



# CHINA CITIC BANK

## 2014 Interim Report

Stock Code: 0998

China CITIC Bank Corporation Limited

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

## 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 and summary of the 2014 Interim Report on 28 August 2014. 14 out of the 14 eligible directors attended the meeting while 12 of them attended in person. Directors Dou Jianzhong and Wu Xiaoqing acted as proxy for directors Zhu Xiaohuang and Liu Shulan. 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 2014.

The 2014 Interim Financial Reports that the Bank prepared in compliance with PRC Accounting Standard for Business Enterprise (ASBE) 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 China Standards on Review Engagements 2101, Engagements to review Financial Statements and Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity respectively.

All outlooks and forward-looking statements in connection with the future financial situation, operating performance, business development and business planning do not constitute any substantial commitment to the investors. Investors are kindly reminded to pay attention to the risk of investment.

For the purpose of this report numbers are expressed in Renminbi Yuan unless otherwise stated.

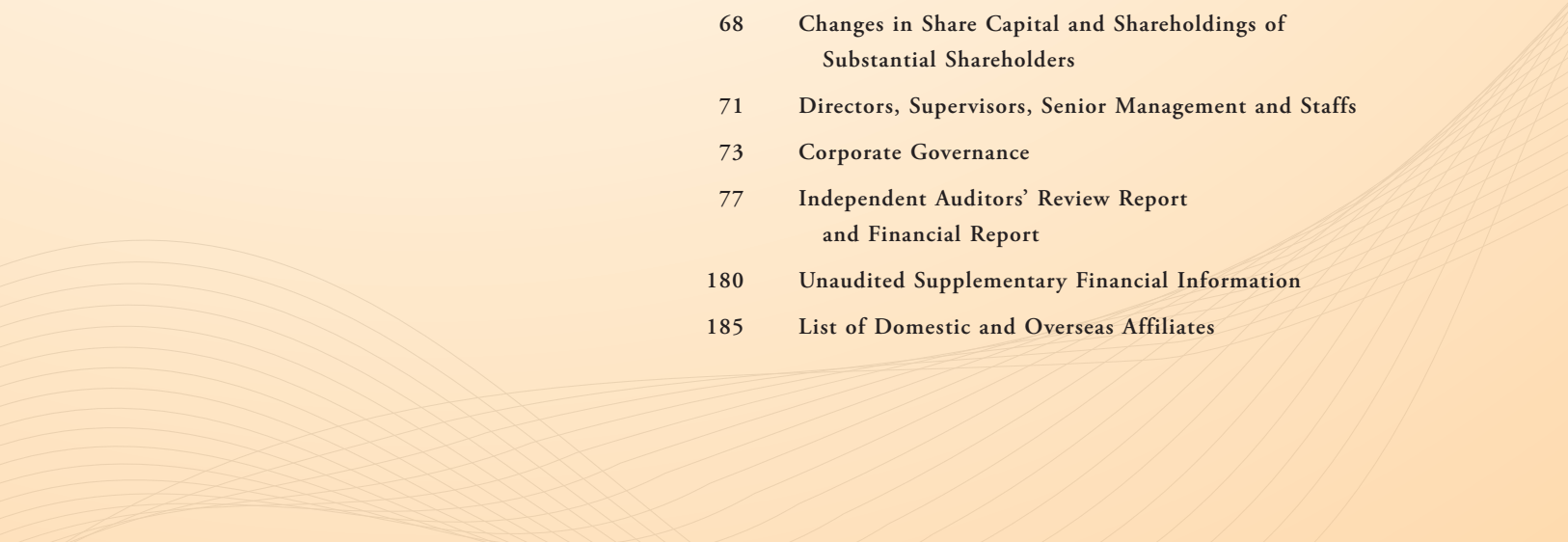
Mr. Chang Zhenming, as chairman of the Board of Directors of the Bank, Ms. Li Qingping, as President of the Bank, Mr. Cao Guoqiang, as vice president of the Bank in charge of financial affairs, and Mr. Lu Wei, as general manager of the Budget and Finance Department of the Bank, hereby pledge the truthfulness, accuracy and completeness of the financial statements contained herein.





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# Definition

For the purpose of the report, the following terms assume the implications indicated in the following table, unless otherwise explained:

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.
Board of Directors	Board of directors of the Bank
Board of Supervisors	Board of supervisors of the Bank
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 Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited)
CITIC Futures	CITIC Futures Co., Ltd.
CITIC Group	CITIC Group Corporation, formerly known as CITIC Group which was renamed CITIC Group Corporation on 27 December 2011 after restructuring
CITIC Heye	CITIC Heye Investment Co., Ltd
CITIC Limited	CITIC Limited (the Bank was notified on 6 August 2014 that CITIC Limited had changed its name into CITIC Corporation Limited)
CITIC Press	CITIC Press Corporation
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Limited
CITIC-Prudential Insurance	CITIC-Prudential Life Insurance Company Ltd.
CITIC Real Estate	CITIC Real Estate Corporation Limited
CITIC Securities	CITIC Securities Co., Ltd.

CITIC Securities (Zhejiang)	CITIC Securities (Zhejiang) 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)
CSRC	China Securities Regulatory Commission
Group	China CITIC Bank Corporation Limited and its subsidiaries
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
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, Guangdong Development Bank, China Zheshang Bank, China Bohai Bank and Evergrowing Bank
KPMG Huazhen	KPMG Huazhen (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
reporting period	The six months ended 30 June 2014
RMB	RMB Yuan
SEHK	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China
Tencent	Tencent Holdings Limited
Tianan Insurance	Tianan Insurance Company Limited of China

# Financial Highlights

## Operating Performance

*Unit: RMB million*

Item	January- June 2014	January- June 2013	Growth rate (%)	January- June 2012
Operating income	62,101	50,074	24.02	44,243
Total profit	29,503	27,243	8.30	25,876
Net profit attributable to shareholders of the Bank	22,034	20,391	8.06	19,373
Net operating cash flow Per share	90,072	47,381	90.10	(75,551)
Basic earnings per share (RMB)	0.47	0.44	6.82	0.41
Diluted earnings per share (RMB)	0.47	0.44	6.82	0.41
Net operating cash flow per share (RMB)	1.93	1.01	91.09	(1.61)

## Profitability Indicators

Item	January- June 2014	January- June 2013	Increase/ (decrease)	January- June 2012
Return on average assets (ROAA)	1.14%	1.30%	(0.16)	1.38%
Return on average equity (ROAE, excluding minority interests)	18.96%	19.92%	(0.96)	21.38%
Cost-to-income ratio (excluding business tax and surcharges)	26.95%	28.66%	(1.71)	28.48%
Credit cost	1.09%	0.54%	0.55	0.33%
Net interest spread	2.14%	2.39%	(0.25)	2.68%
Net interest margin	2.36%	2.58%	(0.22)	2.89%

## Scale Indicators

*Unit: RMB million*

Item	30 June 2014	31 December 2013	Growth rate (%)	31 December 2012
Total assets	4,311,187	3,641,193	18.40	2,959,939
Total loans and advances to customers	2,119,144	1,941,175	9.17	1,662,901
Total liabilities	4,064,489	3,410,468	19.18	2,756,853
Total deposits from customers	3,053,213	2,651,678	15.14	2,255,141
Placements from banks and non-bank financial institutions	39,558	41,952	(5.71)	17,894
Total equity attributable to the Bank's shareholders	239,287	225,601	6.07	198,356
Net asset per share attributable to the Bank's shareholders (RMB)	5.11	4.82	6.07	4.24

## Asset Quality Indicators

*Unit: RMB million*

Item	30 June 2014	31 December 2013	Growth rate (%) increase/ (decrease)	31 December 2012
Performing loans	2,093,898	1,921,209	8.99	1,650,646
Non-performing loans (NPLs)	25,246	19,966	26.44	12,255
Allowance for impairment of loans	48,644	41,254	17.91	35,325
NPL ratio	1.19%	1.03%	0.16	0.74%
Provision coverage ratio	192.68%	206.62%	(13.94)	288.25%
The ratio of allowance for impairment of loans to total loans	2.30%	2.13%	0.17	2.12%

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

## Capital Adequacy Indicators

Item	30 June 2014	31 December 2013	Increase/ (decrease)	31 December 2012
<b>Capital adequacy ratio calculated according to new measures <sup>(Note)</sup></b>				
Core tier-one capital adequacy ratio	8.71%	8.78%	(0.07)	9.29%
Tier-one capital adequacy ratio	8.77%	8.78%	(0.01)	9.29%
Capital adequacy ratio	10.98%	11.24%	(0.26)	12.42%
<b>Capital adequacy ratio calculated according to old measures</b>				
Core capital adequacy ratio	9.51%	9.05%	0.46	9.89%
Capital adequacy ratio	12.53%	12.12%	0.41	13.44%
Total equity to total assets ratio	5.72%	6.34%	(0.62)	6.86%

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).

## Supplementary Financial Indicators

Major Indicators <sup>(1)</sup>	Standard (%)	Bank data (%)		
		30 June 2014	31 December 2013	31 December 2012
Liquidity ratio	≥25	64.99	46.40	52.20
Including: RMB	≥25	55.11	43.45	48.85
Foreign currencies	≥25	243.52	106.78	86.48
Loan-to-deposit ratio <sup>(2)</sup>	≤75	68.67	72.79	73.59
Including: RMB	≤75	68.63	72.35	74.12
Foreign currencies	≤75	69.11	79.83	64.12

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

(2) Discounted bills are included in loans.

## *Corporate* Introduction

Registered Name in Chinese:	中信銀行股份有限公司
Chinese abbreviation:	中信銀行
Registered Name in English:	CHINA CITIC BANK CORPORATION LIMITED
English abbreviation:	CNCB
Legal Representative:	Chang Zhenming
Authorized Representatives:	Li Qingping, Li Xin
Secretary to the Board of Directors:	Li Xin
Joint Company Secretaries:	Li Xin, Wendy KAM Mei Ha (FCS, FCIS)
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 Center, 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 interim reports of A-share issuers: www.sse.com.cn  Website designated by SEHK to publish interim reports of H-share issuers: www.hkexnews.hk
Place Where the Interim Report is Kept:	Board Office, CITIC Bank
Legal Advisor as to PRC Laws:	King & Wood Mallesons (PRC)
Legal Advisor as to Hong Kong Laws:	Clifford Chance
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 Room 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East Wan Chai, Hong Kong
Listing Venue, 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:	17 September 2013
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

# Report of the Board of Directors

## | Economic, Financial and Regulatory Environments

The first half of 2014 recorded continuing overall warming of the world economy. The US economy was steadily doing better while impacts of the Federal Reserve's potential exit of QE loomed over as the greatest uncertainty of global economic recovery. The Euro zone remained high in unemployment rate and weak in its foundation for economic stabilization. The emerging economies were challenged by prominent structural economic problems and increasing pressure of economic downturn. In general, the global economy was still struggling for a recovery on fragile fundamentals with its main risk lying in the US exit of QE, which may trigger re-allocation of global capital.

To date, in face with the complicated international and domestic environments, the Chinese central government has taken a firm grasp on the initiative to development, combined stabilization of growth, promotion of reform, adjustment of structure and improvement of livelihood in a scientific and comprehensive manner, made reform and innovation drivers of growth and structural adjustment a strong support to development, while putting the role of the market into full play, and paying more attention to directional control and readjustment. As a result, the Chinese economy enjoyed steady operation in general, progress of restructuring amid stability, and a sound momentum of transformation and upgrading. Gross domestic product (GDP) in the first half of the year recorded RMB26.9044 trillion, representing a growth of 7.4% year-on-year; investment in fixed assets reached RMB21.2770 trillion, up 17.3% year-on-year, a slower growth rate at very high overall investment level; consumption rose steadily, with total retail sales of consumer goods going up to RMB12.4199 trillion, up 12.1% year-on-year; growth of international trade turned from negative to positive with total import and export registering USD2.0209 trillion, an increase of 1.2% year-on-year, and trade surplus standing at USD102.9 billion; consumer price index (CPI) remained stable in essence, up 2.3% year-on-year; producer's price index (PPI) continued on the downward slope, recording a year-on-year decline of 1.8% while purchasing price index of raw material (PPIRM) went down by 2.0% 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. For the first half of 2014, total social financing in China registered RMB10.57 trillion, RMB414.6 billion 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 RMB120.96 trillion and RMB34.15 trillion respectively, up 14.7% and 8.9% year-on-year respectively. At the end of June, Renminbi loan and deposit balances registered RMB77.63 trillion and RMB113.61 trillion respectively. The first half of 2014 recorded RMB5.74 trillion incremental Renminbi loans, up RMB659.0 billion year-on-year; and RMB9.23 trillion incremental Renminbi deposits, up RMB135.4 billion year-on-year.

The regulators adhered to the principle of progressing amid stability, reform and innovation. While stringently safeguarding the bottom line of financial risk, the regulators rendered vigorous support to economic restructuring, transformation and upgrading and focused on enhancing financial services to the real economy. The PBC, in its efforts to enhance flexibility and pro-activeness of liquidity management, made active use of relevant tools such as sub-loans, Short-term Liquidity Operations (SLO) and Standing Lending Facility (SLF). In addition, the PBC twice lowered reserve requirements and intensified support to "agriculture, rural areas and farmers" as well as small and micro enterprises to drive forward optimization of the credit structure. The CBRC successively promulgated relevant measures on management of wealth management business and interbank business to promote well-regulated healthy development of banking-sector financial institutions, and made timely adjustments to the requirements on calculation of the loan-to-deposit ratio in line with diversified development of banks' asset-liability structure so that banks could render better support to development of the real economy.

## I Operating Results and Overview of Strategic Transformation

In the face of the complicated domestic and international economic and financial situations, prudent changes of the regulatory environment and fierce sector competition in the first half of 2014, the Group placed a firm focus on its new development strategy, kept optimizing its business structure, reinforced risk management and consequently enjoyed sound and steady development in the overall sense.

**Rapid growth of business scale:** As at the end of the reporting period, the Group's total assets reached RMB4.311187 trillion, up 18.40% over the end of the previous year, of which total loans and advances to customers stood at RMB2.119144 trillion, up 9.17% over the end of the previous year; and total deposits from customers amounted to RMB3.053213 trillion, up 15.14% 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 RMB22.034 billion, representing an increase of 8.06% year-on-year; profit before provisioning of RMB41.120 billion, representing an increase of 27.97% year-on-year; net interest income of RMB45.614 billion, representing an increase of 12.70% year-on-year; and net non-interest income of RMB16.487 billion, representing an increase of 71.74% year-on-year.

**Overall controllability of asset quality:** As at the end of the reporting period, the Group's balance of NPLs stood at RMB25.246 billion, up RMB5.280 billion or 26.44% over the end of the previous year; and its NPL ratio was 1.19%, up 0.16 percentage point over the end of the previous year. As at the end of the reporting period, the Group registered a provision coverage ratio of 192.68%, down 13.94 percentage points compared with the end of the previous year and a provision to loan ratio of 2.30%, up 0.17 percentage point over the end of the previous year.

### Progress in Strategic Transformation

#### Very unique corporate finance business

In terms of corporate finance business, the Bank is more or less a leader among peers, with its cash management, supply chain finance, asset custody, and factoring, etc., enjoying strong market competitiveness. The Bank is one of the earliest banks in mainland China to provide cash management services. With a full coverage of cash pool, receipts and payments, and smart deposit accounts, etc. in its product line, the Bank provided customers with all-round services in fund flow and information flow management. During the reporting period, the Bank concluded strategic cooperation agreements with 30 large group customers, carried out cash management projects for over 100 large group enterprises, provided B2B e-commerce financial services to 32 large enterprises, and became the supervisory and custody bank that supervised funds sales of 9 payment companies. As one of the earliest commercial banks in mainland China to conduct supply chain finance business, the Bank has always promoted this particular business line as a strategic core business of its corporate banking, and insisted upon a centralized professional business model. To date, the Bank has set up a centralized professional management system for its supply chain finance business, built an e-supply chain finance system, and constructed an online platform for supply chain finance, thereby markedly upgrading its electronic services to customers. During the reporting period, the Bank realized successful online operation of direct-link e-supply chain finance projects such as those with Great Wall Motor and FAW Mazda Motor, concluded online contracts with 267 auto dealers, and newly established two auto finance online networks with Toyto Acura and Jiangxi Changhe. During the reporting period, the Bank's custody assets was over RMB3 trillion, reached RMB3.35 trillion, up 64% over the end of the previous year, an increase of RMB568.6 billion over the incremental custody assets for the first half of 2013, ranking No.1 among all medium and large banks in both incremental value and growth rate. Further, the Bank led the industry in custody of e-commerce equity funds, asset management plans of securities houses and wealth management of local commercial banks. In parallel with continuous growth of the traditional trade and commerce factoring business, factoring for distinctive urbanization projects, lease factoring and reverse factoring of the Bank recorded rapid expansion, with the financing balance of factoring business reaching RMB44.6 billion during the reporting period, up 219.0% year-on-year, and intermediary income from factoring reaching RMB294 million during the reporting period, a growth of 116% year-on-year.

### Fast development of retail banking

For its retail banking business, the Bank implemented the development mindset of strategic transformation, practiced the business philosophy of “customer focus”, targeted “actual controllers of family wealth”, adopted the “double extension” policy: the Bank continued to operate its existing “two cards and one fund”, which target three customer groups, namely, female customers, elderly customers and those in need of going-abroad financial services, and gradually extended its services to other customer groups including white collars, SME owners and professional managers that make greater contribution to the Bank’s profitability and fit with the Bank’s branding. Based on surveys of market demands specific to different customer groups, the Bank designed pertinent products and services accordingly. During the reporting period, the Bank highlighted product innovation in its retail banking business, launched new products such as Xinjin Bao in line with market demands, continued to enhance its credit card installment business, and made continuing efforts to promote comprehensive consumer loans “backed with home mortgage”, thereby creating a product system that featured all-round family wealth management services for customers. As at the end of the reporting period, Asset Under Management (“AUM”) of personal customers of the Bank exceeded RMB900 billion; balances of personal deposits went above RMB540 billion; the number of customers increased to 41 million, and the proportion of medium and high-end customers kept rising. Meanwhile, the Bank registered rapid growth in the grant of consumer loans during the reporting period, further increase in the proportion of personal loan balance, fairly rapid growth of wealth management product sales and agency sales, and substantial year-on-year increase of intermediary business income. Operating income of retail banking increased by 25%, accounting for 18.1% of the Bank’s operating income.

### Continuous innovation in online financial services

In terms of online financial services, the Bank continued to develop its core competitiveness in the internet economy to the best of its capacity via persistent innovation of concepts, products and information technology. With regard to online payment, the Bank launched the CyberPayment mobile application and kept enriching its types of service. As at the end of the reporting period, the CyberPayment had online operated 16 types of service, covering multiple areas including but not limited to ticketing, payment of fines, insurance, and recharging of mobile prepayment cards, and recorded 4.1843 million accounts of CyberPayment customers. In respect of online financing, the Bank kept optimizing and upgrading online lending to traders with POS terminals and achieved steady growth of its online lending business. During the reporting period, the Bank granted RMB4.726 billion online loans in total, with the cumulative amount of online loans since 2013 reaching RMB6.304 billion.

## | Analysis of the Financial Statements

### Income Statement Analysis

*Unit: RMB million*

Item	January- June 2014	January- June 2013	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Net interest income	45,614	40,474	5,140	12.70
Net non-interest income	16,487	9,600	6,887	71.74
Operating income	62,101	50,074	12,027	24.02
Operating expense	(21,086)	(17,940)	3,146	17.54
Asset impairment loss	(11,617)	(4,889)	6,728	137.62
Profit before taxation	29,503	27,243	2,260	8.30
Income tax	(7,078)	(6,600)	478	7.24
Net profit	22,425	20,643	1,782	8.63
Including: Net profit attributable to the Bank's shareholders	22,034	20,391	1,643	8.06

### Operating Income

During the reporting period, the Group realized operating income of RMB62.101 billion, up 24.02% year-on-year, in which net interest income accounted for 73.5%, down 7.3 percentage points year-on-year, and net non-interest income accounted for 26.5%, up 7.3 percentage points year-on-year. The Bank's income structure enjoyed continuing optimization.

Item	January- June 2014 (%)	January- June 2013 (%)	January- June 2012 (%)
Net interest income	73.5	80.8	83.5
Net non-interest income	26.5	19.2	16.5
Total	100.0	100.0	100.0

## Report of the Board of Directors

### Net Interest Income

During the reporting period, the Group realized a net interest income of RMB45.614 billion, up RMB5.140 billion or 12.70% year-on-year, which was mainly attributable to continuous expansion of asset scale.

