: No. 456, Wuyi Street, Changsha, Hunan Province Postal Code: 410011	Tel: 0731-84582177 Fax: 0731-84582179
	Hengyang	1	Hengyang Branch	Address: No. 38, Jiefangdadao, Huaxin Development Zone, Hengyang, Hunan Province Postal Code: 421001	Tel: 0734-8669859 Fax: 0734-8669899
14	Guangdong Province	101			
	Guangzhou	29	Guangzhou Branch	Address: CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	7	Foshan Branch	Address: Floor 4, Block A, Fortune Plaza, No. 37 South Fenjiang Road, Chancheng District, Guangdong Province Postal Code: 528000	Tel: 0757-8398999 Fax: 0757-83309903
	Shenzhen	30	Shenzhen Branch	Address: 5/F-7/F, CITIC Tower, CITIC Plaza, No. 1093, Mid Shennan Road, Shenzhen, Guangdong Province Postal Code: 518031	Tel: 0755-25942568 Fax: 0755-25942028
	Dongguan	24	Dongguan Branch	Address: Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	Tel: 0769-22667888 Fax: 0769-22667999
	Jiangmen	3	Jiangmen Branch	Address: 1/F-2/F, Gladden Hotel, No. 188 Fazhan Avenue, Beixin District, Jiangmen, Guangdong Province Postal Code: 529000	Tel: 0750-3939016 Fax: 0750-3939029
	Huizhou	3	Huizhou Branch	Address: 1/F & 5/F, Dalong Building (Phase II), No. 2 Wenhua 1st Road, Jiangbei, Huizhou, Guangdong Province Postal Code: 516000	Tel: 0752-2898837 Fax: 0752-2898851
	Zhuhai	2	Zhuhai Branch	Address: No. 1, Guanhaijingju Floor 1 & 2, Jidajingshan Road, Xiangzhou District, Zhuhai, Guangdong Province Postal Code: 519015	Tel: 0756-3292936 Fax: 0756-3292956
	Zhongshan	2	Zhongshan Branch	Address: No. 82, Dixing Plaza 2, Zhongshansi Road, Zhongshan, Guangdong Province Postal Code: 528400	Tel: 0760-88668318 Fax: 0760-88668315
	Zhaoqing	1	Zhaoqing Branch	Address: No.06, 07 & 08, F/1, Integrated Building for Self Use, No. 9 Hengyuhai Bay, Xinghu Avenue, Zhaoqing City, Guangdong Province Postal Code: 526040	Tel: 0758-2312888 Fax: 0758-2109113

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
15	Chongqing	22	Chongqing Branch	Address: Block B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing Postal Code: 400010	Tel: 023-63107677 Fax: 023-63107527
16	Sichuan Province	29	Chengdu Branch	Address: Huaneng Building Annex, No. 47, 4th Section, South Renmin Road, Wuhou District, Chengdu, Sichuan Province Postal Code: 610041	Tel: 028-85258888 Fax: 028-85258898
17	Yunnan Province	24	Kunming Branch	Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	Tel: 0871-3648666 Fax: 0871-3648667
	Qujing	2	Qujing Branch	Address: 1/F-2F, Block B, Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province Postal Code: 655000	Tel: 0874-3119536 Fax: 0874-3115696
	Dali	2	Dali Branch	Address: 1/F, Meideng Hotel, No. 116, Cangshan Road, Economic Development Zone, Dali, Yunnan Province Postal Code: 671000	Tel: 0872-2323278 Fax: 0872-2323278
18	Guizhou Province	4	Guiyang Branch	Address: Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province Postal Code: 550002	Tel: 0851-5587009 Fax: 0851-5587377
	Zunyi	1	Zunyi Branch	Address: Tian'an Hotel, Xiamen Road, Huichuan District, Zunyi, Guizhou Province Postal Code: 563000	Tel: 0852-8322999 Fax: 0852-7553555
19	Gansu Province	7	Lanzhou Branch	Address: No. 638, West Donggang Road, Lanzhou, Gansu Province Postal Code: 730000	Tel: 0931-8890600 Fax: 0931-8890699
20	Shaanxi Province	25	Xi'an Branch	Address: CITIC Tower, No. 89, North Chang'an Road, Xi'an, Shaanxi Province Postal Code: 710061	Tel: 029-87820018 Fax: 029-87817025
	Baoji	1	Baoji Branch	Address: No 50, Caifu Plaza B, Gaoxindadao, Baoji, Shaanxi Province Postal Code: 721013	Tel: 0917-3158818 Fax: 0917-3158807
	Weinan	1	Weinan Branch	Address: Xinda Plaza, Shijimingzhu Plaza, Chaoyangdajie, Weinan, Shaanxi Province Postal code: 714000	Tel: 0913-2089610 Fax: 0913-2089606
	Yulin	1	Yulin Branch	Address: Yulin Office Building for Pension Procedures, Changxing Road, Yulin Economic Development Zone, Shaanxi Province Postal code: 719000	Tel: 0912-8193815 Fax: 0912-8160016