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

*Unit: RMB million*

Item	January-June 2014			January-June 2013			January-December 2013		
	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	2,024,269	63,362	6.31	1,766,354	53,924	6.16	1,827,191	113,001	6.18
Investment in debt securities	337,986	6,438	3.84	370,955	6,563	3.57	366,702	13,754	3.75
Deposits with the Central Bank	497,668	3,686	1.49	459,411	3,387	1.49	466,610	6,988	1.50
Deposits and placements with banks and non-bank financial institutions	312,720	6,698	4.32	321,372	5,756	3.61	309,811	12,292	3.97
Amounts under resale agreements	257,990	7,230	5.65	219,089	4,738	4.36	223,041	11,200	5.02
Receivables investments and others	471,302	14,866	6.36	26,268	830	6.37	106,586	6,100	5.72
<b>Subtotal</b>	<b>3,901,935</b>	<b>102,280</b>	<b>5.29</b>	<b>3,163,449</b>	<b>75,198</b>	<b>4.79</b>	<b>3,299,941</b>	<b>163,335</b>	<b>4.95</b>
<b>Interest-bearing liabilities</b>									
Deposits from customers	2,728,305	33,367	2.47	2,395,367	25,575	2.15	2,469,243	54,213	2.20
Deposits and placements from banks and non-bank financial institutions	792,186	21,063	5.36	455,571	7,928	3.51	501,149	20,613	4.11
Amounts under repurchase agreements	25,469	482	3.82	6,645	117	3.55	10,300	467	4.53
Issued debt certificates and others	84,288	1,754	4.20	56,075	1,104	3.97	59,475	2,354	3.96
<b>Subtotal</b>	<b>3,630,248</b>	<b>56,666</b>	<b>3.15</b>	<b>2,913,658</b>	<b>34,724</b>	<b>2.40</b>	<b>3,040,167</b>	<b>77,647</b>	<b>2.55</b>
<b>Net interest income</b>		<b>45,614</b>			<b>40,474</b>			<b>85,688</b>	
<b>Net interest spread <sup>(1)</sup></b>			<b>2.14</b>			<b>2.39</b>			<b>2.40</b>
<b>Net interest margin <sup>(2)</sup></b>			<b>2.36</b>			<b>2.58</b>			<b>2.60</b>

Notes: (1) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.

(2) 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	January-June 2014 compared with January-June 2013		Total
	Scale factor	Interest Rate factor	
<b>Assets</b>			
Loans and advances to customers	7,878	1,560	9,438
Investment in debt securities	(584)	459	(125)
Deposits with Central Bank	283	16	299
Deposits and placements with banks and non-bank financial institutions	(155)	1,097	942
Amounts under resale agreements	841	1,651	2,492
Receivables investments and others	14,058	(22)	14,036
<b>Changes in interest income</b>	<b>22,321</b>	<b>4,761</b>	<b>27,082</b>
<b>Liabilities</b>			
Deposits from customers	3,550	4,242	7,792
Deposits and placement from banks and non-bank financial institutions	5,859	7,276	13,135
Amounts under repurchase agreements	331	34	365
Issued debt certificates and others	555	95	650
<b>Changes in interest expense</b>	<b>10,295</b>	<b>11,647</b>	<b>21,942</b>
<b>Changes in net interest income</b>	<b>12,026</b>	<b>(6,886)</b>	<b>5,140</b>

#### Net Interest Margin and Net Interest Spread

During the reporting period, the Group's net interest margin (NIM) stood at 2.36%, down 0.22 percentage point year-on-year, and net interest spread at 2.14%, down 0.25 percentage point year-on-year.

#### Interest Income

During the reporting period, the Group realized an interest income of RMB102.280 billion, up RMB27.082 billion or 36.01% 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 RMB3.163449 trillion in the first half of 2013 to RMB3.901935 trillion in the first half of 2014, up RMB738.486 billion or 23.34%, and its average yield of interest-earning assets increased from 4.79% in the first half of 2013 to 5.29% in the first half of 2014, up 0.50 percentage point.

#### Interest Income from Loans and Advances to Customers

During the reporting period, the Group achieved RMB63.362 billion interest income from loans and advances to customers, up RMB9.438 billion or 17.50% year-on-year, of which the interest income from loans and advances to customers of the Bank reached RMB61.547 billion, up RMB9.100 billion or 17.35% year-on-year. Due to impacts of the steadily rising loan pricing level, average yield of loans increased by 0.17 percentage point.

## Report of the Board of Directors

### Classification by Term

#### The Group

Unit: RMB million

Item	January-June 2014			January-June 2013			January-December 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,159,324	36,936	6.42	1,012,070	31,224	6.22	1,043,876	65,718	6.30
Medium to long-term loans	864,945	26,426	6.16	754,284	22,700	6.07	783,315	47,283	6.04
Total	2,024,269	63,362	6.31	1,766,354	53,924	6.16	1,827,191	113,001	6.18

#### The Bank

Unit: RMB million

Item	January-June 2014			January-June 2013			January-December 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,136,923	36,473	6.47	993,168	30,834	6.26	1,023,538	64,931	6.34
Medium to long-term loans	781,600	25,074	6.47	684,944	21,613	6.36	709,770	44,944	6.33
Total	1,918,523	61,547	6.47	1,678,112	52,447	6.30	1,733,308	109,875	6.34

### Classification by Business

#### The Group

Unit: RMB million

Item	January-June 2014			January-June 2013			January-December 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,498,604	46,979	6.32	1,312,712	40,800	6.27	1,352,818	84,952	6.28
Discounted bills	63,990	1,962	6.18	91,310	2,286	5.05	83,186	4,497	5.41
Personal loans	461,675	14,421	6.30	362,332	10,838	6.03	391,187	23,552	6.02
Total loans to customers	2,024,269	63,362	6.31	1,766,354	53,924	6.16	1,827,191	113,001	6.18

#### The Bank

Unit: RMB million

Item	January-June 2014			January-June 2013			January-December 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,415,071	45,491	6.48	1,245,090	39,814	6.45	1,280,166	82,516	6.45
Discounted bills	56,562	1,840	6.56	84,258	1,999	4.78	75,337	4,216	5.60
Personal loans	446,890	14,216	6.41	348,764	10,634	6.15	377,805	23,143	6.13
Total loans to customers	1,918,523	61,547	6.47	1,678,112	52,447	6.30	1,733,308	109,875	6.34



#### Interest Income from Investment in Debt Securities

During the reporting period, the Group's interest income from investment in debt securities stood at RMB6.438 billion, down RMB125 million or 1.90% year-on-year. The Group made proactive adjustments to the scale of its investment in debt securities in line with market interest rates and the requirements of liquidity management, reducing average balance of debt securities investment from RMB370.955 billion in the first half of 2013 to RMB337.986 billion in the first half of 2014, a decrease of 8.89 percentage points.

#### 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 RMB3.686 billion, representing an increase of RMB299 million or 8.83% year-on-year. The average balance of deposits with the Central Bank went up by RMB38.257 billion due to the growth in deposits from customers, which led to corresponding increase of statutory deposit reserve placed with the Central Bank.

#### 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 RMB6.698 billion, up RMB942 million or 16.37% year-on-year, which was mainly due to the 0.71 percentage point increase in the average yield of deposits and placements with banks and non-bank financial institutions.

#### Interest Income from Amounts under Resale Agreements

During the reporting period, the Group's interest income from amounts under resale agreements stood at RMB7.230 billion, up RMB2.492 billion or 52.60% year-on-year, mainly due to the RMB38.901 billion increase in the average balance of amounts under resale agreements and the 1.29 percentage-points rise in the average yield thereof.

#### Interest Income from Receivables Investment and Others

The Group's interest income from receivables investment and others during the reporting period stood at RMB14.866 billion, up RMB14.036 billion year-on-year. Thanks to more investment in directional asset management schemes for securities houses, interest income of the Group during the reporting period increased correspondingly.

#### Interest Expense

The Group's interest expense during the reporting period was RMB56.666 billion, up RMB21.942 billion or 63.19% year-on-year. Such increase in interest expense was primarily caused by the growth of interest-bearing liabilities, and the 0.75 percentage-point rise in the average cost rate due to impacts of interest rate liberalization. The average balance of the Group's interest-bearing liabilities increased from RMB2.913658 trillion in the first half of 2013 to RMB3.630248 trillion in the first half of 2014, up RMB716.590 billion or 24.59%, and the average cost rate of its interest-bearing liabilities increased from 2.40% in the first half of 2013 to 3.15% in the first half of 2014, up 0.75 percentage point.

#### Interest Expense on Deposits from Customers

Interest expense on deposits from customers of the Group during the reporting period was RMB33.367 billion, up RMB7.792 billion or 30.47% year-on-year, of which the interest expense on deposits from customers of the Bank was RMB32.404 billion, up RMB7.431 billion or 29.76% year-on-year, which was primarily due to the increase of RMB306.352 billion in the average balance of deposits from customers and the 0.31 percentage-point rise in the average cost rate due to impacts of interest rate liberalization.

## Report of the Board of Directors

### The Group

*Unit: RMB million*

Item	January-June 2014			January-June 2013			January-December 2013		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits									
Time deposits	1,324,768	22,853	3.48	1,110,687	17,792	3.23	1,154,956	37,421	3.24
Demand deposits	875,905	2,972	0.68	864,356	2,847	0.66	871,069	5,840	0.67
Subtotal	2,200,673	25,825	2.37	1,975,043	20,639	2.11	2,026,025	43,261	2.14
Personal deposits									
Time deposits	409,263	7,332	3.61	321,128	4,582	2.88	339,032	10,581	3.12
Demand deposits	118,369	210	0.36	99,196	354	0.72	104,186	371	0.36
Subtotal	527,632	7,542	2.88	420,324	4,936	2.37	443,218	10,952	2.47
Total	2,728,305	33,367	2.47	2,395,367	25,575	2.15	2,469,243	54,213	2.20

### The Bank

*Unit: RMB million*

Item	January-June 2014			January-June 2013			January-December 2013		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits									
Time deposits	1,273,577	22,224	3.52	1,067,442	17,456	3.30	1,105,257	36,541	3.31
Demand deposits	849,416	2,961	0.70	846,065	2,837	0.68	853,549	5,817	0.68
Subtotal	2,122,993	25,185	2.39	1,913,507	20,293	2.14	1,958,806	42,358	2.16
Personal deposits									
Time deposits	369,768	7,021	3.83	292,415	4,340	2.99	307,694	10,127	3.29
Demand deposits	105,615	198	0.38	86,102	340	0.80	91,372	345	0.38
Subtotal	475,383	7,219	3.06	378,517	4,680	2.49	399,066	10,472	2.62
Total	2,598,376	32,404	2.51	2,292,024	24,973	2.20	2,357,872	52,830	2.24

### 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 RMB21.063 billion, up RMB13.135 billion or 165.68% year-on-year, which was primarily due to the RMB336.615 billion increase in the average balance of deposits and placements from banks and non-bank financial institutions and the 1.85 percentage-point increase in average cost ratio.

### Interest Expense on Amounts Under Repurchase Agreements

During the reporting period, the Group's interest expense on amounts under repurchase agreements was RMB482 million, up RMB365 million or 311.97% year-on-year, which was primarily due to the increase of RMB18.824 billion in the average balance of amounts under repurchase agreements and the increase of 0.27 percentage-point in the average cost rate.

### Interest Expense on Issued Debt Certificates and Others

The Group's interest expense on issued debt certificates and others during the reporting period stood at RMB1.754 billion, an increase of RMB650 million or 58.88% year-on-year, which was primarily due to the Group's new issuance of Renminbi debts, subordinated debt and interbank certificates of deposit, etc.

### Net Non-Interest Income

The Group realized net non-interest income of RMB16.487 billion during the reporting period, up RMB6.887 billion or 71.74% year-on-year.

*Unit: RMB million*

Item	January- June 2014	January- June 2013	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Net fee and commission income	12,807	7,977	4,830	60.55
Net transaction gain	2,712	1,170	1,542	131.79
Net gain from investment securities	800	73	727	995.89
Other net operating gain	168	380	(212)	(55.79)
<b>Total net non-interest income</b>	<b>16,487</b>	<b>9,600</b>	<b>6,887</b>	<b>71.74</b>

### Net Fee and Commission Income

During the reporting period, the Group realized net fee and commission income of RMB12.807 billion, representing an increase of RMB4.830 billion or 60.55% year-on-year, of which fee and commission income amounted to RMB13.497 billion, up 57.29% year-on-year. This increase was primarily due to the rapid growth in multiple business including bank card fees, guarantee fees, wealth management service fees, commissions from custody and other trusted services.

*Unit: RMB million*

Item	January- June 2014	January- June 2013	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Bank card fees	3,679	2,445	1,234	50.47
Consulting and advisory fees	3,336	2,262	1,074	47.48
Guarantee fees	1,805	1,125	680	60.44
Wealth management service fees	1,773	950	823	86.63
Settlement fees	1,219	843	376	44.60
Agency fees	810	542	268	49.45
Custody and other trusted services commissions	783	407	376	92.38
Others	92	7	85	—
<b>Subtotal</b>	<b>13,497</b>	<b>8,581</b>	<b>4,916</b>	<b>57.29</b>
Fee and commission expense	(690)	(604)	86	14.24
<b>Net fee and commission income</b>	<b>12,807</b>	<b>7,977</b>	<b>4,830</b>	<b>60.55</b>

### Net gain from trading

During the reporting period, the Group registered RMB2.712 billion net gain from trading, up RMB1.542 billion year-on-year, mainly due to the increase in realized gain from delivered derivatives.

## Report of the Board of Directors

*Unit: RMB million*

Item	January- June 2014	January- June 2013	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Derivative financial instruments	1,313	184	1,129	613.59
Net gain from foreign exchange trading	696	784	(88)	(11.22)
Debt securities	663	201	462	229.85
Financial instruments measured at fair value through profit or loss	14	1	13	—
Others	26	—	26	—
<b>Net gain from trading</b>	<b>2,712</b>	<b>1,170</b>	<b>1,542</b>	<b>131.79</b>

### Loss on Asset Impairment

During the reporting period, the Group's asset impairment loss stood at RMB11.617 billion, up RMB6.728 billion year-on-year, of which impairment loss on loans and advances to customers registered RMB10.914 billion, up RMB6.195 billion or 131.28% year-on-year.

*Unit: RMB million*

Item	January- June 2014	January- June 2013	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Loans and advances to customers	10,914	4,719	6,195	131.28
Off-balance sheet assets	58	57	1	1.75
Securities investment	1	(91)	92	—
Others <sup>(Note)</sup>	644	204	440	215.69
<b>Total loss on asset impairment</b>	<b>11,617</b>	<b>4,889</b>	<b>6,728</b>	<b>137.62</b>

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

### Operating Expenses

During the reporting period, the Group incurred RMB21.086 billion operating expenses, representing an increase of RMB3.146 billion or 17.54% year-on-year, mainly because the Group increased its financial input to promote structural transformation, of which staff cost and property & equipment expenses increased 19.92% and 26.93% year-on-year, respectively.

The Group's cost to income ratio during the reporting period was 33.95%, down 1.88 percentage points year-on-year.

*Unit: RMB million*

Item	January- June 2014	January- June 2013	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Staff cost	9,844	8,209	1,635	19.92
Property and equipment expenses and amortization	3,394	2,674	720	26.93
Others	3,498	3,469	29	0.84
<b>Subtotal</b>	<b>16,736</b>	<b>14,352</b>	<b>2,384</b>	<b>16.61</b>
Business tax and surcharges	4,350	3,588	762	21.24
<b>Total operating expenses</b>	<b>21,086</b>	<b>17,940</b>	<b>3,146</b>	<b>17.54</b>
Cost-to-income ratio	33.95%	35.83%	Down 1.88 percentage points	
Cost-to-income ratio (excluding business tax and surcharges)	26.95%	28.66%	Down 1.71 percentage points	

### Income Tax Analysis

The Group's income tax expense during the reporting period stood at RMB7.078 billion, up RMB478 million or 7.24% year-on-year. The Group's effective tax rate stood at 23.99%, down 0.24 percentage point from 24.23% in the first half of 2013.

### Balance Sheet Analysis

As at the end of the reporting period, total assets of the Group reached RMB4.311187 trillion, up 18.40% over the end of the previous year, mainly due to increase in the Group's loans and advances to customers and receivables investment; and total liabilities of the Group recorded RMB4.064489 trillion, up 19.18% over the end of the previous year, mainly because of the increase in both deposits from customers and deposits and placement from banks and non-bank financial institutions.

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	2,070,500	48.0	1,899,921	52.2
Receivables investment	563,697	13.1	300,158	8.2
Investment in debt securities and equity instruments <sup>(1)</sup>	367,009	8.5	346,003	9.5
Cash and deposits with the Central Bank	597,719	13.9	496,476	13.6
Net amount of deposits and placements with banks and non-bank financial institutions	247,844	5.7	254,025	7.0
Amounts under resale agreements	384,382	8.9	286,767	7.9
Others <sup>(2)</sup>	80,036	1.9	57,843	1.6
<b>Total assets</b>	<b>4,311,187</b>	<b>100.0</b>	<b>3,641,193</b>	<b>100.0</b>
Deposits from customers	3,053,213	75.1	2,651,678	77.8
Deposits and placement from banks and non-bank financial institutions	829,692	20.4	601,619	17.6
Amounts under repurchase agreements	8,999	0.2	7,949	0.2
Debt certificates issued	88,086	2.2	76,869	2.3
Others <sup>(3)</sup>	84,499	2.1	72,353	2.1
<b>Total liabilities</b>	<b>4,064,489</b>	<b>100.0</b>	<b>3,410,468</b>	<b>100.0</b>

- Notes: (1) Including financial assets measured at fair value through profit or loss for the current period, available-for-sale financial assets, held-to-maturity investments and investment in associates.
- (2) Including precious metal, derivative financial assets, interest receivables, fixed assets, intangible assets, investment properties, goodwill, deferred income tax assets and other assets.
- (3) Including financial liabilities measured at fair value through profit or loss for the current period, derivative financial liabilities, staff remunerations payable, tax and fee payables, interest payables, accrued liabilities, other liabilities and so on.

## Report of the Board of Directors

### Loan Business

As at the end of the reporting period, the Group's total loans and advances to customers reached RMB2.119144 trillion, up 9.17% over the end of the previous year; and such loans and advances accounted for 48.0% of total assets, down 4.2 percentage points compared with the end of the previous year.

#### The Group

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,559,431	73.6	1,435,853	74.0
Discount loans	66,264	3.1	64,769	3.3
Personal loans	493,449	23.3	440,553	22.7
Total loans and advances to customers	2,119,144	100.0	1,941,175	100.0
Impairment provision for loans and advances to customers	(48,644)		(41,254)	
Net loans and advances to customers	2,070,500		1,899,921	

As at the end of the reporting period, the Bank's loans and advances to customers totaled RMB2.000328 trillion, up 8.72% over the end of the previous year.

#### The Bank

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,463,226	73.1	1,356,527	73.7
Discount loans	59,143	3.0	57,188	3.1
Personal loans	477,959	23.9	426,129	23.2
Total loans and advances to customers	2,000,328	100.0	1,839,844	100.0
Impairment provision for loans and advances to customers	(48,243)		(40,861)	
Net loans and advances to customers	1,952,085		1,798,983	

Please refer to "Risk Management" of the Report for risk analysis of the loan business.

## Investment in Debt Securities and Equity Instruments

Portfolio Analysis of Investment in Debt Securities and Equity Instruments

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
<i>Unit: RMB million</i>				
<b>Debt securities investment</b>				
Held-to-maturity debt securities	158,825	43.2	154,897	44.7
Available-for-sale debt securities	175,358	47.8	172,472	49.8
Debt securities measured at fair value through profit or loss for the current period	20,031	5.5	11,016	3.2
<b>Total debt securities</b>	<b>354,214</b>	<b>96.5</b>	<b>338,385</b>	<b>97.7</b>
<b>Investment funds</b>				
Available-for-sale investment funds	6,629	1.8	610	0.2
Investment funds measured at fair value through profit or loss for the current period	2	—	2	—
<b>Total investment funds</b>	<b>6,631</b>	<b>1.8</b>	<b>612</b>	<b>0.2</b>
<b>Equity investments</b>				
Available-for-sale equity investments	204	0.1	207	0.1
Investment in associates	2,260	0.6	2,176	0.6
<b>Total equity investments</b>	<b>2,464</b>	<b>0.7</b>	<b>2,383</b>	<b>0.7</b>
<b>Certificates of deposit</b>				
Available-for-sale financial assets-certificates of deposit	3,851	1.0	4,828	1.4
<b>Total investment in debt securities and equity instruments</b>	<b>367,160</b>	<b>100.0</b>	<b>346,208</b>	<b>100.0</b>
<b>Impairment provision for investment in debt securities and equity instruments</b>	<b>(151)</b>		<b>(205)</b>	
<b>Net investment in debt securities and equity instruments</b>	<b>367,009</b>		<b>346,003</b>	
Market value of listed securities in held-to-maturity debt securities	964		741	

## Classification of Debt Securities Investment

As at the end of the reporting period, the Group's investment in debt securities reached RMB354.214 billion, representing an increase of RMB15.829 billion or 4.68% over the end of the previous year, primarily because the Group further optimized the structure and scale of investment in debt securities based on comprehensive consideration of investment returns and risks.

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
<i>Unit: RMB million</i>				
Banks and non-bank financial institutions	133,411	37.6	115,964	34.3
Government	82,730	23.4	83,815	24.7
Policy banks	46,629	13.2	47,296	14.0
Public entities	22	—	25	—
Others <sup>(Note)</sup>	91,422	25.8	91,285	27.0
<b>Total debt securities</b>	<b>354,214</b>	<b>100.0</b>	<b>338,385</b>	<b>100.0</b>

Note: Primarily corporate bonds.

## Report of the Board of Directors

### Domestic and Overseas Debt Securities Investment

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Domestic	341,996	96.6	328,529	97.1
Overseas	12,218	3.4	9,856	2.9
<b>Total debt securities</b>	<b>354,214</b>	<b>100.0</b>	<b>338,385</b>	<b>100.0</b>

Unit: RMB million

### Foreign Currency Denominated Debt Securities Held

As at the end of the reporting period, the Group held a total USD4.562 billion worth of foreign currency denominated debt securities (equivalent to RMB28.068 billion), of which the Bank held USD2.289 billion, accounting for 50.18% of the total. The Group's impairment provision for foreign currency denominated debt securities investment was USD19 million (equivalent to RMB118 million), all being impairment provision for debt securities held by the Bank.

### Breakdown of Major Investments in Financial Debt Securities

The table below sets out the breakdown of major investments in financial debt securities held by the Group as at 30 June 2014.

Name of Debt Securities	Book value	Maturity Date	Annual interest rate (%)	Provision for impairment
Debt Securities 1	4,000	28 Feb. 2017	4.20	—
Debt Securities 2	3,156	23 Apr. 2017	4.11	—
Debt Securities 3	2,978	7 Dec. 2015	4.88-4.99	—
Debt Securities 4	2,959	20 Feb. 2015	3.76	—
Debt Securities 5	2,673	23 Apr. 2015	3.93	—
Debt Securities 6	2,590	23 Apr. 2019	4.32	—
Debt Securities 7	2,564	26 Jul. 2017	3.97	—
Debt Securities 8	2,033	17 Jan. 2018	4.12	—
Debt Securities 9	2,187	6 May. 2017	3.33	—
Debt Securities 10	2,000	14 Mar. 2017	3.95	—
<b>Total debt securities</b>	<b>27,140</b>			<b>—</b>

Unit: RMB million

### Changes in Provision for Investment Impairment Losses

Item	As at 30 June 2014	As at 31 December 2013
<b>Beginning balance</b>	<b>205</b>	<b>279</b>
Accruals during the year <sup>(1)</sup>	1	(74)
Write-offs	—	—
Transfer in/(out) <sup>(2)</sup>	(55)	—
<b>Ending balance</b>	<b>151</b>	<b>205</b>

Unit: RMB million

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 amounts transferred from the provisions for impairment losses on investment in overdue debt securities to the provisions for bad debts, the transfer of sales of impaired investments to impairment provisions and impacts due to changes in exchange rates.



## Classification of Derivatives and Fair Value Analysis

*Unit: RMB million*

Item	30 June 2014			31 December 2013		
	Nominal principal	Fair value		Nominal principal	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	274,804	1,053	756	207,698	1,504	1,316
Currency derivatives	985,208	6,129	5,713	899,683	6,245	5,535
Precious metal derivatives	8,223	28	92	—	—	—
Other derivatives	40,737	—	—	63,255	—	2
<b>Total</b>	<b>1,308,972</b>	<b>7,210</b>	<b>6,561</b>	<b>1,170,636</b>	<b>7,749</b>	<b>6,853</b>

## On-Balance Sheet Interest Receivables

*Unit: RMB million*

Item	31 December 2013	Increase during the current period	Collected/transferred during the current period	30 June 2014
Loan interest receivable	6,051	63,362	(62,043)	7,370
Receivables investment	2,092	14,865	(9,829)	7,128
Interest receivable for debt securities	6,139	6,438	(7,298)	5,279
Other interest receivables	1,951	17,615	(16,922)	2,644
<b>Total</b>	<b>16,233</b>	<b>102,280</b>	<b>(96,092)</b>	<b>22,421</b>
Allowances for impairment losses on interest receivables	(688)	(440)	135	(993)
<b>Net interest receivable</b>	<b>15,545</b>	<b>101,840</b>	<b>(95,957)</b>	<b>21,428</b>

## Reposessed Assets

*Unit: RMB million*

Item	30 June 2014	31 December 2013
Original value of reposessed assets		
– Land, premises and constructions	377	350
– Others	23	23
Provisions for impairment of reposessed assets		
– Land, premises and constructions	(158)	(82)
– Others	(23)	(23)
<b>Total book value of reposessed assets</b>	<b>219</b>	<b>268</b>

## Report of the Board of Directors

### Deposits from Customers

As at the end of the reporting period, the Group's deposits from customers totaled RMB3.053213 trillion, an increase of RMB401.535 billion or 15.14% over the end of the previous year; and deposits from customers accounted for 75.1% of total liabilities, down 2.7 percentage points compared with the end of the previous year.

#### The Group

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
<b>Corporate deposits</b>				
Demand deposits	1,043,112	34.1	938,894	35.4
Time deposits	1,406,138	46.1	1,198,043	45.2
Including: negotiated deposits	103,292	3.4	99,205	3.7
<b>Subtotal</b>	<b>2,449,250</b>	<b>80.2</b>	<b>2,136,937</b>	<b>80.6</b>
<b>Personal deposits</b>				
Demand deposits	163,710	5.4	127,430	4.8
Time deposits	440,253	14.4	387,311	14.6
<b>Subtotal</b>	<b>603,963</b>	<b>19.8</b>	<b>514,741</b>	<b>19.4</b>
<b>Total deposits from customers</b>	<b>3,053,213</b>	<b>100.0</b>	<b>2,651,678</b>	<b>100.0</b>

The Bank's deposits from customers totaled RMB2.915043 trillion, up RMB385.555 billion or 15.24% over the end of the previous year.

#### The Bank

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
<b>Corporate deposits</b>				
Demand deposits	1,014,995	34.8	919,663	36.4
Time deposits	1,351,696	46.4	1,143,519	45.2
Including: negotiated deposits	102,440	3.5	98,340	3.9
<b>Subtotal</b>	<b>2,366,691</b>	<b>81.2</b>	<b>2,063,182</b>	<b>81.6</b>
<b>Personal deposits</b>				
Demand deposits	150,146	5.1	113,377	4.4
Time deposits	398,206	13.7	352,929	14.0
<b>Subtotal</b>	<b>548,352</b>	<b>18.8</b>	<b>466,306</b>	<b>18.4</b>
<b>Total deposits from customers</b>	<b>2,915,043</b>	<b>100.0</b>	<b>2,529,488</b>	<b>100.0</b>

## Breakdown of Deposits from Customers by Currency

*Unit: RMB million*

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
RMB	2,714,779	88.9	2,411,528	90.9
Foreign currencies	338,434	11.1	240,150	9.1
<b>Total</b>	<b>3,053,213</b>	<b>100.0</b>	<b>2,651,678</b>	<b>100.0</b>

## Breakdown of Deposits by Geographical Location

*Unit: RMB million*

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim <sup>(Note)</sup>	793,532	25.9	697,913	26.3
Yangtze River Delta	731,613	24.0	638,334	24.1
Pearl River Delta and West Strait	448,463	14.7	386,531	14.6
Central region	441,829	14.5	373,731	14.1
Western region	412,848	13.5	348,232	13.1
Northeastern region	87,419	2.9	85,365	3.2
Overseas	137,509	4.5	121,572	4.6
<b>Total deposits from customers</b>	<b>3,053,213</b>	<b>100.0</b>	<b>2,651,678</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	1,157,024	38.0	480,771	15.7	575,084	18.8	233,273	7.6	3,098	0.1	2,449,250	80.2
Personal deposits	352,298	11.5	99,654	3.3	117,835	3.9	34,163	1.1	13	—	603,963	19.8
<b>Total</b>	<b>1,509,322</b>	<b>49.5</b>	<b>580,425</b>	<b>19.0</b>	<b>692,919</b>	<b>22.7</b>	<b>267,436</b>	<b>8.7</b>	<b>3,111</b>	<b>0.1</b>	<b>3,053,213</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	1,128,900	38.7	442,119	15.2	561,388	19.3	231,186	7.9	3,098	0.1	2,366,691	81.2
Personal deposits	338,733	11.6	71,582	2.4	103,933	3.6	34,091	1.2	13	—	548,352	18.8
<b>Total</b>	<b>1,467,633</b>	<b>50.3</b>	<b>513,701</b>	<b>17.6</b>	<b>665,321</b>	<b>22.9</b>	<b>265,277</b>	<b>9.1</b>	<b>3,111</b>	<b>0.1</b>	<b>2,915,043</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 2014							
	Share Capital	Share Premium and Other Reserve	Investment Revaluation Reserve	Surplus Reserve and General Risk Provision	Undistributed Profit	Translation Gap of Foreign Currency Statements	Non Controlling Interests	Total Shareholders' Equity
Beginning balance	46,787	49,503	(4,769)	59,835	76,690	(2,445)	5,124	230,725
1. Net profit	—	—	—	—	22,034	—	391	22,425
2. Other comprehensive income	—	(7)	3,373	—	—	76	53	3,495
3. Owner's input or reduction of capital	—	—	—	—	—	—	1,843	1,843
4. Profit distribution	—	—	—	—	(11,790)	—	—	(11,790)
Ending balance	46,787	49,496	(1,396)	59,835	86,934	(2,369)	7,411	246,698

## Major Off-Balance Sheet Items

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

*Unit: RMB million*

Item	30 June 2014	31 December 2013
Credit commitments		
– Acceptance bills	760,452	695,944
– Letters of credit issued	191,451	199,762
– Letters of guarantee issued	119,024	114,950
– Irrevocable loan commitments	151,671	137,331
– Credit card commitments	120,317	95,217
<b>Subtotal</b>	<b>1,342,915</b>	<b>1,243,204</b>
Operating lease commitments	16,337	14,775
Capital commitments	3,168	2,727
Pledged assets	20,428	7,819
<b>Total</b>	<b>1,382,848</b>	<b>1,268,525</b>

## Capital Adequacy Ratio

The Group calculates and discloses its capital adequacy ratios pursuant to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC (implemented as of 1 January 2013). During the reporting period, the Group's capital adequacy ratios at all levels complied with regulatory requirements of the new measures. As at the end of the reporting period, the Group recorded an 8.71% core tier-one capital adequacy ratio, down 0.07 percentage point compared with the end of the previous year, an 8.77% tier-one capital adequacy ratio, down 0.01 percentage point over the end of the previous year, and an 10.98% capital adequacy ratio, down 0.26 percentage point compared with the end of the previous year.

Item	<i>Unit: RMB million</i>			
	30 June 2014	31 December 2013	Increase/ decrease (%)	31 December 2012
Net core tier-one capital	241,965	228,311	5.98	202,521
Net tier-one capital	243,724	228,380	6.72	202,574
Net capital	305,147	292,212	4.43	270,839
Risk-weighted assets	2,779,222	2,600,494	6.87	2,180,062
Core tier-one capital adequacy ratio	8.71%	8.78%	Down 0.07 percentage point	9.29%
Tier-one capital adequacy ratio	8.77%	8.78%	Down 0.01 percentage point	9.29%
Capital adequacy ratio	10.98%	11.24%	Down 0.26 percentage point	12.42%

## Major Accounting Estimates and Assumptions

The preparation of financial statements in conformity with the PRC Accounting Standards for Business Enterprises requires the Group to make certain accounting estimates and assumptions when applying its accounting policies to determine the assets, liabilities, profits and losses during the reporting period. The accounting estimates and assumptions made by the Group are based on its historical experiences and other factors such as reasonable expectations of future events, and are reviewed on an on-going basis. All accounting estimates and assumptions 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: recognition and measurement of financial instruments (provisions for loan impairment losses and bad debt write-offs, classification of debt securities and equity investments, fair value measurement of trading investments and transactions designated at fair value through profit or loss, fair value measurement of available-for-sale investments, and fair value measurement of derivative financial instruments), affirmation of actuarial obligations for pensions and welfare, and recognition of deferred income tax and income tax expenses.

## Measurement of Fair Value

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

The Bank strictly implements the internal control procedure for measurement of fair value. The business departments, risk management departments and accounting departments of the Bank collectively agree upon the method and source for fair value determination of financial instruments in light of business needs. The accounting departments conduct independent valuation of fair value based on requirements of the accounting standards, and prepare valuation reports on a regular basis. The risk management departments review various valuation reports, and supervise the execution of valuation methods. The regulations and methods in connection with the measurement of fair value are reviewed and approved by the Market Risk Management Committee of the Bank.

## Segment Report

### Business Segments

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

*Unit: RMB million*

Business Segments	January-June 2014				January-June 2013			
	Segment operating income		Segment Profit before taxation		Segment operating income		Segment Profit before taxation	
	income	Proportion (%)	taxation	Proportion (%)	income	Proportion (%)	taxation	Proportion (%)
Corporate banking	31,723	51.1	13,391	45.4	29,558	59.0	17,023	62.5
Retail banking	11,454	18.4	351	1.2	9,608	19.2	1,683	6.2
Financial market	18,372	29.6	16,070	54.5	9,681	19.3	7,965	29.2
Other business	552	0.9	(309)	(1.1)	1,227	2.5	572	2.1
<b>Total</b>	<b>62,101</b>	<b>100.0</b>	<b>29,503</b>	<b>100.0</b>	<b>50,074</b>	<b>100.0</b>	<b>27,243</b>	<b>100.0</b>

### Geographical Segments

The table below lists operating results of the Group during the reporting period by geographical segment.

*Unit: RMB million*

Geographical segment	30 June 2014				January-June 2014	
	Total assets <sup>(Note)</sup>		Total liabilities		Profit before taxation	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta	958,992	22.3	953,923	23.5	1,931	6.5
Pearl River Delta and West Strait	623,960	14.5	619,848	15.3	2,675	9.1
Bohai Rim	958,837	22.3	950,850	23.4	4,541	15.4
Central region	526,064	12.2	521,251	12.8	4,353	14.8
Western region	573,491	13.3	567,911	14.0	4,229	14.3
Northeastern region	108,108	2.5	106,689	2.6	628	2.1
Head Office	1,444,932	33.6	1,256,467	30.9	9,547	32.4
Hong Kong	188,886	4.4	168,381	4.1	1,599	5.4
Inter-segment adjustment	(1,080,602)	(25.1)	(1,080,831)	(26.6)	—	—
<b>Total</b>	<b>4,302,668</b>	<b>100.0</b>	<b>4,064,489</b>	<b>100.0</b>	<b>29,503</b>	<b>100.0</b>

Note: Excluding deferred income tax assets.

Geographical Segment	31 December 2013				Unit: RMB million January-June 2013	
	Total assets <sup>(Note)</sup>		Total liabilities		Profit before taxation	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta	771,024	21.3	767,235	22.5	3,524	12.9
Pearl River Delta and West Strait	549,279	15.1	542,146	15.9	3,073	11.3
Bohai Rim	851,490	23.4	839,582	24.6	5,459	20.0
Central region	455,064	12.5	447,303	13.1	3,967	14.6
Western region	446,164	12.3	438,613	12.9	3,407	12.5
Northeastern region	99,848	2.7	97,957	2.9	1,048	3.8
Head Office	1,114,858	30.7	949,745	27.8	5,768	21.2
Hong Kong	171,057	4.7	153,933	4.5	997	3.7
Inter-segment adjustment	(826,025)	(22.7)	(826,046)	(24.2)	—	—
<b>Total</b>	<b>3,632,759</b>	<b>100.0</b>	<b>3,410,468</b>	<b>100.0</b>	<b>27,243</b>	<b>100.0</b>

Note: Excluding deferred income tax assets.

## I Business Review

### Corporate Finance Business

#### Business Overview

During the reporting period, in face with operational challenges such as macro economic slowdown, financial disintermediation, interest rate liberalization, impact of internet finance and more intensive peer competition, the Bank sped up operational transformation of its corporate finance business, reinforced restructuring of products, customers and income on the basis of inheriting its traditional advantages in corporate banking, and accelerated development of key businesses including supply chain finance, cash management, factoring, and asset custody. As a result, the Bank achieved sustained, rapid and coordinated growth of its corporate banking business. During the reporting period, the Bank realized RMB30.439 billion operating income from its corporate finance business, accounting for 51.14% of its total operating income, which included RMB2.664 billion non-interest income from corporate finance, 17.04% of the Bank's total non-interest income.

With its "customer focus", the Bank made proactive efforts to transform the growth model of its corporate liabilities business and expanded its diversified source channels of corporate deposits. On the one hand, the Bank reinforced innovation and portfolio application of corporate banking products, enhanced marketing services for key business segments and key customers on institutional business, and made greater efforts to grow low-cost stable-source deposits. On the other hand, in line with the trends of interest rate liberalization, the Bank adopted proactive flexible policies to run its liabilities business, optimized the management model of the liabilities business, and built up its market response capacity in this particular line of business. Consequently, the Bank achieved rapid growth of corporate deposits during the reporting period. As at the end of the reporting period, corporate deposit customers of the Bank totaled 355,700 accounts, up 3.98% over the end of the previous year; and corporate deposit balance of the Bank reached RMB2.366691 trillion, up 14.71% over the end of the previous year. Of its incremental corporate deposits, the share of deposits from institutional customers went up substantially.

Under the context where the bank credit environment was anything but optimistic and the scale of credit lines was relatively restricted, the Bank made active efforts to guide its branches to transform their mindset on operation of corporate banking assets. According to the concept of "developing scale from existing assets and making profit from incremental assets", the Bank drove forward restructuring of its corporate banking assets, optimized the distribution of its credit resources, expanded the channels for business application of assets, and satisfied customer financing needs, while squeezing for greater scale of credit assets via multiple channels such as asset securitization, asset transfer and wealth management. During the reporting period, the Bank enjoyed stable growth and further structural adjustment and optimization of its corporate banking asset business. As at the end of the reporting period, the Bank's corporate loan balance registered RMB1,522.369 billion, up 7.69% over the end of the previous year, and the balance for general corporate loans registered RMB1,463.226 billion, a growth of RMB106.669 billion over the end of the previous year.

### Institutional Banking

During the reporting period, the Bank reinforced professional operation of its institutional banking business, made active efforts to build systematic marketing platforms for institutional customers, and deepened partnership with institutional customers in public areas such as public finance, social security, land and resources, housing and urban/rural construction, medical care, education, and tobacco, etc. With focus placed on customer needs, the Bank developed professional integrated financial service solutions such as “Bank-Hospital Partnership”, “Bank-School Partnership” and “Tobacco Finance”, intensified innovation of e-products, and implemented e-projects including the online education payment platform, smart tourism, and automatic investment plan of lottery, all of which brought forth in-depth development of institutional banking in key segments.

As at the end of the reporting period, the Bank recorded approximately 22,100 institutional customers in all types, and RMB673.590 billion average daily balance of deposits from institutional customers, which accounted for 33.12% of the average daily balance of corporate deposits, represented an increase of RMB75.373 billion over the previous year, and exceeded the average growth rate of corporate deposits bank-wide.

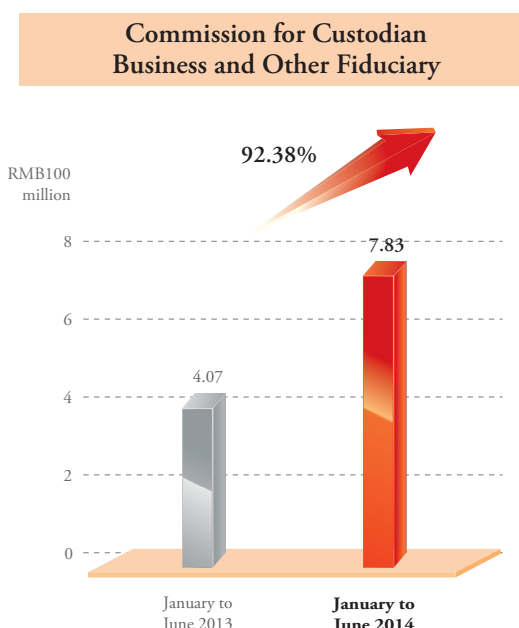
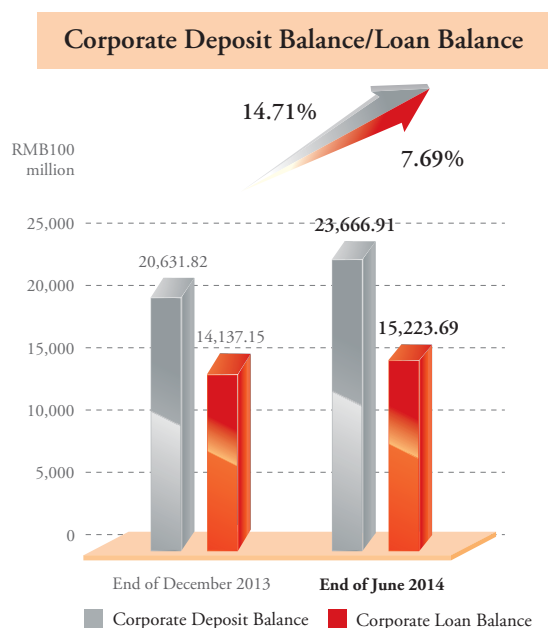
### Supply Chain Finance

In its proactive response to the changing economic situation, the Bank gradually shifted the sector perspective of its supply chain finance business from traditional bulk commodity sectors to consumer goods sectors and increased marketing on key customers. Vigorous efforts were exerted in parallel to develop e-supply chain finance business, as was witnessed in the successful online operation of priority projects such as Great Wall Motor and FAW Mazda Motor, and to reinforce resource allocation and marketing promotion for bill products such as electronic bills and commercial draft business system. Moreover, the Bank highlighted risk control, guided its business units to achieve compliant operation, kept optimizing its business structure and made orderly exit from high-risk business areas and customers. As at the end of the reporting period, the number of credit-receiving customers in the Bank’s supply chain finance business reached 8,843 accounts, an increase of 808 accounts or 10.06% over the end of the previous year; financing balance reached RMB226.466 billion, an increase of RMB9.909 billion or 4.58% over the end of the previous year; and average daily deposits cumulated to RMB145.436 billion, an increase of RMB3.367 billion or 2.37% over the previous year.