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
21	Shanxi Province	13			
	Taiyuan	11	Taiyuan Branch	Address: Block A, Princes' Palace Commercial Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province Postal Code: 030002	Tel: 0351-3377040 Fax: 0351-3377000
	Datong	2	Datong Branch	Address: 1/F-3/F, 19-21 Podium Building, Yu Hua Di Jing, Intersection of Yuhe West Road & Pingcheng East Street, Datong, Shanxi Province Postal Code: 037008	Tel: 0352-2513800 Fax: 0352-2513779
22	Jiangxi Province	9			
	Nanchang	8	Nanchang Branch	Address: Tower A, No. 16, Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang Postal Code: 330003	Tel: 0791-6660109 Fax: 0791-6660107
	Pingxiang	1	Pingxiang Branch	Address: Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province Postal Code: 337000	Tel: 0799-6890078 Fax: 0799-6890005
23	Inner Mongolia Autonomous Region	11			
	Hohhot	6	Hohhot Branch	Address: No. 68, Xinhua Avenue, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	Tel: 0471-6664933 Fax: 0471-6664933
	Baotou	2	Baotou Branch	Address: No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region Postal Code: 014030	Tel: 0472-5338909 Fax: 0472-5338929
	Erdos	3	Erdos Branch	Address: CITIC Bank Tower, North Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region Postal Code: 017000	Tel: 0477-8188000 Fax: 0477-8188002
24	Guangxi Zhuang Autonomous Region	11			
	Nanning	8	Nanning Branch	Address: No. 36-1, Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	Tel: 0771-5569881 Fax: 0771-5569889
	Liuzhou	2	Liuzhou Branch	Address: No. 7, South Side of Guizhong Avenue, Liuzhou, Guangxi Zhuang Autonomous Region Postal Code: 545026	Tel: 0772-2083625 Fax: 0772-2083622
	Qinzhou	1	Qinzhou Branch	Address: No. 10, Xingfuyuan Shidaimingcheng, South Building Floor 1 to 3, Yongfu West Road, Qinzhou, Guangxi Postal Code: 535000	Tel: 0777-2366139 Fax: 0777-3253388
25	Heilongjiang Province	7			
Harbin	7	Harbin Branch	Address: No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province Postal Code: 150090	Tel: 0451-55558112 Fax: 0451-53995558	
26	Jilin Province	9			
	Changchun	8	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130041	Tel: 0431-81910011 Fax: 0431-81910123
	Jilin	1	Jilin Branch	Address: No. 818 East Jiefang Road, Changyi District, Jilin, Jilin Province Postal Code: 132001	Tel: 0432-65156011 Fax: 0431-65156100

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
27	Xinjiang Uighur Autonomous Region	5			
	Urumqi	5	Urumqi Branch	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	Tel: 0991-2365966 Fax: 0991-2365888
28	Hainan Province	1			
	Haikou	1	Haikou Branch	Address: F/1-3, Banshan Hua Yuan, No.1 Middle Jinmao Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	Tel: 0898-68578310 Fax: 0898-68578364
29	Qinghai Province	1			
	Xining	1	Xining Branch	Address: No.1 Jiaotong Lane, Xining, Qinghai Province Postal Code: 810008	Tel: 0971-8812655 Fax: 0971-8812616
30	Ningxia Hui Autonomous Region	1			
	Yinchuan	1	Yinchuan Branch	Address: No.160 Middle Beijing Road, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	Tel: 0951-7659555 Fax: 0951-7659558

Serial Number	Administrative Region	Number of Branches	Overseas Controlled Subsidiaries	Address	Tel and Fax
28	Hong Kong Special Administrative Region	1	China Investment and Finance Limited	Address: Room 2106, 21/F, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	Tel: +852-25212353 Fax: +852-28017399
		1	CITIC International Financial Holdings Limited	Address: Room 2701-9, 27/F, CITIC Tower 1 Tim Mei Avenue, Central, Hong Kong	Tel: +852-36073000 Fax: +852-25253303

Serial Number	Administrative Region	Number of Branches	Domestic Controlled Subsidiaries	Address	Tel and Fax
29	Zhejiang Province	1	Zhengjiang Lin-An	Address: No. 777, Shijing Street, Jincheng Road, Lin'an, Zhejiang Province	Tel: 0571-61109006
	Lin-An City		CITIC Rural Bank Corporation Limited	Postal Code: 311300	Fax: 0571-61106889







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