### Cash Management

The Bank made vigorous efforts to push forward product innovation of cash management. Smart deposit, agency payment, enterprise total-process business services, seller’s online finance backed with pledge of inventories in B2B e-commerce and e-tendering financial service system, etc. realized online operation. Research and development of products such as corporate settlement cards, electronic entrusted loans, online finance backed with pledge of receivables in B2B e-commerce were driven forward. More efforts were made to promote the construction of a multi-bank fund management system and the deployment of cloud service platforms. Following the wave of internet finance development, the Bank continued to refine the Depository System for Excess Reserves from Third-Party Payment Institutional Customers and the monetary supervision system for fund sales and settlement, expanded its service provision into the telecom and insurance sectors, and became the exclusive supervisory bank for fund payment of Yu’E Bao and China Telecom Tianyi Bao, substantially upgrading the comprehensive service capacity and market influence of its cash management business.

As at the end of the reporting period, the Bank recorded 4,044 projects and 20,919 customer accounts of group cash management respectively, representing an increase of 726 projects and 2,089 accounts over the end of the previous year respectively, and realized RMB8.8 trillion transaction value for the group cash management, up RMB1.3 trillion or 16.99% year-on-year.





### Special Business Area: Factoring Business

During the reporting period, the Bank made passionate efforts to better regulate, standardize, centralize and informatize basic products and business processes of the factoring business. Its promotion of the factoring business was focused on the five priority areas, namely, factoring for urbanization construction projects, lease factoring, reverse factoring, government procurement factoring and international factoring. Meanwhile, regional development of the factoring business was characterized by regional market features and layout of the Bank's outlets. As such, the Bank achieved two-way breakthroughs in both priority areas and key regions.

As at the end of the reporting period, the financing balance of the Bank's factoring business reached RMB41.494 billion, up RMB13.330 billion or 47.33% over the end of the previous year. During the reporting period, the Bank realized RMB44.553 billion effective financing through factoring, up RMB30.585 billion or 218.96% year-on-year, and RMB294 million intermediary income from factoring business, up RMB158 million or 116.18% year-on-year.

### Special Business Area: Asset Custody Business

The Bank's custody business maintained a high growth momentum during the reporting period. Thanks to its equal attention to traditional and innovative business, constant adjustment of product mix, and greater efforts to enhance operation safety, management foundation and service capacity, the Bank achieved historical highs in multiple major indicators including but not limited to business scale and income. As at the end of the reporting period, the Bank's custody assets reached RMB3.35804 trillion, an increase of 64% over the end of the previous year; and its pension business under contract reached RMB51.7 billion, up RMB6.1 billion or 13.38% over the end of the previous year. The Bank's total income from custody business during the reporting period recorded RMB783 million, up 92.38% year-on-year.

According to the China Banking Association, as at the end of the reporting period, among all the Joint-stock Banks, the Bank ranked No.2 in terms of the scale of assets under custody and No.5 in terms of custody income.

## Retail Finance

### Business Overview

The Bank continued to deepen the transformation of its retail finance business, insisted upon the "customer focus", and enhanced its competitive advantages. Targeting "actual controllers of family wealth", the Bank adopted the "double extension" policy: the Bank continued to operate its existing "two cards and one fund", which target three customer groups, namely, female customers, elderly customers and those in need of going-abroad financial services, and gradually extended its services to other customer groups including white collars, SME owners and professional managers that make greater contribution to the Bank's profitability and fit with the Bank's branding. Construction and integration of retail channels was promoted and transformation of retail outlets was deepened. All these helped the Bank to build up an uniquely CITIC system for retail banking operation and management.

As at the end of the reporting period, the number of personal customers accounts of the Bank reached 41.69 million, up 8.34% over the end of the previous year; the Bank's balances of personal deposits and personal loans recorded RMB548.352 billion and RMB477.959 billion respectively, up 17.61% and 12.16% over the end of the previous year respectively; AUM of personal customers registered RMB907.242 billion, up 25.13% over the end of the previous year; combined sales of wealth management products of all definitions totaled RMB 879.754 billion, up 73.99% year-on-year, including RMB837.069 billion sales of personal wealth management products, up 76.05% year-on-year; agency fund sales reached RMB27.563 billion, up 22.61% year-on-year; and insurance sales on agency basis amounted to RMB4.334 billion, up 63.42% year-on-year; and Xinjin Bao recorded a balance of RMB3.792 billion and 140,000 contractual customers. During the reporting period, the Bank realized RMB10.770 billion operating income from retail finance, accounting for 18.09% of its total operating income, in which RMB4.313 billion was non-interest income from retail finance, up 53.49% year-on-year.

### Wealth Management and Private Banking

During the reporting period, the Bank focused its wealth management and private banking on customer needs with constant improvements made to its product, service and marketing systems. Meanwhile, the Bank exerted great efforts to innovate its business models, enrich differentiated product system and standardize its business management. To further develop the stratified operation system, the Bank targeted its marketing efforts at priority customer groups, and intensified management by name list. Strenuous expansion into overseas markets went in parallel with gradual enhancement of overseas business platforms. Vigorous construction of professional wealth management teams effectively raised professional quality and comprehensive business competency of the teams. During the reporting period, the Bank's wealth management and private banking businesses recorded rapid development, achieving steady growth in both medium and high-end customers and assets under management, and thereby further increasing their contribution to profitability of the Bank.

As at the end of the reporting period, 359,114 people held VIP accounts at the Bank each with over RMB500,000 AUM, representing an increase of 67,043 accounts or 22.95% over the end of the previous year; and AUM balance of VIP customers reached RMB640.232 billion, up RMB143.620 billion or 28.92% over the end of the previous year. Private banking customers each with more than RMB6 million AUM at the Bank numbered 14,795 accounts, representing an increase of 3,312 accounts or 28.84% over the end of the previous year; and AUM balance of private banking customers stood at RMB216.560 billion, representing an increase of RMB55.255 billion or 34.25% over the end of the previous year.

### Consumer Finance

Consumer finance is a key area of strategic transformation for the Bank. Against the backdrop of further economic development and restructuring and continuing improvement of people's income and consumption levels in China, future retail banking, especially consumer finance business enjoys a broad prospect. In its consumer finance business, the Bank focused on providing financing services for personal consumption (including but not limited to housing, automobile, decoration, tourism, education, healthcare and bulk consumer goods) and batch acquired end customers via indirect channels such as real estate developers, intermediaries, distributors/dealers, agents, traders, tourism companies and hospitals, and acquired customers via direct channels such as online banking, telephone banking and physical outlets.

During the reporting period, the Bank insisted upon coordinated development of scale, profit, quality and customers, and focused on construction of marketing, operating and assessment systems to comprehensively drive forward its consumer finance business. Further efforts were made to improve the systems of basic products and functional products and provide differentiated financing services in line with customer risk profiles. Thanks to the establishment and improvement of the three-level marketing mechanism (at the levels of the Head Office, branch and sub-branches), extension of the comprehensive home mortgage loan business in key regions and branches, and continuous expansion of the "head-office to head-office" cooperation channel, the Bank realized rapid development of private car loans. Meanwhile, the Bank kept enhancing its operation system in accordance with the requirements of professional, intensive, standard and process-based management to consolidate the foundation of its consumer finance business. An all-round branch performance evaluation system was put in place with equal attention paid to operating results and system development. Out of its great concern with operation of consumer finance customers, the Bank helped build up customer capacity as going concerns while improving the customer-acquiring capability of its loan products.

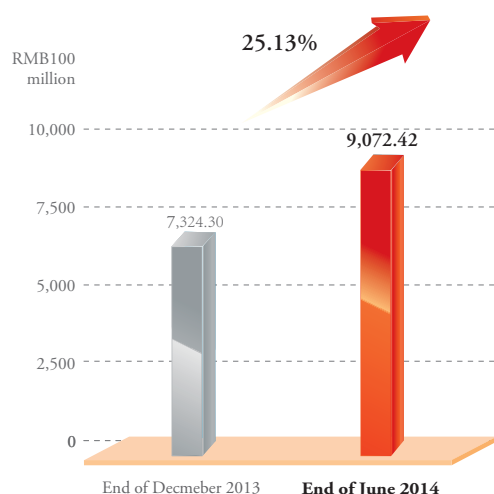
As at the end of the reporting period, the Bank exceeded RMB300 billion and recorded RMB302.521 billion loan balance of consumer finance, up RMB36.923 billion or 13.90% over the end of the previous year. Aggregate incremental consumer finance loans during the reporting period stood at RMB66.884 billion, up RMB12.882 billion or 23.86% year-on-year. Consumer loans enjoyed a more optimal structure as is seen in substantial improvement of average pricing level and sound maintenance of asset quality. Customer operation recorded some achievements, e.g., 90,000 persons became personal customers of newly granted loans, and average retail loan products per capita reached 3.73 products, an increase of 0.78 product over the end of the previous year.

### Small Enterprise Finance

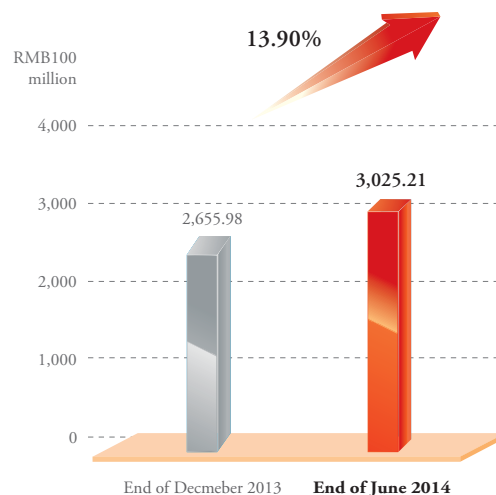
In accordance with the development goal of transforming small enterprise finance “towards small and micro enterprises and the retail sector”, the Bank further promoted the construction of outlets specialized in serving small and micro enterprises as well as small and micro outlets, batch acquired high-quality small and micro customer groups via marketing channels such as markets, chambers of commerce, parks and supply chains, and drove forth the provision of high-quality, efficient and comprehensive financial services to small and micro customers via the construction of a standard products system. The Bank also explored systematic renovation of the business processes for small and micro customers as per the “credit factory” model, prioritized the development of small enterprise scoring cards, formed a one-stop intensive business processing and risk control platform, and thereby effectively improved service efficiency.

As at the end of the reporting period, the Bank recorded RMB128.845 billion balance of loans to small enterprises, up RMB11.692 billion or 9.98% over the end of the previous year; and 31,308 accounts of small enterprise customers, up 3,687 accounts over the end of the previous year, which meant RMB4.12 million loan per account on average.

**Assets Under Management of Personal Customers**



**Loan Balance of Consumer Finance**



### Credit Card

The Bank made proactive efforts to explore new operation models of credit card business in the mobile, internet and Big Data era, constantly promoted product innovation, optimized customer mix and continuously expanded brand influence of its credit cards.

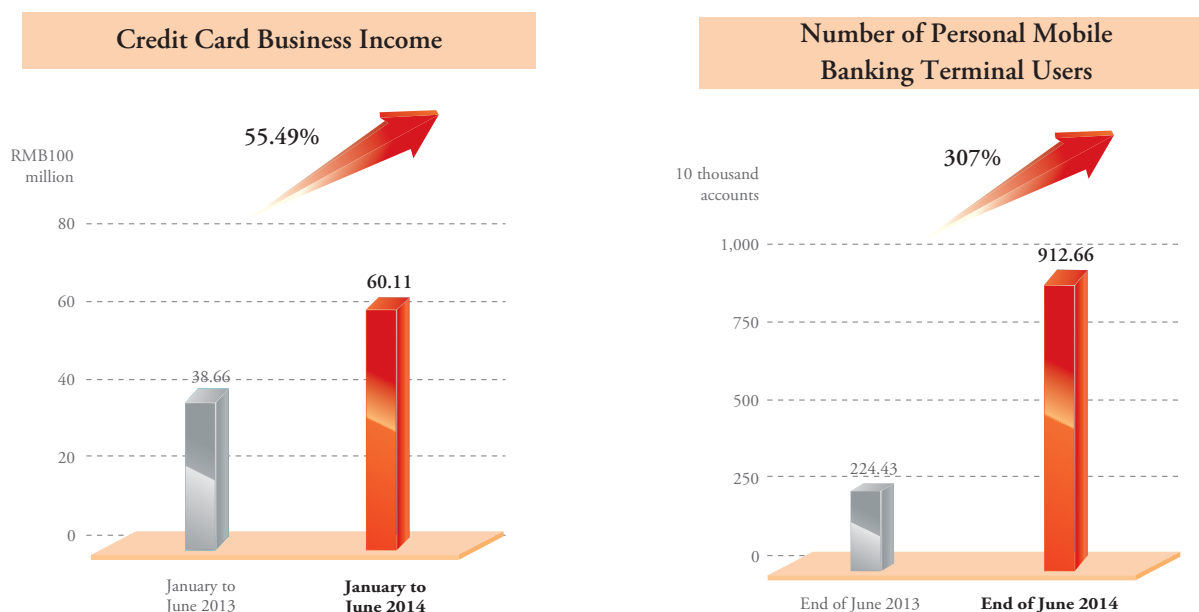
During the reporting period, the Bank was able to maintain its market leadership by continuously upgrading the rights and interests of its premium cards. Among others, the Bank launched the top credit card “CNCB-UnionPay Diamond Credit Card” and the “Moli Moore Co-brand Card”, the first ever mobile-game themed credit card in the Chinese banking industry, completed the layout of business-travel product line of “7 cards co-branded with airlines + 2 cards co-branded with business travel agencies + 1 card co-branded with a hotel”, and cooperated with Carrefour to promote community finance. All these gave rise to another upgrading of cross-sector retail finance interaction. The Bank launched innovative products such as “Yuexiangjin” and “Xinjinbao (Data)”. With the release of innovative e-channels such as online banking, WeChat and Mobile Originated, the Bank created enabling conditions for virtuous sustainable development of installment business.

The Bank’s co-brand card cooperation with the three internet titans, namely, Tencent, Alibaba and Baidu went further with new products developed, existing products upgraded, and adjustments made to the structure of internet customer groups. Big Data cooperation with its allies and through external channels helped the Bank to lock target customer groups in a precise manner and further reduced the credit risk.

As at the end of the reporting period, the Bank issued a cumulative number of 22.4598 million credit cards, representing an increase of 1.6803 million credit cards or 1.77% year-on-year during the reporting period. During the reporting period, the Bank registered RMB264.78 billion volume of credit card transactions, up 31.85% year-on-year; and realized RMB6.011 billion income from its credit card business, representing a growth of 55.49% year-on-year.

### Online Banking

The Bank continued to develop online banking from two perspectives, namely, internet-based financial services and finance-based internet business, pushed for online operation of traditional banking services, studied the mindset of internet finance, and conducted product innovation and marketing, harvesting marked enhancement of both service efficiency and customer experience. During the reporting period, the Bank realized RMB494 million fee-based income from online banking, up 51.07% year-on-year.



**Internet-based financial business.** The Bank exerted enthusiastic efforts to promote the construction of online channels, enriched products and services for customers, optimized interfaces and processes, and consequently enjoyed higher customer satisfaction. Its personal internet banking attained new functionalities such as conclusion of contracts for purchase of bulk consumer goods, and bank/futures-company margin depositary system, and optimized existing modules for wealth management, funds, money transfer and payments. To ensure information safety of customer accounts, logon password keyboard control software was added to personal mobile banking. With the new function of authorized payment under central public finance, the Bank's corporate internet banking has become another convenient channel for public institutions to make fiscal payment.

As at the end of the reporting period, personal internet banking customers of the Bank numbered 11.8672 million accounts, representing an increase of 1.5558 million accounts or 15.09% over the end of the previous year, up 3.0413 million accounts or 34.46% year-on-year; users of the Bank's personal mobile banking terminal (including personal mobile banking customers and users of the CyberPayment APP) totaled 9.1266 million accounts, an increase of 5.7078 million accounts or 1.67 times over the end of the previous year, up 6.8823 million accounts or 3.07 times year-on-year; and corporate e-banking customers (including customers of corporate internet banking, bank-enterprise direct link, portals, mobile banking, telephone banking, text message banking, etc.) numbered 232,700 accounts, an increase of 17,600 accounts or 8.18% over the end of the previous year, up 33,600 accounts or 16.88% year-on-year.

With more intensive efforts to monitor and control channel risks, optimize rules of the risk early warning monitoring system, and conduct self examination of information safety risks, the Bank constructed an effective risk control mechanism for such channels as personal internet banking, mobile banking, and online payment.

During the reporting period, the transaction substitution rate of personal e-banking reached 92.75%<sup>1</sup>, an increase of 1.13 percentage points over the end of the previous year, up 2.11 percentage points year-on-year. The number and volume of personal internet banking transactions stood at 73.8010 million and RMB3.81 trillion respectively, up 56.54% and 58.09% year-on-year respectively. The Bank's personal mobile banking business recorded 1.3171 million transactions and RMB33.313 billion transaction value, amounting to 2.47 times and 5.84 times the previous-year figures respectively. The number and value of corporate e-banking transactions recorded 21.7640 million and RMB17.57 trillion respectively, up 97.01% and 45.93% year-on-year respectively.

On 28 March 2014, the Bank successfully initiated online operation of its cross-border e-commerce foreign exchange payment system, and concluded cross-border payment cooperation agreements with 16 payment institutions including Alipay, becoming one of the banks who have the most partner payment institutions.

**Finance-based internet business.** In respect of online payment, the Bank launched its CyberPayment mobile application on 18 January and enriched its types of service thereafter. As at the end of the reporting period, 16 types of service already went alive, covering 13 items including ticketing, payment of fines, insurance and recharging of prepayment cards. The number of CyberPayment customers reached 4.1843 million accounts. The Bank will develop new services and new functions of CyberPayment in a continuous manner to increase the rate of converting non-CNCB customers to retail customers of CNCB.

In respect of online financing, the Bank kept optimizing and upgrading internet lending to traders with POS terminals and launched the first phase of the optimized version on 20 June, and consequently enjoyed steady growth of online lending business and sound maintainance of asset quality of its. During the reporting period, the Bank granted RMB4.726 billion online loans in total, with the cumulative amount of online loans since 2013 reaching RMB6.304 billion. As at the end of the reporting period, the Bank recorded RMB893 million online loan balance and RMB2.5885 million online NPL balance, with a NPL ratio of 0.29% for its online lending business. The Bank realized RMB31.4601 million interest income during the reporting period.

During the reporting period, the Bank newly acquired 192 cooperative e-commerce customers, a 1.46 times growth year-on-year, with cumulative number of cooperative customers going up to 582 accounts.

<sup>1</sup> The transaction substitution rate of personal e-banking = Number of transactions (completed via personal internet banking + mobile banking + ATM + POS) / Number of transactions (completed via personal internet banking + mobile banking + ATM + POS + counter).

### Financial Market Business

#### Business Overview

Since the beginning of 2014, the Bank has implemented its overall development strategy in its financial market business. Thanks to its good grasp of the opportunities brought about by interest rate and exchange rate liberalization, more vigorous innovation of products and better asset management, and enthusiastic creation of non-interest business income, the Bank harvested good operating results for the first half of the year.

#### Financial Market Business

The Bank continued to practice the prudent capital management principle and strategy in its conduct of money market transactions, such as Renminbi interbank borrowings and bond repurchases etc. When market supply and demand of capital changed and interest rate fluctuated in the first half of 2014, money market business played a significant role in increasing sources of liquid funds and improving returns on short-term fund operation. The Bank actively participated in open market operation, made flexible use of innovative products, and optimized its asset-liability structure.

As an active response to market changes, the Bank enhanced portfolio and transaction capability of innovative products such as FX swap, interest rate swap and options, to satisfy customer needs for hedging foreign exchange risk and value-added liability management. In June 2014, the Bank became a market maker for interbank Renminbi and Sterling direct trading, its fourth qualification of market maker for Renminbi and non-USD direct trading after those for Renminbi and Japanese Yen, Australian Dollar and New Zealand Dollar.

The Bank pushed forward market making of Renminbi denominated bonds and interest rate derivatives to proactively meet customer demand for interest rate risk management. In addition, the Bank developed Renminbi group subscription business with sure footing through selective participation, and made hard efforts to build up its capability for market pricing and trend judgment.

The Bank adopted a prudent strategy for its investment in Renminbi denominated debt securities. Thanks to its appropriate grasp of market trend and timely adjustment to portfolio duration, the Bank succeeded in optimizing asset structure while paying close attention to return on asset and market risk. In terms of investment in foreign currency denominated debt securities, the Bank was able to improve stability of overall return on asset and resilience to risks due to its effective control of portfolio duration and emphasis on the selection of debt securities that were of controllable risk and higher returns.

The Bank promoted development of gold leasing and proprietary trading in gold in combination with market demands and its own competitive advantages. Consequently, both proprietary trading in gold and gold leasing business of the Bank enjoyed rapid growth in the first half of 2014, and successfully satisfied customer needs.

#### Investment Banking

Focusing on the two core business concepts of “financing for investment” and “value-added services”, the Bank constantly improved profitability of its investment banking business. During the reporting period, the Bank successfully registered the first debt financing tool for venture capital enterprises in China and reported the first commercial paper linked to capital construction project income in China. During the reporting period, the Bank recorded RMB261.520 billion cumulative financing for customers through investment banking, basically the same as that for the same period of the previous year; and realized RMB2.650 billion net non-interest income from investment banking, up 16.92% year-on-year.

During the reporting period, the number of debt financing tools underwritten by the Bank took the fourth place in the Chinese banking industry (as per Wind rankings of aggregate numbers of bond underwritings in the first half of 2014).

#### International Business

By seizing market opportunities rising from foreign exchange rate reform and interest rate liberalization, the trend of Renminbi internationalization and state policy encouraging Chinese companies to “go-global”, the bank launched FOREX treasury products such as “Huanhuibao”, “Huitianying” and “Carefree Interest Rate”, and innovative financing products such as “Financing Lease All in One”, “Letter of Guarantee for Hedging of Exchange Risk” and “Bank-Securities-House Partnership”, Renminbi NRA financing with pledge of deposit certificates, overseas borrowing of Renminbi and domestic L/C receivable refinancing at the Shanghai Pilot Free Trade Zone and the Suzhou Industrial Park. These products not only met customer needs, but also expanded income sources and achieved synergy between scale and revenue. In terms of innovation in electronic settlement instruments in international business, the bank successfully closed the first BPO business and kept the leading position among its peers. In face with complicated economic situations at home and abroad, the bank reinforced risk prevention and management in areas such as intermediary trade and commodities business to ensure operation compliance.

During the reporting period, the Bank achieved USD186.410 billion import & export foreign exchange receipts and payments, up 17.8% year-on-year, securing a market share of 4.55%; and realized RMB164.689 billion in cross-border Renminbi receipts and payments, a growth of 43.4% year-on-year. For both the above two indicators of international business, the Bank ranked No.6 among all national commercial banks and a steady No.1 among all Joint-stock Banks. The Bank realized RMB2.451 billion in fee-based income from international business, up 41.1% year-on-year.

#### Interbank Business

During the reporting period, the Bank's overall strategy was comprehensively executed in the interbank business line. Based on the new platform of the financial market segment, the Bank intensified its efforts for business expansion and optimized its management models, which enabled the Bank to respond to the changing market environment and realize continuous stable growth in both scale and profit.

As at the end of the reporting period, interbank assets of the Bank stood at RMB803.775 billion, representing an increase of RMB232.541 billion or 40.71% over the end of the previous year.

#### Special Business Area: Wealth Management

During the reporting period, the Bank intensified its efforts for research and development of innovative standardized investment products and assets such as bank wealth management plans and direct debt financing instruments. As a result, the Bank further enhanced its diversified product mix and satisfied multi-layer customer demands for wealth management while putting risks under control.

As at the end of the reporting period, ongoing wealth management products of the Bank totaled RMB545.524 billion, representing an increase of RMB118.683 billion or 27.81% over the end of the previous year. During the reporting period, the Bank earned RMB2.003 billion non-interest income from wealth management (including wealth management products developed and sold by the Bank, and agency sales of funds, products of securities houses, insurance products and trust plans), up RMB924 million or 85.66% year-on-year.

### Integrated Financial Service Platform of CITIC Group

CITIC Group has numerous financial subsidiaries that are engaged in business areas including banking, securities, insurance, fund, trust and futures, most of which are leaders in their respective sectors. The Bank has been endeavoring to develop its unique competitive advantages in compliance with laws and regulations via the integrated financial service platform of CITIC Group.

- Sharing of channel resources: Through agency product sales at physical outlets and via online banking channels, the Bank cooperated with subsidiaries of 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.

During the reporting period, via its physical outlets and online banking channels, the Bank agency sold 14 products of CITIC Securities and China Securities totalling RMB130 million in value, 38 products of CITIC-Prudential Insurance and Tianan Insurance valued at RMB1.94 billion in total, and 58 products of CITIC-Prudential Fund Management and China AMC totaling RMB741 million in value, and agency recommended RMB6.329 billion products for CITIC-CP Asset Management. In addition, CITIC Securities, CITIC-Prudential Life 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 mutual access to outlets, joint organization of marketing events and display of publicity materials.

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

R & D of wealth management products: The Bank researched and developed 87 wealth management products and realized RMB56.115 billion sales revenues thereof in cooperation with CITIC Securities, CITIC Trust and CITIC-CP Asset Management.

Third-party depositary business: The Bank shared 6,618 institutional customers in third-party depositary business and 375,400 personal customers with CITIC Securities, CITIC Securities (Zhejiang), CITIC Wantong Securities and China Securities.

Custody business: The Bank cooperated extensively with CITIC Securities, CITIC Trust, CITIC-Prudential Fund Management and CITIC-Prudential Insurance in areas such as asset management of securities brokerages, fund, trust, insurance, PE and annuities, with the balance of custody for cooperation projects within CITIC Group reaching RMB185.4 billion, and custody income amounting to RMB42.20 million, of which intra-group annuity cooperation registered 507 accounts of customers and RMB12.654 billion business scale.

Bond underwriting: The Bank and CITIC Securities jointly underwrote RMB5.3 billion debt financing tools for customers through underwriting of short-term commercial papers, medium-term notes and asset-backed securities. As one of the major co-underwriters, the Bank underwrote RMB2 billion super-short-term commercial papers for CITIC Corporation Limited (formerly known as CITIC Limited).

Co-brand credit cards: The Bank has issued a cumulative number of 18,000 “CNCB/CITIC-Prudential Co-brand Credit Cards” and 10,000 “CNCB/Loyalty Co-brand Cards” in cooperation with CITIC-Prudential Insurance and CITIC Loyalty Business Technology Co., Ltd., respectively.

### Distribution Channels

During the reporting period, the Bank continued to reinforce service quality management with the use of a series of measures from the perspective of customer experience. Monitoring of service quality was carried out with greater vigor. Frequency of monitoring increased from twice to four times a year, which exposed service quality of outlets to quarterly monitoring and assessment. Compared with previous years, new breakthroughs in monitoring approaches were also made through the combination of public examination of hardware and private investigation of software. During the reporting period, the Bank completed one round of outlet service quality monitoring with a score of 92.13 points, 1.04 points higher than the points scored in the 2013 monitoring exercise, mainly because of the marked progress made in the personnel service indicator as compared with that in 2013. During the reporting period, the Bank sampled service quality of the outlets with the use of its monitoring system. Every week, the Bank sampled outlet video records for assessment of service quality with assessment results announced on a monthly basis. Thus, multiple channels, approaches and perspectives were made use of to urge outlet employees to institutionalize service standards. For assessment and selection of role models, the Bank initiated the program on setting up 1,000 role-model outlets for excellence in service, which has created an atmosphere of enthusiastic “competition, learning, catching up, and excelling” bank-wide and driven the Bank’s overall service quality to an even higher level.

### Branches

The Bank accelerated outlet construction in economically developed cities and key regions by rational planning outlet development and optimization of outlet layout. During the reporting period, the Bank obtained CBRC approval for establishment of a branch at the Shanghai Pilot Free Trade Zone and for the plan of constructing 11 new branches and 23 new sub-branches had opened for business. As at the end of the reporting period, the Bank had 1,096 domestic branches and sub-branches in place, including 42 tier-1 branches, 69 tier-2 branches and 978 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 36 physical outlets in Hong Kong SAR with 4 overseas branches respectively stationed in Macau SAR, Singapore, New York and Los Angeles.

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

During the reporting period, in parallel with further efforts to reinforce risk prevention of self-service banking transactions, the Bank also expanded the distribution network of self-service banks and terminals and raised the substitution rate of self-service terminals in transactions. As at the end of the reporting period, the Bank had established 2,453 self-service banks and installed 8,740 self-service terminals (ATM, CDM and CRS) in Mainland China, up 3.94% and 3.64% 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 24.39 million incoming calls, including 20.91 million automated phone answering service calls and 3.48 million manual service calls, achieving a 20 seconds response rate of 83.38% for all manual service calls, a customer satisfaction rate of 98.86%, and a 98.38% satisfaction rate with the handling of customer complaints. The Bank’s Customer Service Center exerted greater efforts to make proactive outbound telephone calls to customers, focusing on care for medium to high-end customers, marketing of products and urging for loan repayment, registering 200,700 person-time outbound calls in total.



During the reporting period, the Bank's Customer Service Center won a silver medal in the 2013 Annual Awards for Science and Technology Development of Banks during the Competition for the Ministerial Science and Technology Award for Financial Services organized by the PBC, thanks to its outstanding operation and management concepts and advanced telephone banking system. In the mysterious customer investigation and assessment of telephone service quality at 18 large and medium commercial banks, the Bank was No.1 in comprehensive scoring, markedly exhibiting the high-standard service quality of its Customer Service Center as well as the center's competitive advantages and good reputation.

### Online Banking

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

## Information Technology

During the reporting period, the Bank committed itself to upgrading the long-term supporting capacity of its information technology, with continuous efforts exerted to pace up the construction of strategic projects including the new-generation core business system, the corporate data warehouse and application environment, and the new retail credit business system, and with resources inputted to research and develop Big Data as well as distributive database platform technology and applications. In response to market demands, the Bank priority launched innovative products and systems such as Xinjin Bao, payment of visa fees to the British Embassy in Beijing, CyberPayment, online lending, e-tendering, e-finance for large enterprises, and lobby marketing, etc., all of which effectively supported business innovation of the Bank. Further, the Bank reinforced internal refined management and goal management of information technology, institutionalized processes for application tools, enhanced management and control of operation safety, kept optimizing processing mechanisms and performance of information systems, and sped up the construction of a protection system for information safety technologies and application of such technologies.

## Subsidiary Business

### CITIC International Financial Holdings Limited (CIFH)

CIFH is the main platform for CNCB to conduct overseas business, with CNCB 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. CIFH conducts its non-banking financial business through CIAM and CITIC Capital, with CIFH holding 40% equity interests of CIAM and 20.03% of CITIC Capital respectively.

As at the end of the reporting period, CIFH had total assets of HKD236.501 billion, an increase of 9.56% over the end of the previous year, and a total staff of 1,782 people. During the reporting period, CIFH realized net profit of HKD1.66 billion, up 59.39% year-on-year.

CNCBI: CNCBI has 36 branches in Hong Kong SAR, 4 overseas branches and 2 subsidiaries, namely, CITIC Bank International (China) Limited and HKCB Finance Limited. As at the end of the reporting period, CNCBI had total assets of HKD235.26 billion, up 8.8% over the end of previous year. CNCBI realized operating income of HKD3.083 billion, representing a growth of 37.5% year-on-year; net profit attribute to shareholders recorded HKD1.538 billion, up 46% year-on-year.

CIAM: In line with the "industry + finance" investment concept, CIAM actively participated in the management and utilization of shareholder resources for business development and expansion. During the reporting period, efforts were proven with a key project successfully being acquired by a listed company and created great return for stakeholders.

CITIC Capital: During the reporting period, CITIC Capital and its fund products completed investment in multiple new projects including privatization of AsiaInfo and acquisition of KINGKOIL and SHSUN. A joint venture between CITIC Capital and SONAE SIERRA, an international leader in management of shopping malls, was set up for joint pioneering into property management and leasing services of domestic shopping malls. In addition, CITIC Capital established CCTrack Solutions which is committed to providing institutional investors at European, American and regional markets with innovative multiple-strategy hedge fund products. CITIC Capital had completed fundraising for its Renminbi fund successfully. As at the end of the reporting period, total assets managed by CITIC Capital was approximately USD4.5 billion.

### 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 its equity interest and CNCBI holds the rest 5%. CIFL's business covers lending (CIFL holds a money lender license in Hong Kong) and investment (including fund investment and equity investment, etc.).

During the reporting period, CIFL continued with its steady efforts to construct an overseas investment banking platform for the Bank and enhance coordination and interaction with the Bank's branches in Mainland China, focused on high-yield cross-border structured finance business, and put into full play its uniqueness and advantages in debt financing and equity investment, so as to improve its profitability in a continuous manner. Meanwhile, CIFL elevated its standards on screening of new projects, and reinforced post-lending risk management, resulting in limited risk of assets in the overall sense.

As at the end of the reporting period, CIFL had 9 employees and total assets equivalent to USD187.95 million, down 16.57% over the end of the previous year; and realized net after-tax profit equivalent to USD8.12 million during the reporting period, up 69.17% 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 had 42 employees, and recorded a deposit balance of RMB693 million and a loan balance of RMB598 million. During the reporting period, the rural bank realized a net profit of RMB4 million and was free of cases and material accidents.

## | Risk Management

### Credit Risk Management

#### Risk Management of Corporate Loans

During the reporting period, with the Chinese economy caught in the overlapping of changing growth rate, labor pains of restructuring, and digestion of previous stimulus policies, the banking sector was exposed to mounting pressure of credit risk control. In response, the Bank reinforced risk limit management and tightened credit-granting criteria for key credit risk areas to prevent and dissolve credit risk in a proactive manner.

Local government financing vehicle (LGFV) loans. During the reporting period, the Bank practiced stringent access control and standard management of LGFV loans in strict accordance with regulatory requirements. On the principle of "total quantity control, classified management, differentiated treatment, and gradual risk dissolution", the Bank exercised comprehensive management of on- and off-balance sheet credit limit to reinforce all-round LGFV risk management, highlighted priority support areas, and took the initiative to avoid high-risk LGFV credit extension business, so as to optimize the structure of LGFV loans.

Property loans. During the reporting period, the Bank proactively responded to the complicated property market situation, granting loans to property development projects in a more prudent manner on the principle of "total quantity control, differentiated treatment, higher access thresholds, and tighter management". The Bank practiced comprehensive management of on- and off-balance sheet credit limit to achieve total real estate industry risk management; paid attention to the risk of property market polarization and leaned its credit grants towards medium and large cities active in property transactions; prioritized credit support to general residential projects and raised the access bars for both property projects and customers; strictly required security for loan projects and closed management of projects, and reinforced loan risk monitoring, control and management.

Loans to industries with overcapacity. During the reporting period, the Bank practiced risk-based credit limit management for some industries of severe overcapacity. Efforts were made to optimize credit-receiving customer mix, prioritize support to strongly competitive enterprises that were industry leaders, proactively exit from enterprises that were unsatisfactory in operation results, poor in market competitiveness, backward in capacity, and non-compliant with environmental regulations. Safeguarding its risk bottom line, the Bank strictly forbade the provision of any form of incremental credit grant to additional capacity projects of industries suffering from severe overcapacity, and refrained from financing customers in overcapacity industries non-compliant with its lending policy in forms such as wealth management and factoring.

#### Risk Management of Small Enterprise Loans

The Bank continued to improve its process for risk management and control of small enterprises business. Among others, the Bank pushed for the construction of a professional management system for its small enterprises business and enhanced risk management and control tools such as the small enterprise scorecard, so as to optimize the process of small enterprise business. As per the customer positioning of "focusing on small and micro enterprises, retail enterprises and batches of enterprises", the Bank further enhanced the level of professional risk control over small enterprise business in combination with the mindset on deep transformation of retail banking.

The Bank emphasized the small enterprise business model of “planning first, marketing in batches”, reinforced market planning, conducted all-round analysis of competitive 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 adopted multiple means to reinforce risk monitoring and inspection of credit grants to small businesses. Efforts were made to set up a mechanism for monitoring and analysis of credit risk of small businesses whereby regular analysis and assessment would be conducted of the risks of credit grants to small businesses from multiple perspectives including geographic region, sector, product and guarantee. Meanwhile, the Bank reinforced specialized risk monitoring and inspection of special business areas.

### Risk Management of Credit Card Business

With regard to the credit card business, during the reporting period, the Bank proactively responded to internal and external risks and changes in the operating environment, and made use of multiple comprehensive means such as policy guidance, asset portfolio management, scientific measurement and analysis and process optimization to enhance a comprehensive total risk management system for its credit card business in line with the risk management concept of “resolutely guarding the risk bottom line, and robustly balancing risk and return”. Before lending, the Bank followed the guiding principle of “protection versus compression”, i.e., tightening accession thresholds for high-risk sectors and reinforced the introduction of target customer group management, while executing the concept of “a great retail interaction” to enhance the sharing of internal retail resources. During the lending process, the Bank adopted the loan restructuring measure of “support versus control” to constantly strengthen the interim early warning mechanism, realize “early detection, early handling and early dissolution” of risks, and concurrently increase support to high-value customers. Post lending, the Bank intensified its efforts to collect outstanding loans, and developed specialized programs on collecting loans from key high-risk customer groups, so that non-performing assets could be recovered more effectively.

### 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 added 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 regarded bonds issued overseas by premium Chinese issuers as key credit investment targets.

### Loan Monitoring and Post-Lending Management

In response to the ever more severe economic situation in 2014 and for the purpose of preventing extensive outbreak of systemic risk and stabilizing asset quality of the Bank during its strategic transformation and structural adjustment, the Head Office of the Bank developed its mindset for loan management at the beginning of the year in accordance with the requirements of reforming the risk management system, i.e., focus on “controlling loan asset quality and promoting healthy business development”, practice “early warning, prevention, and control”, enhance risk control in key risk areas while refining basic management aspects such as systems, mechanisms, tools and human resources, and thereby build up the capacity for loan management and enable such management to add value.

During the reporting period, the Bank prioritized efforts to reinforce loan management in the following aspects:

#### 1. Effectively reinforced risk process management and control and stabilized loan asset quality

- (1) Explicitly defined loan asset quality control targets and monitored branch attainment of the targets on a monthly basis;
- (2) Improved the performance evaluation method with more emphasis placed on assessment of loan asset quality;
- (3) Strengthened on-site guidance and experience exchanges for branches with regard to risk dissolution;
- (4) Tightened accountability for NPLs.

### 2. Effectively strengthened risk monitoring of key areas and proactively prevented and dissolved systemic risk

- (1) Constructed and improved the bank-wide risk early warning system based on the risk monitoring and dissolution mechanism targeting “ten customers of priority concern” for better capacity of risk early warning and risk dissolution;
- (2) Prioritized efforts to toughen risk monitoring and screening of key areas and key businesses, e.g., overcapacity industries such as steel, coal, coking, paper making and PV, subsidiaries of central SOEs, local large SOEs, large private companies closely connected with the government, trade finance, mutual and joint guarantee, personal business loans, small and micro enterprises, etc., and distributing PBC information on enterprises’ non-performing and delinquent loans bank-wide on a weekly basis;
- (3) Made more vigorous efforts to achieve proactive exit and structural adjustment: the Bank took the initiative to exit from 1,434 accounts of risky loans totaling RMB35.9 billion in value;
- (4) Carried out on-site inspection of key branches and key credit-grant business areas and bank-wide quality inspection of loan classification in the first half of 2014.

### 3. Effectively reinforced institutional development and process optimization for construction and improvement of a long-term effective work mechanism

During the reporting period, the Bank formulated and revised 13 basic management regulations including the Administrative Measures of CITIC Bank on Risk Early Warning, the Administrative Measures of CITIC Bank on Retail Loan Disbursement and Post-lending Management, the Administrative Measures of CITIC Bank on Post-investment Management of Financing Wealth Management Products, and the Administrative Measures of CITIC Bank on Valuation of Collaterals for Corporate Loans, which helped improve its management processes.

### 4. Effectively promoted IT development for gradual enhancement of loan management tools and approaches

- (1) Sped up the construction and application of the loan management system;
- (2) Completed online operation, upgrading and optimization of the collaterals management system; and
- (3) Initiated the risk early warning consulting project, with Phase I of the risk early warning management system to be completed by the end of the year.

### 5. Effectively enhanced human resources development for loan management, with the level of specialized professional management enjoying constant improvement

During the reporting period, the Bank organized trainings for full-time post-lending personnel bank-wide, trainings on loan statistics and systems, trainings on loan disbursement and verification management, and trainings for post-lending managers.

## Credit Risk Analysis

### Distribution of Loans

#### Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group's total loan balance was RMB2.119144 trillion, an increase of RMB177.969 billion or 9.17% over the end of the previous year. The Group's loans to the Bohai Rim, the Yangtze River Delta and the Pearl River Delta ranked the top three, recording RMB554.353 billion, RMB508.364 billion and RMB315.432 billion, respectively, accounting for 26.16%, 23.99% and 14.88% of the Group's total loans respectively. In terms of growth rate, the Pearl River Delta and the western region recorded the highest numbers, reaching 13.29% and 12.9% respectively, both being higher than the Group's average loan growth rate.

#### The Group

Region	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	508,364	23.99	476,101	24.53
Bohai Rim <sup>(Note)</sup>	554,353	26.16	513,609	26.46
Pearl River Delta and West Strait	315,432	14.88	278,425	14.34
Central region	288,688	13.62	266,342	13.72
Western region	288,585	13.62	255,620	13.17
Northeastern region	61,335	2.89	57,920	2.98
Overseas	102,387	4.84	93,158	4.80
<b>Total Loans</b>	<b>2,119,144</b>	<b>100.00</b>	<b>1,941,175</b>	<b>100.00</b>

Note: Including the Head Office.

#### The Bank

Region	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	505,481	25.27	472,973	25.71
Bohai Rim <sup>(Note)</sup>	543,344	27.16	511,075	27.77
Pearl River Delta and West Strait	312,895	15.64	275,914	15.00
Central region	288,688	14.43	266,342	14.48
Western region	288,585	14.43	255,620	13.89
Northeastern region	61,335	3.07	57,920	3.15
<b>Total Loans</b>	<b>2,000,328</b>	<b>100.00</b>	<b>1,839,844</b>	<b>100.00</b>

Note: Including the Head Office.

## Report of the Board of Directors

### Concentration of Loans by Product

As at the end of the reporting period, the Group's corporate loan balance (excluding discounted bills) registered a stable growth, amounting to RMB1.559431 trillion, up RMB123.578 billion or 8.61% over the end of the previous year; and personal loan balance of the Group reached RMB493.449 billion, up RMB52.896 billion or 12.01% over the end of the previous year. Personal loans grew faster than corporate loans, with its balance proportion further going up to 23.28%. Balance of discounted bills increased slightly, up RMB1.495 billion over the end of the previous year.

#### The Group

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,559,431	73.59	1,435,853	73.97
Personal loans	493,449	23.28	440,553	22.69
Discounted bills	66,264	3.13	64,769	3.34
<b>Total loans</b>	<b>2,119,144</b>	<b>100.00</b>	<b>1,941,175</b>	<b>100.00</b>

*Unit: RMB million*

#### The Bank

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,463,226	73.15	1,356,527	73.73
Personal loans	477,959	23.89	426,129	23.16
Discounted bills	59,143	2.96	57,188	3.11
<b>Total loans</b>	<b>2,000,328</b>	<b>100.00</b>	<b>1,839,844</b>	<b>100.00</b>

*Unit: RMB million*

*Concentration of Loans by Sector*

As at the end of the reporting period, two sectors, namely, manufacturing and wholesale & retail ranked the top two in terms of corporate loans from the Group, accounting aggregately for 48.47% of the Group total corporate loans, slightly lower than that at the end of the previous year, and with their loan balances amounting to RMB429.686 billion and RMB326.275 billion respectively. In terms of growth rate, loans to water conservancy, environment and public utilities management, construction and real estate sectors grew faster, up 20.49%, 19.21% and 13.86% over the end of the previous year respectively, all being higher than the Group's average loan growth rate.

**The Group**

Sector	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	429,686	27.55	412,819	28.75
Transportation, warehousing and postal service	138,425	8.88	135,778	9.46
Production and supply of power, gas, water	54,712	3.51	56,817	3.96
Wholesale and retail	326,275	20.92	298,847	20.81
Real estate	146,803	9.41	128,930	8.98
Water conservancy, environment and public utilities management	86,578	5.55	71,853	5.01
Leasing and commercial services	73,998	4.75	67,657	4.71
Construction	97,599	6.26	81,873	5.70
Public and social organizations	16,265	1.04	16,992	1.18
Others	189,090	12.13	164,287	11.44
<b>Total corporate loans</b>	<b>1,559,431</b>	<b>100.00</b>	<b>1,435,853</b>	<b>100.00</b>

**The Bank**

Sector	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	423,064	28.91	406,726	29.98
Transportation, warehousing and postal service	136,638	9.34	134,002	9.88
Production and supply of power, gas and water	54,313	3.71	56,419	4.16
Wholesale and retail	306,087	20.92	287,087	21.16
Real estate	133,749	9.14	116,735	8.61
Water conservancy, environment and public utilities management	86,450	5.92	71,722	5.29
Leasing and commercial	73,673	5.03	67,428	4.97
Construction	96,851	6.62	81,048	5.97
Public and social organizations	16,265	1.11	16,992	1.25
Others	136,136	9.30	118,368	8.73
<b>Total corporate loans</b>	<b>1,463,226</b>	<b>100.00</b>	<b>1,356,527</b>	<b>100.00</b>

## Report of the Board of Directors

### Breakdown of Loans by Type of Guarantee

As at the end of the reporting period, the Group's loan guarantee structure was further optimized. The balance of mortgage and pledge loans stood at RMB1.101136 trillion, up RMB124.315 billion and their proportion reached 51.96%, 1.64 percentage points higher over the end of the previous year; and the balance of unsecured and guaranteed loans amounted to RMB951.744 billion, up RMB52.159 billion over the end of the previous year, accounting for 44.91% of total loans, down 1.43 percentage points over the end of the previous year.

#### The Group

Type of Guarantee	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	421,300	19.88	399,860	20.60
Guaranteed loans	530,444	25.03	499,725	25.74
Mortgage loans	815,428	38.48	740,650	38.15
Pledge loans	285,708	13.48	236,171	12.17
<b>Subtotal</b>	<b>2,052,880</b>	<b>96.87</b>	<b>1,876,406</b>	<b>96.66</b>
Discounted bills	66,264	3.13	64,769	3.34
<b>Total loans</b>	<b>2,119,144</b>	<b>100.00</b>	<b>1,941,175</b>	<b>100.00</b>

#### The Bank

Type of Guarantee	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	393,908	19.69	382,075	20.77
Guaranteed loans	491,234	24.56	463,191	25.17
Mortgage loans	779,838	38.98	705,499	38.35
Pledge loans	276,205	13.81	231,891	12.60
<b>Subtotal</b>	<b>1,941,185</b>	<b>97.04</b>	<b>1,782,656</b>	<b>96.89</b>
Discounted bills	59,143	2.96	57,188	3.11
<b>Total loans</b>	<b>2,000,328</b>	<b>100.00</b>	<b>1,839,844</b>	<b>100.00</b>

### Concentration of Borrowers of Corporate Loans

The Group focused its attention on risk control over the concentration of borrowers of its corporate loans. During the reporting period, the Group complied with the applicable regulatory requirements on 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.

#### The Group

Major regulatory indicator	Regulatory Standard	30 June 2014	31 December 2013	31 December 2012
Percentage of loans to the largest single customer (%)	≤ 10	3.27	3.41	3.80
Percentage of loans to the top 10 customers (%)	≤ 50	16.56	14.68	20.98

- 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 2014		
		Amount	Percentage in total loans (%)	Percentage in regulated capital (%)
Borrower A	Public and social organizations	9,978	0.47	3.27
Borrower B	Manufacturing	7,397	0.35	2.42
Borrower C	Manufacturing	6,737	0.32	2.21
Borrower D	Mining	5,718	0.27	1.87
Borrower E	Transportation, warehousing and postal service	3,858	0.18	1.26
Borrower F	Transportation, warehousing and postal service	3,843	0.18	1.26
Borrower G	Transportation, warehousing and postal service	3,650	0.17	1.20
Borrower H	Transportation, warehousing and postal service	3,480	0.17	1.14
Borrower I	Transportation, warehousing and postal service	3,440	0.16	1.13
Borrower J	Manufacturing	2,441	0.12	0.80
<b>Total loans</b>		<b>50,542</b>	<b>2.39</b>	<b>16.56</b>

As at the end of the reporting period, total balance of loans from the Group to the top 10 corporate customers amounted to RMB50.542 billion, accounting for 2.39% of its total loans and 16.56% of its net capital.

## Loan Quality Analysis

*Five-Class Loan Classification*

The Group measures and manages the quality of its credit assets pursuant to the Guidelines on the Classification of Loan Risks formulated 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).

During the reporting period, the Bank continued to reinforce centralized management of loan classification and enhance the system for classified management of credit asset risks. While adhering to the core criteria, i.e., "safety of loan recovery", the Bank treated different classes of loans with different risk management measures after taking into full consideration various factors that may impact the quality of credit assets.

The Bank's procedure for classified identification of loan risk includes the following steps: business departments conduct post-lending inspection first; afterward credit departments of branches propose preliminary opinions, followed by initial identification by credit management departments of branches; then the chief risk officers at the branches review the results; and finally the Head Office finalizes the identification. To those loans with material changes in risk profiles, the Bank conducts dynamic adjustment to loan classification.

During the reporting period, thanks to continuing collaboration with the external auditor, the Bank completed sample review of credit asset risk classification, and further enhanced truthfulness and accuracy of loan classification.

## Report of the Board of Directors

### The Group

Category	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	2,055,890	97.02	1,898,053	97.78
Special mention	38,008	1.79	23,156	1.19
Sub-standard	11,565	0.55	11,680	0.60
Doubtful	11,475	0.54	6,310	0.33
Loss	2,206	0.10	1,976	0.10
<b>Total Loans</b>	<b>2,119,144</b>	<b>100.00</b>	<b>1,941,175</b>	<b>100.00</b>
Performing loans	2,093,898	98.81	1,921,209	98.97
Non-performing loans	25,246	1.19	19,966	1.03

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

Category	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,937,818	96.88	1,797,573	97.70
Special mention	37,635	1.88	22,632	1.23
Sub-standard	11,445	0.57	11,643	0.63
Doubtful	11,241	0.56	6,041	0.33
Loss	2,189	0.11	1,955	0.11
<b>Total Loans</b>	<b>2,000,328</b>	<b>100.00</b>	<b>1,839,844</b>	<b>100.00</b>
Performing loans	1,975,453	98.76	1,820,205	98.93
Non-performing loans	24,875	1.24	19,639	1.07

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 of the Group increased by RMB157.837 billion over the end of the previous year, accounting for 97.02% of the total, and representing a drop of 0.76 percentage point over the end of the previous year. The balance of special-mention loans rose by RMB14.852 billion, accounting for 1.79% of the total, up 0.6 percentage point over the end of the previous year. The rise in both balance and proportion of special-mention loans was mainly because: (1) The Group used more stringent and prudent criteria to classify risks, whereby loans with factors adversely affecting recovery would be identified as special mention unless otherwise identified for special reasons; and (2) Economic downturn and difficult operation of the real economy led to tight fund chain and mounting credit risk, which in turn resulted in the rise in special-mention loans.

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 RMB25.246 billion, up RMB5.28 billion over the end of the previous year; and its NPL ratio was 1.19%, up 0.16 percentage point over the end of the previous year. The Group's continuous rise in NPLs was mainly due to impacts of the larger economic environment, business deterioration of pro-cyclic industries and enterprises, increasing spread of risks from the mutual guarantee and joint guarantee community, and reluctance of banks to lend, which led to higher probability of default, worse credit risk and more NPLs.

In the first half of 2014, the Group worked hard to improve loan quality and further reinforced disposal of non-performing loans. During the reporting period, the Group digested RMB6.423 billion NPL principal by means of collection and write-off, etc., with the speed of disposal being faster than that in previous years.

During the reporting period, the Group witnessed a "dual rise" trend of both NPL balance and NPL ratio, which was consistent with the current macroscopic economic situation. At the beginning of 2014, the Group already made sufficient preliminary judgment and response preparation regarding the change trend of loan quality. Thanks to its pertinent measures for risk prevention and dissolution, the Group was able to put the changes in NPLs under control.

*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 2014	31 December 2013	31 December 2012
Migration ratio from normal loans (%)	1.24	1.51	1.16
Migration ratio from special mention loans (%)	25.43	27.20	6.35
Migration ratio from sub-standard loans (%)	41.35	45.98	24.06
Migration ratio from doubtful loans (%)	11.54	17.94	5.70
Migration ratio from performing to non-performing loans (%)	0.48	0.67	0.36

As at the end of the reporting period, the Bank's migration ratio from performing to non-performing loans was 0.48%, up 0.06 percentage point over the same period of the previous year. The main underlying reason was higher probability of default on the part of the borrowers due to the overlapping impacts of multiple factors in a time of economic downturn, which led to more loans migrating from performing to non-performing categories. Moreover, there was also a marked increase in the ratios of migration from sub-standard and doubtful loans compared with those of the same period last year, mainly because the Group intensified its write-off efforts.

*Loans Overdue***The Group**

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	2,065,105	97.45	1,905,586	98.17
Loans overdue <sup>(1)</sup>				
1-90 days	25,416	1.20	15,424	0.79
91-180 days	7,641	0.35	3,872	0.20
181 days or above	20,982	1.00	16,293	0.84
Subtotal	54,039	2.55	35,589	1.83
Total loans	2,119,144	100.00	1,941,175	100.00
Loans overdue for 91 days or above	28,623	1.35	20,165	1.04
Restructured loans <sup>(2)</sup>	10,439	0.49	6,176	0.32

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

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

## Report of the Board of Directors

### The Bank

*Unit: RMB million*

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,947,958	97.38	1,805,447	98.13
Loans overdue <sup>(1)</sup>				
1-90 days	24,002	1.20	14,524	0.79
91-180 days	7,616	0.38	3,837	0.21
181 days or above	20,752	1.04	16,036	0.87
Subtotal	52,370	2.62	34,397	1.87
Total loans	2,000,328	100.00	1,839,844	100.00
Loans overdue for 91 days or above	28,368	1.42	19,873	1.08
Restructured loans <sup>(2)</sup>	9,879	0.49	5,603	0.30

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

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

During the reporting period, the Group saw larger incremental amount of overdue loans due to impact of the economic downturn. As at the end of the reporting period, balance of overdue loans reached RMB54.039 billion, up 18.45 billion over the end of the previous year, with the proportion of overdue loans in total loans increasing by 0.72 percentage point over the end of the previous year, of which 47% were short-term and temporary loans with a maturity of less than 3 months. The increase in overdue loans was mainly because the borrowers suffered tight fund chains or even break of fund chains as a result of longer cycles of cash recovery, reduction of bank loans, and greater difficulty in accessing finance, etc.

### Breakdown of NPLs by Product

#### The Group

*Unit: RMB million*

Item	30 June 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	20,360	80.65	1.31	16,406	82.17	1.14
Personal loans	4,886	19.35	0.99	3,560	17.83	0.81
Discounted bills	—	—	—	—	—	—
Total	25,246	100.00	1.19	19,966	100.00	1.03

#### The Bank

*Unit: RMB million*

Item	30 June 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	19,998	80.4	1.37	16,091	81.93	1.19
Personal loans	4,877	19.6	1.02	3,548	18.07	0.83
Discounted bills	—	—	—	—	—	—
Total	24,875	100.00	1.24	19,639	100.00	1.07

As at the end of the reporting period, the Group's balance and ratio of corporate NPLs increased by RMB3.954 billion and 0.16 percentage point over the end of the previous year respectively; while the balance and ratio of personal NPLs grew by RMB1.326 billion and 0.18 percentage point over the end of the previous year respectively. The rise in NPLs was mainly due to the significant increase in credit risk of private SMEs and sole proprietorships engaged in manufacturing and trade. During the reporting period, quality of the Group's discounted bill business remained excellent, with an NPL ratio of zero.

## Breakdown of NPLs by Geographic Location

## The Group

*Unit: RMB million*

Region	30 June 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	10,581	41.91	2.08	10,567	52.93	2.22
Bohai Rim	6,700	26.54	1.21	3,995	20.01	0.78
Pearl River Delta and West Strait	4,198	16.63	1.33	2,311	11.57	0.83
Central region	1,674	6.63	0.58	1,126	5.64	0.42
Western region	1,140	4.52	0.40	976	4.89	0.38
Northeastern region	672	2.66	1.10	759	3.80	1.31
Overseas	281	1.11	0.27	232	1.16	0.25
<b>Total</b>	<b>25,246</b>	<b>100.00</b>	<b>1.19</b>	<b>19,966</b>	<b>100.00</b>	<b>1.03</b>

## The Bank

*Unit: RMB million*

Region	30 June 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	10,576	42.51	2.09	10,559	53.77	2.23
Bohai Rim	6,656	26.76	1.23	3,950	20.11	0.77
Pearl River Delta and West Strait	4,158	16.72	1.33	2,268	11.55	0.82
Central region	1,673	6.73	0.58	1,126	5.73	0.42
Western region	1,140	4.58	0.40	977	4.98	0.38
Northeastern region	672	2.70	1.10	759	3.86	1.31
<b>Total</b>	<b>24,875</b>	<b>100.00</b>	<b>1.24</b>	<b>19,639</b>	<b>100.00</b>	<b>1.07</b>

As at the end of the reporting period, the Group's NPLs were mainly concentrated in the Yangtze River Delta, the Bohai Rim and the Pearl River Delta, with the aggregate NPL balance reaching RMB21.479 billion, accounting for 85% of the Group's total NPL balance. From the perspective of the increase amount of NPLs, the Bohai Rim registered the largest amount of NPL increment, i.e., RMB2.7 billion, and a 0.43 percentage point rise in NPL ratio, followed by the Pearl River Delta which recorded an NPL increment of RMB1.887 billion and a 0.5 percentage point rise in NPL ratio, with the sum of the two regions taking up 87% of the total NPL increment of the Group. The major underlying causes for the increase of NPLs were: (1) Mainly dependent on the real economy and private SMEs, the coastal and economically developed areas were weak in risk resilience and prone to worse credit risk in a time of economic downturn; and (2) Due to concentration of overcapacity industries, industrial restructuring accelerated the exposure of the Bohai Rim to credit risk.

## Report of the Board of Directors

### Breakdown of Corporate NPLs by Sector

#### The Group

*Unit: RMB million*

Sector	30 June 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	7,735	37.99	1.80	6,454	39.34	1.56
Transportation, warehousing and postal service	250	1.23	0.18	175	1.07	0.13
Production and supply of power, gas and water	96	0.47	0.18	94	0.57	0.17
Wholesale and retail	10,490	51.52	3.22	8,059	49.12	2.70
Real estate	310	1.52	0.21	306	1.87	0.24
Leasing and commercial services	83	0.41	0.10	118	0.72	0.16
Water conservancy, environment and public utilities management	—	—	—	75	0.46	0.11
Construction	570	2.80	0.58	576	3.51	0.70
Public and social organizations	—	—	—	—	—	—
Others	826	4.06	0.44	549	3.34	0.33
<b>Total</b>	<b>20,360</b>	<b>100.00</b>	<b>1.31</b>	<b>16,406</b>	<b>100.00</b>	<b>1.14</b>

#### The Bank

*Unit: RMB million*

Sector	30 June 2014			31 December 2013		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	7,551	37.76	1.78	6,319	39.27	1.55
Transportation, warehousing and postal service	249	1.25	0.18	175	1.09	0.13
Production and supply of power, gas and water	94	0.47	0.17	95	0.59	0.17
Wholesale and retail	10,485	52.43	3.43	8,055	50.06	2.81
Real estate	305	1.52	0.23	305	1.89	0.26
Leasing and commercial services	83	0.41	0.10	118	0.73	0.16
Water conservancy, environment and public utilities management	—	—	—	75	0.47	0.11
Construction	570	2.85	0.59	576	3.58	0.71
Public and social organizations	—	—	—	—	—	—
Others	661	3.31	0.49	373	2.32	0.32
<b>Total</b>	<b>19,998</b>	<b>100.00</b>	<b>1.37</b>	<b>16,091</b>	<b>100.00</b>	<b>1.19</b>

As at the end of the reporting period, the Group's NPLs were mainly concentrated in wholesale & retail and manufacturing. NPL balances of the two sectors, accounting aggregately for 89.5% of the Group total, increased by RMB2.431 billion and RMB1.281 billion respectively over the end of the previous year, and their corresponding NPL ratios increased by 0.52 and 0.24 percentage point over the end of the previous year respectively. Increase in NPLs was mainly because the above-mentioned two sectors were both pro-cyclic. During the economic downturn, with a poor real economy and weak risk resilience at upper and lower-stream circulation points, enterprises in these sectors were universally trapped in production and operation difficulties, hence the worse credit risk, more NPLs and higher NPL ratios in these sectors.

As at the end of the reporting period, the Group's NPL balances of three sectors, namely, water conservancy, environment and public utilities management, leasing and commercial services, and construction, went down by RMB75 million, RMB35 million and RMB6 million respectively over the end of the previous year, with the corresponding NPL ratios going down by 0.11, 0.06 and 0.12 percentage point respectively. The NPL ratio of the real estate sector declined by 0.03 percentage point compared with 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, i.e., provisions based on evaluation of single items and provisions based on evaluation of portfolios.

#### The Group

Item	<i>Unit: RMB million</i>	
	As of 30 June 2014	As of 31 December 2013
Beginning balance	41,254	35,325
Accruals during the year <sup>(1)</sup>	10,914	11,327
Reversal of impairment allowances <sup>(2)</sup>	(195)	(275)
Transfer out <sup>(3)</sup>	—	(42)
Write-offs	(3,494)	(5,305)
Recoveries of loans and advances written off in previous years	165	224
<b>Ending balance</b>	<b>48,644</b>	<b>41,254</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.

#### The Bank

Item	<i>Unit: RMB million</i>	
	As of 30 June 2014	As of 31 December 2013
Beginning balance	40,861	34,877
Accruals during the year <sup>(1)</sup>	10,908	11,245
Reversal of impairment allowances <sup>(2)</sup>	(194)	(271)
Transfer out <sup>(3)</sup>	—	(30)
Write-offs	(3,478)	(5,169)
Recoveries of loans and advances written off in previous years	146	209
<b>Ending balance</b>	<b>48,243</b>	<b>40,861</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.

## Report of the Board of Directors

As at the end of the reporting period, the Group's balance of provision for loan impairment registered RMB48.644 billion, representing an increase of RMB7.39 billion over the end of the previous year. The Group's ratio of balance of provision for loan impairment to NPL balance (i.e., provision coverage ratio) and ratio of balance of provision for loan impairment to total loans (i.e., provision to loan ratio) were 192.68% and 2.30% respectively. The provision coverage ratio decreased by 13.94 percentage points over the end of the previous year, while the provision to loan ratio increased by 0.17 percentage point over the end of the previous year.

During the reporting period, the Group accrued RMB10.914 billion for loan impairment, basically approaching the full-year level of the previous year. The reasons for increasing such provisioning were: (1) the Group made a proactive response to the risk of economic downturn by means of enhancing its risk hedging capability; and (2) with more vigorous writing-off efforts, the Group needed to increase provisions as much as possible to get well prepared for write-offs.

### Management of Market Risk

The main market risk confronting the Bank includes interest rate risk and exchange rate risk. The Bank has established a market risk management system covering risk identification, measurement, monitoring and control, whereby market risk is managed through product access approval and risk limit management, which enables the Bank to control potential losses arising from market risk below the acceptable level and increase risk-adjusted returns. During the reporting period, in response to domestic and overseas market fluctuations, the Bank developed annual programs for authorization and limit management of market risk, and effectively ensured healthy development of relevant business areas through reasonable risk control and proactive management of market risk and with overall risk placed under control.

### Management of Interest Rate Risk

Interest rate risk refers to the risk of loss in 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 the external macro economic situation and its 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
Total assets	88,805	2,310,985	1,532,489	305,897	73,011	4,311,187
Total liabilities	99,635	2,688,837	889,709	341,430	44,878	4,064,489
Asset-liability gap	(10,830)	(377,852)	642,780	(35,533)	28,133	246,698

#### 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
Total assets	90,175	2,172,786	1,514,684	298,136	72,639	4,148,420
Total liabilities	91,637	2,590,987	852,576	335,664	41,584	3,912,448
Asset-liability gap	(1,462)	(418,201)	662,108	(37,528)	31,055	235,972



### 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 matching foreign currency denominated assets with corresponding foreign currency denominated liabilities as well as the appropriate use of derivative financial instruments. For businesses with potential exchange rate risk, the Bank sets corresponding limits on foreign exchange exposures to control its exchange rate risk under acceptable level.

### 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, the appreciation trend of Renminbi against the US dollar was reversed to a momentum of rapid depreciation, with RMB depreciated by 2.44% at the end of June compared with the end of the previous year and maximum depreciation during the half-year period reaching 3.28%. Meanwhile, the PBC announced its decision to further widen daily fluctuation of the Renminbi exchange rate against the US dollar, reflecting the intention of the regulator to speed up the exchange rate reform and increase two-way fluctuation of the exchange rate. For the first half of 2014, thanks to its prudent access assessment of new foreign exchange trading products, strict control of exchange risk exposure of foreign exchange business, close tracing of the impacts of changes in the Renminbi exchange rate on market value and risk profiles of foreign exchange products, the Bank was able to effectively enhance its management of exchange rate risk amid greater fluctuation of the Renminbi exchange rate. In general, the Bank has placed its exchange risk under control.

### The Group

*Unit: RMB million*

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	18,744	(24,223)	(15,750)	(21,229)
Net off-balance sheet position	(42,524)	38,622	15,732	11,830
<b>Total</b>	<b>(23,780)</b>	<b>14,399</b>	<b>(18)</b>	<b>(9,399)</b>

### The Bank

*Unit: RMB million*

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	(22,211)	(9,318)	(7,476)	(39,005)
Net off-balance sheet position	(4,674)	8,965	7,461	11,752
<b>Total</b>	<b>(26,885)</b>	<b>(353)</b>	<b>(15)</b>	<b>(27,253)</b>

## Liquidity Risk Management

Liquidity risk refers to the risk that the Bank is unable to obtain adequate capital in a timely manner and at reasonable costs to repay matured debts, perform other payment obligations and meet other capital needs for conduct of normal business.

### Liquidity Risk Management Objectives and Structure

The objective of liquidity risk management of the Bank is to effectively identify, measure, monitor and control liquidity risk by constructing a robust liquidity risk management mechanism and a reasonable asset-liability structure, so as to meet liquidity needs of the Bank's assets, liabilities and off-balance-sheet businesses, perform outbound payment obligations of the Bank and effectively balance returns and safety of capital under normal business conditions and pressures.

## Report of the Board of Directors

The Bank has set up a liquidity risk governance structure that has the Board of Directors, the Board of Supervisors, the senior management, and the Assets and Liabilities Management Committee as its decision-making and supervision layer, relevant business and management departments as its executing layer and the compliance and audit departments as its supervisory layer, and has clearly defined division of duties for each and every component in the structure. The Bank pursues a unified liquidity risk management model. The Head Office is responsible for formulating liquidity risk management policies of the Group and its legal-person institutions, and managing liquidity risk at the legal-person institution 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 subsidiaries of the Bank are responsible for developing their own strategies and procedures on liquidity risk management and implementing such strategies and procedures in accordance with the requirements of local regulators and the Group.

### Contents of Daily Liquidity Risk Management

During the reporting period, the Bank continued with increasing efforts to research and make judgment on the macro-economic situation, monetary environment and regulatory policies, resolutely safeguarded the risk bottom line for liquidity safety, kept improving its organizational structure for liquidity risk management, optimized its liquidity risk management process, emphasized total quantity management and structural balance of assets and liabilities, enriched liquidity risk monitoring approaches, refined stress test and emergency response plans, enhanced the supporting role of the liquidity risk management information system, and thereby guaranteed liquidity safety bank-wide.

#### The Group

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	<i>Unit: RMB million</i>	
					Undated	Total
(1,380,905)	88,153	321,756	347,640	364,939	505,115	246,698

#### The Bank

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	<i>Unit: RMB million</i>	
					Undated	Total
(1,339,902)	81,586	317,741	314,509	351,555	510,483	235,972

## Internal control and operation risk management

### Internal Control

During the reporting period, in line with the operation guideline of “enlarging deposit scale, promoting structural transformation and improving management level”, the Bank reinforced strategic execution, upgraded operation competency, specified basic management, and further enhanced its internal control and risk prevention capacity. As a result, all of its businesses enjoyed sustained, steady and sound development.

**Optimization of the internal control environment:** The Bank implemented its development strategy through active efforts to adjust and optimize its overall organizational structure, vigorous development of outlets, and expansion of business coverage. For gradual establishment of a globalized basic business framework, the Bank set up its preparation task force for establishment of the CNCB London Office. A pool of reserve leaders was developed to enhance talent reserve of the Bank.

**Reinforcement of risk identification and assessment:** In combination with its strategic requirements on risk management, the Bank developed a total 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 scoring portfolios to deepen application of the measurement tools at key business stages before, during and after lending.

**Improvement in internal control measures:** With respect to credit risk management, the Bank tightened loan access control to guard against credit risk of incremental loans from the source, reinforced risk screening and dissolution to effectively control incremental NPLs, and made more vigorous recovery and disposal efforts to reduce existing NPLs. With respect to liquidity risk management, the Bank exercised bank-wide monitoring of the changes in total quantity and structure of assets and liabilities, regulatory indicators on liquidity, and internal liquidity management indicators, to ensure liquidity safety. With respect to market risk management, the Bank continued to intensify market risk limit management by monitoring, reporting and handling the execution of risk limit indicators. With respect to compliance risk management, the Bank closely followed the latest policy changes of the regulators, earnestly implemented the regulatory spirit, kept reinforcing compliance review of new products, new businesses and new systems, covering all business lines and operation stages in such review, and rendered continuing support to business innovation. With respect to operation risk management, the Bank deepened application of the three major tools for operation risk management, strengthened control and management of key business operations, and conducted business self-examination and risk screening in areas such as online banking, credit business management, accounting and credit-card business, so as to comprehensively enhance operation risk management and control to a higher level.

**Boosting information exchange and communication:** The Bank reinforced its management over the reporting of major risk incidents, built up its capacity of responding to major risk incidents, effectively prevented and dissolved risks and, with a tough hand, held accountable those responsible for losing the best risk resolving opportunity or causing material losses due to untimely risk reporting. 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 quarterly/yearly submission of the Report on Important Internal Control Matters, for greater transparency of information on internal control.

**Tougher internal supervision, assessment and correction:** To further improve financial management bank-wide, the Bank organized truthfulness audit of branches with regard to performance indicators such as liabilities, profit and loss, and loan quality in 2013, and carried out comprehensive audit of Wuxi Branch, Wenzhou Branch, Foshan Branch and Quanzhou Branch. For problems discovered in audit, the Bank made active efforts to rectify and correct, which pushed branches to enhance their internal control mechanisms and keep improving their management level and capacity for risk management and control.

### Internal Audit

During the reporting period, the Bank arranged priority audit assignments, promoted professional development of audit, enhanced audit quality control, and realized the role of audit as an independent force of supervision, in combination with the current economic, financial and industrial restructuring situations, and regulators' risk reminders, with focus placed on priorities of its overall strategic deployment and business management.

During the reporting period, the Bank reinforced audit supervision and comprehensive governance for case prevention, and strengthened audit of key areas, operations prone to irregularities and employee performance conducts.

With respect to comprehensive audit, the Bank reinforced management requirements for tier-one branches, and organized comprehensive audit of some branches, which, while paying attention to business risk, was further concerned with areas such as strategic execution and human resources, performance evaluation, budget management, and accountability mechanism. Continuous efforts were made to tighten audit of tier-two branches and out-of-town sub-branches.

With regard to special audit, the Bank paid continuing attention to the risks of "heavily-polluting, high-energy-consumption and overcapacity" industries, as well as the real estate, trade and resources sectors, and arranged special audit of collaterals, intermediary trade and entrusted loans, with a view to deepening its corporate banking business restructuring and enhancing risk management and control in key areas. In addition, the Bank audited small and micro finance and consumer finance, to facilitate strategic transformation and upgrading of the retail banking segment, audited data truthfulness to standardize the financial function, audited factoring and wealth management businesses to promote business innovation, and screened employee conducts based on regulatory risk reminders.

Accountability audit was gradually improved with the use of new standards and processes to reinforce supervision over managers and leaders.

### Operation Risk Management

During the reporting period, the Bank continued to enhance operation risk management and build a standard, systematic and well-regulated operation risk management system.

With a preliminary institutional framework for operation risk already in place, the Bank reinforced implementation of regulations, and pushed all business lines to develop robust rules and regulations. Efforts were exerted to conduct business self-examination and risk screening in areas such as online banking, loan management, accounting and credit-card business, so as to enhance control over key business operations. In addition, the Bank deepened application of the three major tools for operation risk management to promote compliance with the operation risk standard approach set out in the New Capital Accord. Education and training on operation risk was intensified to build up employee capacity for prevention of ethical risk and operation risk.

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

### Anti-Money Laundering

During the reporting period, in line with the Law of the People's Republic of China on Anti-Money Laundering and relevant regulatory requirements on anti-money laundering, the Bank diligently fulfilled its anti-money laundering obligations through solid efforts in risk management against money laundering.

The Bank drew upon experiences of banks engaged in the regulator's anti-money laundering comprehensive pilot project and learned from best peer practices to reinforce institutional development for anti-money laundering internal control. Among others, the Bank defined division of duties for internal organizations and personnel at all levels, standardized relevant measures for customer ID identification and data storage/management, and exerted active efforts to develop anti-money laundering regulations for the Shanghai Pilot Free Trade Zone. In addition, the Bank intensified daily monitoring of anti-money laundering risks, analyzed and reported large-sum suspicious transactions, and improved the quality of key suspicious transaction reports. To optimize functions of its anti-money laundering system, the Bank defined and reformed the prioritization process, added the suspicious transaction white-list function, established rules on exemption of the reporting obligation, and strengthened manual re-input and re-submission of data.

## 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, capital allocation, capital evaluation and financing 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 for 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 on capital adequacy ratio of commercial banks include: minimum capital requirements, capital conservation buffer requirement and counter cyclical capital requirement, plus additional capital surcharge on systemically important banks. As at the end of the reporting period, the Bank's capital adequacy ratio complied with all statutory regulatory requirements, ahead of the required deadlines.

The Bank developed its medium and long-term capital plans by taking into comprehensive consideration multiple factors including the external business environment, the regulatory policies, and its own strategy development plan and risk preference. With the use of scenario simulation and stress testing in its capital planning, the Bank predicted future capital supply and demand in a forward-looking manner, and put forward external capital replenishment proposals vis-a-vis future potential capital gaps, to ensure that its capital level satisfy regulatory requirements. Continuous efforts were made by the Bank to reinforce publicity and communication of the concept of capital scarcity, and practice the economic capital management system with "economic profit" and "return on capital" at the core. Thanks to the adoption of multiple measures including improvement of the internal weighting system and reinforcement of capital evaluation, the Bank guided its business units to implement the strategy on "arrangements and structures with low capital consumption" for optimal allocation of economic resources among various institutions, products and sectors, higher capital use efficiency, and transformation of the Bank from a bank of large scale to a bank of better value.

## I 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 is as follows:

*Unit: RMB*

No.	Stock 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	—	3,803,924.36	—	3,648,201.81	155,722.55	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,509,605.39	—	65,634,824.75	46,920.95	68,698,961.41	(3,064,136.66)	Available-for-sale financial assets	Gift/Bonus share
3	MA	Mastercard International	201,629.69	—	3,425,942.34	8,175.85	3,860,489.40	(434,547.06)	Available-for-sale financial assets	Bonus share
<b>Total</b>			<b>14,731,235.08</b>		<b>72,864,691.45</b>	<b>55,096.80</b>	<b>76,207,652.62</b>	<b>(3,342,961.17)</b>		

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	35	—	497,691.48	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,088,901.15	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	12,859,677.46	—	—	Available-for-sale financial assets	Bonus share
<b>Total</b>	<b>132,710,234.79</b>			<b>131,196,270.09</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 a net value of RMB197 million as at the end of the reporting period.

## I Management of Financial Statement Consolidation

During the reporting period, the Bank pushed forward management of financial statement consolidation in an orderly manner, and continued with the construction of a better system and development of better regulations on such management. First, management of financial statement consolidation was added to the Bank's articles of association, as well as the rules of procedure of the shareholders' general meeting, the Board of Directors, and the Board of Supervisors. Second, the Bank formulated and released the Administrative Measures of CITIC Bank on Consolidation of Subsidiaries' Financial Statements.

### | Funds Raised

After receiving the approvals by CBRC and PBC, the Bank successfully completed the issuance of RMB 37 billion tier-two capital bond on 26 August 2014, and all the funds raised will be used to supplement the tier-two capital of the Bank.

### | Use of Funds Raised and Material Investments with Non-Raised Funds

All proceeds raised by the Bank were used in accordance with the purposes disclosed in the prospectuses for the IPO and the rights issue, which means that all the proceeds were used to replenish the capital of the Bank and to increase the capital adequacy ratio and risk resilience of the Bank.

During the reporting period, no material investment was made by the Bank with non-raised funds.

### | Formulation of Cash Dividend Distribution Policy and Its Implementation

As was approved by the 2013 Annual General Meeting, the Bank paid the 2013 yearly dividends in cash to its A-share shareholders on register as at 16 July 2014 and H-share shareholders on register as at 3 June 2014 at RMB0.252 (pre-tax) per share, with total payments amounting to approximately RMB11.790 billion. The details of the 2013 Profit Distribution Plan were disclosed in the 2013 Annual Report, the documents for the 2013 Annual General Meeting and the Announcement of CITIC Bank on Execution of the 2013 Annual A-Share Profit Distribution Plan. Except for the above-mentioned profit distribution, the Bank made no other announcement or payment of dividends, or conversion of capital reserve into share capital or plan for new share issue during the reporting period.

### | Outlook

At present, the world economy in general is continuing with the momentum of recovery albeit with risks and uncertainties lingering on in the recovery process. Among others, the US economy is moving ahead along the path of steady rebound; economic revival of the Euro zone still suffers weak fundamentals; the Japanese economy lacks sustainable growth drivers; and the emerging markets are facing substantial pressure of economic downturn.

The Chinese economy, exposed to the overlapping pressures of changing growth rate, labor pains of restructuring and digestion of previous stimulation policies, remains weak in the driving forces for endogenous economic growth. With some sectors still suffering severe overcapacity, China still faces the daunting task of adjusting its economic structure and transforming its development pattern. Slowdown of economic growth in the first half of the year has led to continuing fermentation and successive emergence of risks in some regions and sectors, and the consequent augmentation and spreading of credit default risk. The banks therefore are exposed to a severe situation of risk prevention and control. Meanwhile, however, the Chinese economy is also exhibiting some positive changes. It is transiting from an investment and export dependent economy to a consumption-oriented economy, and from an industrial power to a major country competitive in the service sector. New-style urbanization, the New Silk Road, the Beijing-Tianjin-Hebei Economic Circle, the Shanghai Pilot Free Trade Zone and the Shenzhen Qianhai Pilot Free Trade Zone give birth to major opportunities that will create an enabling environment for development of banks. In terms of macro policies, the government will continue to uphold the overall tone of progress amid stability and the basic mindset of “stability in macro policy, flexibility in micro policy, and support to the bottom class in social policy” to maintain policy continuity and stability. To address prominent issues in economic operation, the monetary policy will focus more on directional control and readjustment, i.e., reinforcing “structural optimization” through directional fine tuning, and reducing financing cost of specified areas through directional injection of liquidity. It is expected that the Chinese economy as a whole will stabilize and rebound during the latter half of the year, with investment in capital construction continuing to exert its effect, and property investment remaining a major factor affecting economic growth.

In the financial sector, as the current market-oriented financial reform paces up, the operating environment of banks is undergoing profound changes, giving rise to both opportunities and challenges. The PBC's acceleration of interest rate liberalization, such as the lift of interest rate caps on small-amount foreign currency deposits in free trade zones, acceleration of the issue of certificates of large-amount deposits, and potential execution of the bank deposit insurance system, will markedly squeeze interest spread of the banking sector. Meanwhile, Renminbi is undergoing faster internationalization. Gradual construction of offshore Renminbi clearing platforms and step-by-step capital account liberalization for the use of Renminbi in cross-border trade create favorable conditions for rapid development of cross-border Renminbi business as well. Frequent release of new policies accompanies exchange rate reform. The floating range of the trading prices of the US Dollar against the RMB in the inter-bank spot foreign exchange market has been expanded from 1% to 2%, provided broader space for development of the foreign exchange market and indigenous innovation of the banks. Further, publication of the "Nine New State Council Rules" on protection of rights and interest of retail investors at the capital market and rapid development of the direct finance market will benefit asset management, wealth management and investment banking of banks with important growth opportunities.

During the reporting period, the Bank registered fast growth of business scale, continuous improvement of operating profit, marked exhibition of restructuring achievements, further consolidation of basic management, and impressive progress in all aspects. Nevertheless, with slowdown of economic growth and progress liberalization of financial services, the Bank will be exposed to pressures and challenges of interest rate liberalization, risk management and control, and capital constraint. Against complicated external situations, the Bank will enhance its value to the best of its capacity by holding on to the set development strategy, deepening structural adjustment, accelerating business transformation, safeguarding risk bottom line, consolidating business foundation and increasing the value of the Bank. For the latter half of the year, the Bank will focus its efforts on the following eight aspects: (1) adjust structure to cement the concept of value growth; (2) speed up transformation to increase the market share of retail banking; (3) consolidate market status in wholesale business through intensive operation; (4) pace up innovation to build up brands in financial market business and investment banking; (5) safeguard the bottom line and reinforce risk management and internal control on all fronts; (6) optimize mechanisms for higher efficiency and greater effectiveness of operation and management; (7) strengthen foundation to escort business development; and (8) change style of work, reinforce party building and enhance human resources development.

In addition, the controlling shareholder of the Bank will enjoy enormous enhancement of its international influence and comprehensive competitiveness with the listing in Hong Kong. Hong Kong, with its unique competitiveness in legal framework, corporate governance, internationalized development and talent reserve, will benefit CITIC Group in its next-step reform and give new impetus for healthy and fast development of the Bank in future.

# 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

Save and except as disclosed herein, the Bank did not incur any material acquisitions, disposals or restructurings of assets, or mergers during the reporting period or that took place in previous periods but went on to the reporting period.

## Material Contracts and their Performance

During the reporting period, the Bank did not have any material custody, contracting or leasing of any assets of other companies that took place during the reporting period or that took place in previous periods but went on to the reporting period; 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 businesses that are within the approved business scope of the Bank.

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

Save and except as disclosed herein, the Bank did not have any other material contracts during the reporting period.

## 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 followed general commercial principles and executed the transactions with terms available to related parties being no more favorable than those available to or from independent third parties. Please refer to Note 58 Related Party to the Financial Statements for detailed data about the related party transactions.

## Related Party Transactions involving Disposal and Acquisition of Assets

According to the Agreement of Intent entered into by the Bank and CITIC Heye, a wholly-owned subsidiary of CITIC Group, in March 2014 and approved by the 2013 Annual General Meeting, CITIC Heye agreed to sell and the Bank agreed to acquire the Lot Z15 located in the center of the Beijing core CBD, third east ring in Chaoyang District, Beijing (the "Property"). The gross floor area of the Property is approximately 165,193 m<sup>2</sup>, and the provisional consideration payable by the Bank for the acquisition of the Property is RMB10,407.1586 million. The Property is yet to be developed and expected to be completed in 2019. According to the preliminary appraisal by Beijing Pan-China Assets Appraisal Co., Ltd., the PRC independent professional valuer engaged by the Bank, the indicative value of the Property was RMB11,175.7308 million as at 1 February 2014 (assuming the Property has been completed as of the date). Meanwhile, according to the preliminary appraisal by Grant Sherman Appraisal Limited, the international independent professional valuer engaged by the Bank, the indicative value of the Property was RMB11,175.70 million as at 1 February 2014 (assuming the Property has been completed as of the date). The above-mentioned total consideration was determined based on the valuation reports issued by qualified independent valuers engaged by the Bank, and on arm's length negotiation between the Bank and CITIC Heye. According to the Agreement of Intent, the final total consideration shall be determined based on the measurement of gross floor area by a qualified surveyor's surveying and mapping of the Property upon delivery, as well as the unit price agreed in the Agreement of Intent. When there is any discrepancy between the final consideration of the Property and the provisional consideration agreed in the Agreement of Intent, the parties shall make up or refund the difference (as the case may be) according to the unit price as agreed in the Agreement of Intent. It is expected that CITIC Heye shall deliver the Property to the Bank on 31 March 2019. The transaction was conducted addressing the business need of the Bank and according to the principle of impartiality and fairness, which had no significant impact on the normal operation and financial position of the Bank. For details of the payment schedule and other related information please refer to the announcement published by the Bank on 27 March 2014 on the website of the SEHK.



## Credit Extension Related Party Transactions

The Bank attached great importance to the day-to-day monitoring and management of related party transactions involving credit extension and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as process-oriented management, risk review and approval, and post-lending management. As at the end of the reporting period, the balance of credit extended to related parties by the Bank totaled RMB8.588 billion, of which the credit balance to CITIC Group and its subsidiaries totaled RMB6.995 billion and that to BBVA and its subsidiaries totaled RMB1.593 billion. With sound underlying quality, all of the above-mentioned credit granted to related shareholders together with the risk exposures thereof were normal bank loans and therefore will not have any material effect 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 or from independent third parties of similar transactions. Meanwhile, the Bank stringently followed the SSE and CBRC's requirements on approval and disclosure of credit extension to related parties. As at the end of the reporting period, there was no fund exchange and appropriation in violation of the provisions of the Notice of CSRC on Issues Concerning the Standardization of Fund Exchange between Listed Companies and Their 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 associates had no adverse effect on the operating results and financial position of the Bank.

## Non-Credit Extension Continuing Connected Transactions

In 2014, the Bank entered into framework agreements on seven categories of continuing connected transactions respectively with CITIC Group and its associates, as well as BBVA and its associates, and conducted transactions within the corresponding approved annual caps of 2014. According to the applicable provisions of Chapter 14A of the Hong Kong Listing Rules and Chapter 10 of the Shanghai Listing Rules, 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 concluded between the Bank and CITIC Group in March 2014, the third-party escrow services between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to or from independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined on the basis of relevant market rates and subject to periodic reviews. In 2014, the annual cap for the Bank's transactions under the Third-Party Escrow Service Framework Agreement was RMB60 million while the actual amount incurred under this framework agreement as at the end of the reporting period did not exceed the Bank's approved cap of the year.

#### Asset Custody Services

According to the Asset Custody Services Framework Agreement concluded between the Bank and CITIC Group in March 2014, the asset custody services, account management services and third-party regulatory services provided between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to or from independent third parties. The service fees payable to each other shall be determined on the basis of relevant market rates and subject to periodic reviews. In 2014, the annual cap for the Bank's transactions under the Asset Custody Services Framework Agreement was RMB670 million while the actual amount incurred under this framework agreement as at the end of the reporting period did not exceed the Bank's approved cap of the year.

#### Financial Consulting and Asset Management Services

According to the Financial Consulting and Asset Management Services Framework Agreement entered into between the Bank and CITIC Group in March 2014, the financial consulting and asset management services provided between the Bank and CITIC Group and its associates have no fixed prices or rates. The prices and rates applicable to a particular type of service shall be determined through fair and reciprocal negotiations between the parties and on terms no more favorable than those available to or from independent third parties and may be calculated on the basis of the scale, rate and duration of the service. In 2014, the annual cap for the Bank's transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB500 million while the actual amount incurred under this framework agreement as at the end of the reporting period did not exceed the Bank's approved cap of the year.

## Significant Events

### Capital Transactions

According to the Capital Transactions Framework Agreement entered into between the Bank and CITIC Group in March 2014, the Bank and CITIC Group and its associates shall conduct capital transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. Such transactions shall be priced according to the following principle: where relevant laws, regulations or public announcements of regulators have prescribed transaction prices or rates, such prescribed prices or rates shall prevail; where there are no such fixed prices or rates, the prevailing market prices or rates usually applied to relevant particular type of transactions by independent transaction counterparties shall prevail. In 2014, the annual cap for realized gains, realized losses, unrealized gains or losses (as the case may be) of the transactions under the Capital Transactions Framework Agreement was RMB1.5 billion respectively and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB4.3 billion each. As at the end of the reporting period, the actual amount incurred under this framework agreement did not exceed the Bank's approved caps of the year.

### Comprehensive Services

According to the Comprehensive Services Framework Agreement entered into between the Bank and CITIC Group in March 2014, CITIC Group and its associates shall provide the Bank with comprehensive services including but not limited to medical insurance and enterprise annuity, procurement of goods and services, outsourcing service, value-added service, advertising service, technological service and property lease. The Bank and CITIC Group and its associates shall apply prevailing market prices or applicable rates of independent third-party transactions to the services provided under the Comprehensive Services Framework Agreement, and shall determine prices and rates of a particular type of services through fair and reciprocal negotiations and with reference to applicable market prices and rates. In 2014, the Bank's annual cap for the transactions under the Comprehensive Services Framework Agreement was RMB800 million while the actual amount incurred under this framework agreement as at the end of the reporting period did not exceed the Bank's approved cap of the year.

### Asset Transfer

According to the Asset Transfer Framework Agreement entered into between the Bank and CITIC Group in March 2014 and approved by the 2013 Annual General Meeting, the transactions of asset transfer 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 transfer prices payable by the transferee shall be determined according to the following principles: (1) For transfer of general assets, as per regulatory requirements, credit assets shall be transferred on the principle of totality. When transferring a credit asset, the transferor shall use the loan principal as the transaction price, and take post-transfer obligations to be performed by the Bank into priority consideration in addition to the consideration of market supply and demand; (2) For transfer of securitized assets, the Bank, when transferring a credit asset to a related party, shall use the loan principal as the transaction price, and determine the interest rate for transfer of the securitized credit asset with reference to the yields of similar Chinese interbank market products as disclosed by the China Bond Information website and the China Money website, in combination with price enquiries made with investors, with specific terms (such as price, volume, total price and payment) to be determined upon conclusion of agreements for individual transactions; and (3) At present, there are no statutory government-prescribed prices for asset transfer. When statutory government-prescribed prices are available in the future, asset transfer shall be priced with reference to such statutory government-prescribed prices. In 2014, the Bank's annual cap for the transactions under the Asset Transfer Framework Agreement was RMB47.1 billion. Actual amount incurred under this framework agreement as at the end of the reporting period did not exceed the Bank's approved cap of the year.

### Wealth Management and Investment Services

According to the Wealth Management and Investment Services Framework Agreement entered into between the Bank and CITIC Group in March 2014 and approved by the 2013 Annual General Meeting, the Bank and CITIC Group and its associates shall apply general market practices and normal commercial terms in their ordinary and usual course of business. The Bank shall provide CITIC Group and its associates with wealth management and investment services including non-principal-guaranteed wealth management and agency services, principal-guaranteed wealth management, and proprietary fund investment, while CITIC Group and its associates shall provide the Bank with intermediary services of wealth management (such as trust services and management services). The two parties shall price their services through fair and reciprocal negotiations, on normal commercial terms, in line with the categories and scopes of wealth management services, and with adjustments made according to changes in market price. In 2014, the Bank's annual cap for the service fees of non-principal-guaranteed wealth management and agency services under the Wealth Management and Investment Service Framework Agreement was RMB3.6 billion, the annual cap for period-end balance of principals of principal-guaranteed wealth management services was RMB26.7 billion, the annual cap for yields on customer wealth management was RMB1.2 billion, the annual cap for period-end balance of investment funds was RMB80 billion, and the annual cap for the Bank's investment returns and service fees payable to intermediaries was RMB6.3 billion. As at the end of the reporting period, the actual amount incurred under this framework agreement did not exceed the Bank's approved caps of the year.

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

### Capital Transactions

According to the Capital Transactions Framework Agreement entered into between the Bank and BBVA in March 2014, the Bank, BBVA and its associates shall conduct capital transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. Such transactions shall be priced according to the following principle: where relevant laws, regulations or public announcements of regulators have prescribed transaction prices or rates, such prescribed prices or rates shall prevail; where there are no such fixed prices or rates, the prevailing market prices or rates usually applied to relevant particular type of transactions by independent transaction counterparties shall prevail. In 2014, the annual caps for realized gains, realized losses, unrealized gains or losses (as the case may be) of transactions under the Capital Transactions Framework Agreement was RMB700 million each, that for the fair value of derivative financial instruments recorded as assets was RMB1.4 billion, and that for the fair value of derivative financial instruments recorded as liabilities was RMB1.3 billion. As at the end of the reporting period, the actual amounts incurred under this framework agreement did not exceed the Bank's approved caps of the year.

## Connected Transactions in Joint External Investment

During the reporting period, the Bank did not have any connected transactions arising from joint external investment with its related parties.

## Material Litigations, Arbitrations and Events Questioned by the Media

The Group has been involved in several litigation and arbitration cases in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group for loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, there were 53 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary and usual course of business where the Group acted as defendant/respondent with an aggregate disputed amount of RMB266 million. The management of the Bank is of the view that these legal actions will not have 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.

## Investigation and Penalties against the Company, its Directors, its Supervisors, its Senior Management, its Shareholders and its *De Facto* Controller and the Company's Rectification thereof

During the reporting period, the Bank, its directors, its supervisors, its senior management, its shareholders holding 5% or more shares in the Bank or its de facto controller had no record of being subject to investigation by competent authorities or coercive measures by judicial bodies or disciplinary bodies, transfer to judicial bodies or pursuit of criminal liabilities, investigation or administrative penalties by CSRC, ban of entry into securities markets, being identified as inappropriate candidate, punishment by other administrative authorities or public censure by any stock exchanges, or punishment by other regulators that may have any material impact on business operation of the Bank.

## 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 2013 Annual Report. The Bank is not aware of any violation of the original undertakings on the part of the 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 Its 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 (same 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 Hong Kong Listing Rules, which were held by the directors, supervisors and senior management, are as follows:

Name of director	Name of associated corporation	Nature of interests	Class/number of share interests held	Percentage in the issued share capital of the associated corporation	Execution period
Chang Zhenming	CITIC Pacific Limited	Personal interests	600,000 share options <sup>(1)</sup>	0.01%	19 November 2009– 18 November 2014
Dou Jianzhong	CIAM Group Limited	Personal interests	1,250,000 share options <sup>(1)</sup>	0.13%	9 September 2011– 8 September 2014
			1,250,000 share options <sup>(1)</sup>	0.13%	15 April 2014– 14 April 2016

Note: (1) — 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 any of its associated corporations during the reporting period.

### Compliance with the Corporate Governance Code under the Hong Kong 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 set out in Appendix 14 to the Hong Kong Listing Rules throughout the six months ended 30 June 2014, except for the following:

According to Code A.1.3 of the Corporate Governance Code, the board meeting notice shall be given at least 14 days preceding each regular board meeting, while a ten-day notice to directors and supervisors shall be given for regular board meetings according to Article 167 of the Bank’s Articles of Association. The Bank adopted the ten-day prior notice for regular board meetings in its Articles of Association because a ten-day prior notice is deemed as sufficient as per laws of the People’s Republic of China.

According to Code A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the general meetings. Some directors of the Bank were unable to attend the general meetings of the Bank due to other business.

Given the changes in the external business environment, regulatory requirements, and the business scope and scale of the Bank, all banks need to make lasting efforts to improve their 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 Hong Kong Listing Rules 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 above mentioned Model Code provisions regarding securities transactions conducted by directors and supervisors throughout the first half of 2014.

## | 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 2014 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 this report, and were of the opinion that, the preparation basis of this report were consistent with the accounting policies adopted for the preparation of the financial report of the Group for the year 2013, except for the following accounting standards including Amendments to IFRS 10- Consolidated financial statements, IFRS 12- Disclosure of interests in other entities and IAS 27- Separate financial statements, Investment entities, Amendments to IAS 32- Financial instruments: presentation, Offsetting financial assets and financial liabilities, Amendments to IAS 36- Impairment of assets, Recoverable amount disclosures for non-financial assets, Amendments to IAS 39- Financial instruments: recognition and measurement, Novation of derivatives and continuation of hedge accounting, IFRIC 21, Levies. The aforementioned changes in accounting policies had no significant impact on the interim financial statements of 2014.

## | 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

Item	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 (%)
I. Shares subject to restrictions on sale:	0	0				0	0	0	0
II. Shares not subject to restrictions on sale:	46,787,327,034	100.00				0	0	46,787,327,034	100.00
1. Renminbi denominated ordinary shares	31,905,164,057	68.19				0	0	31,905,164,057	68.19
2. Overseas-listed foreign shares	14,882,162,977	31.81				0	0	14,882,162,977	31.81
III. Total shares	46,787,327,034	100.00				0	0	46,787,327,034	100.00

## Information on Shareholders

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

As at the end of the reporting period, the Bank had a total of 348,844 shareholders, including 310,049 A-share holders and 38,795 H-share holders, all being non-restricted shareholders.

Name of No. 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	Unit: Share	
							Shares pledged or frozen	
1 CITIC Corporation Limited (formerly known as CITIC Limited) <sup>(2)</sup>	State-owned	A-share, H-share	31,325,081,973	66.95	0	0	0	
2 Hong Kong Securities Clearing Company Nominee Limited	Foreign	H-share	12,005,185,847	25.66	0	4,633,235,911	Unknown	
3 NSSF <sup>(3)</sup>	State-owned	A-share, H-share	338,513,209	0.72	0	0	Unknown	
4 China Construction Bank	State-owned	H-share	168,599,268	0.36	0	0	Unknown	
5 NSSF Portfolio 108	State-owned	A-share	106,040,604	0.23	0	106,040,604	Unknown	
6 Mizuho Corporate Bank	Foreign	H-share	81,910,800	0.18	0	0	Unknown	
7 Agricultural Bank of China-Baoying Strategic Growth Equity Fund	Other	A-share	58,000,000	0.12	0	58,000,000	Unknown	
7 Bank of China Limited-Baoying Core Advantage Flexibly Allocated Hybrid Equity Fund	Other	A-share	58,000,000	0.12	0	58,000,000	Unknown	
9 Bank of China-Dacheng Blue Chip Prudent-investment Equity Fund	Other	A-share	52,399,478	0.11	0	52,399,478	Unknown	
10 NSSF Portfolio 113	State-owned	A-share	45,394,612	0.10	0	45,394,612	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) CITIC Corporation Limited (formerly known as CITIC Limited) holds both A shares and H shares in the Bank totaling 31,325,081,973 shares, including 28,938,928,294 A shares and 2,386,153,679 H shares.
  - (3) The NSSF holds both A shares and H shares in the Bank totaling 338,513,209 shares, including 256,602,409 A shares and 81,910,800 H shares.
  - (4) 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.
  - (5) BBVA has confirmed that it holds 4,631,945,376 H shares in the Bank via Hong Kong Securities Clearing Company Nominee Limited, taking up 9.9% of the Bank's total shares.

## Changes in Share Capital and Shareholdings of Substantial Shareholders

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

As at the end of the reporting period, 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	9,664,697,966 <sup>(L)</sup> 2,689,393,270 <sup>(S)</sup>	64.94 <sup>(L)</sup> 18.07 <sup>(S)</sup>	H-share
BBVA	24,329,608,919 <sup>(L)</sup>	76.26 <sup>(L)</sup>	A-share
CITIC Group	9,604,697,966 <sup>(L)</sup> 28,938,928,294 <sup>(L)</sup>	64.54 <sup>(L)</sup> 90.70 <sup>(L)</sup>	H-share A-share
CITIC Pacific <sup>(2)</sup>	7,018,099,055 <sup>(L)</sup> 28,938,928,294 <sup>(L)</sup>	47.16 <sup>(L)</sup> 90.70 <sup>(L)</sup>	H-share A-share
CITIC Corporation Limited (formerly known as CITIC Limited) <sup>(2)</sup>	7,018,099,055 <sup>(L)</sup> 28,938,928,294 <sup>(L)</sup>	47.16 <sup>(L)</sup> 90.70 <sup>(L)</sup>	H-share A-share

Note: (1) (L) — long position, (S) — short position

(2) CITIC Pacific Limited entered into an agreement with CITIC Group and its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd. on 16 April 2014 to acquire 100% of the total issued share capital of CITIC Corporation Limited (formerly known as CITIC Limited), which has not yet been completed as at the end of the reporting period. On 25 August 2014, the Company received notice from the controlling shareholder that such acquisition was completed on 25 August 2014.

Save as disclosed above, as at 30 June 2014, 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

#### Changes in Controlling Shareholder and De Facto Controller

On 6 August 2014, the Bank was notified by its controlling shareholder, that the name of the controlling shareholder had been changed from “CITIC Limited” to “CITIC Corporation Limited” and that the controlling shareholder and *de facto* controller of the Bank remained unchanged. Please refer to the relevant announcement published on the website of SSE ([www.sse.com.cn](http://www.sse.com.cn)), SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([bank.ecitic.com](http://bank.ecitic.com)) on 7 August 2014 for details.

## Changes in Share Capital and Shareholdings of Substantial Shareholders

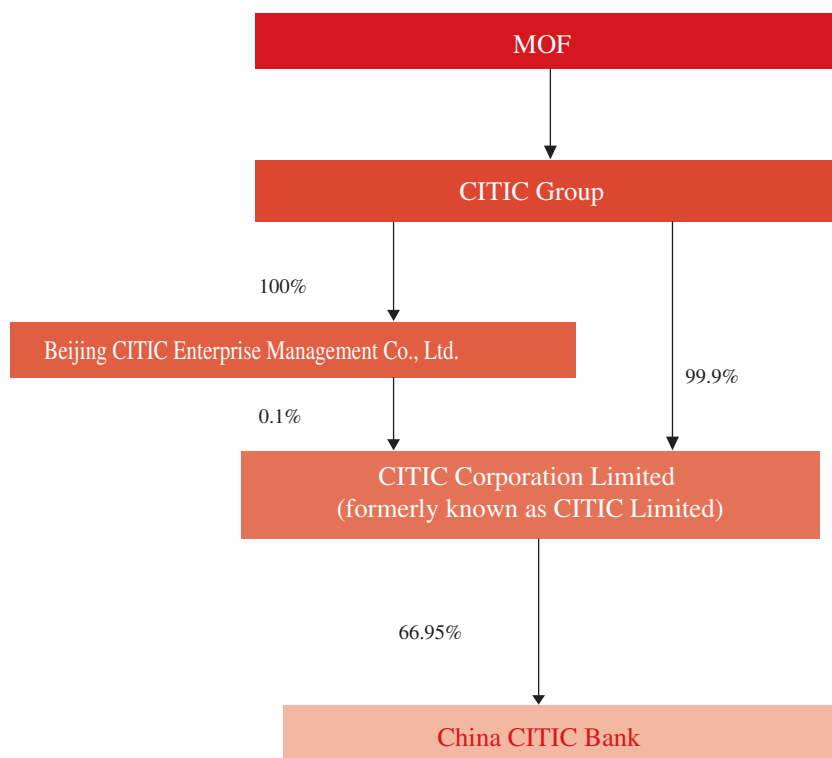
### Information about the Controlling Shareholder and De Facto Controller

As at the end of the reporting period, CITIC Corporation Limited (formerly known as CITIC Limited) is the controlling shareholder of the Bank, and CITIC Group is the *de facto* controller of the Bank. CITIC Corporation Limited (formerly known as CITIC Limited) directly owns 28,938,928,294 A shares and 2,386,153,679 H shares of the Bank, accounting for 61.85% and 5.10% of the total issued share capital of the Bank, respectively. CITIC Corporation Limited (formerly known as CITIC Limited) holds 66.95% of the Bank's total issued outstanding shares.

CITIC Group was established in 1979 with approval from the State Council, and entirely restructured into a wholly state-owned company in 2011. After rapid development for over three decades, CITIC Group has become the largest internationalized conglomerate in China, doing business in many different areas including but not limited to the financial sector, real estate and infrastructure, project contracting, energy and resources, manufacturing and others, and enjoying a leading status in most of the business areas. CITIC Group conducts its business mainly through CITIC Corporation Limited (formerly known as CITIC Limited).

On 16 April 2014, CITIC Group and its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd. entered into a share transfer agreement with CITIC Pacific Limited, pursuant to which CITIC Group and Beijing CITIC Enterprise Management Co., Ltd. agreed to transfer 100% of the total issued share capital of CITIC Corporation Limited (formerly known as CITIC Limited) to CITIC Pacific Limited. As at the end of the reporting period, the share transfer has not been completed. On 25 August 2014, the Company received notice from the controlling shareholder that the share transfer was completed on 25 August 2014. CITIC Pacific became the sole shareholder of the controlling shareholder of the Company, CITIC Corporation Limited (formerly known as CITIC Limited). The *de facto* controller of the Company remains unchanged, being CITIC Group.

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





# Directors, Supervisors, Senior Management and Staffs

## Basic Information on Directors, Supervisors and Senior Management of the Bank (as at the disclosure date of the report)

### Board of Directors

Name	Title	Name	Title
Chang Zhenming	Chairman, Non-executive Director	Chen Xiaoxian	First Vice Chairman, non-executive director
Zhu Xiaohuang	Non-executive Director	Dou Jianzhong	Non-executive Director
Li Qingping	Executive Director, President	Guo Ketong	Non-executive Director
Sun Deshun	Executive Director, First Vice President	Zhang Xiaowei	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

### Board of Supervisors

Name	Title	Name	Title
Ou-Yang Qian	Chairman of the Board of Supervisors	Zheng Xuexue	Supervisor
Luo Xiaoyuan	External Supervisor	Wang Xiuhong	External Supervisor
Li Gang	Employee Representative Supervisor	Deng Yuewen	Employee Representative Supervisor

### Senior Management

Name	Title	Name	Title
Li Qingping	Executive Director, President	Sun Deshun	Executive Director, First Vice President
Su Guoxin	Vice President	Cao Guoqiang	Vice President
Zhang Qiang	Vice President	Wang Lianfu	Secretary of the Committee for Disciplinary Inspection, Chairman of Trade Union
Zhu Jialin	Member of the Party Committee <sup>(Note)</sup>	Li Xin	Secretary to the Board of Directors

Note: The qualification for office of Mr. Zhu Jialin to be Vice President of the Bank is still subject to approval from the CBRC.

## 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 of the Bank, either incumbent or non-incumbent during the reporting period, held any shares, share options or shares with restrictions in the Bank.

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

In October 2013, the 17th meeting of the Third Board of Directors of the Bank adopted the resolution on nominating Ms. Li Qingping non-executive director of the Bank and Mr. Sun Deshun director of the Bank. In December 2013, the Third Extraordinary General Meeting of the Bank in 2013 elected Ms. Li Qingping non-executive director of the Bank and Mr. Sun Deshun executive director of the Bank. In March 2014, Ms. Li Qingping and Mr. Sun Deshun assumed office as directors of the Bank upon CBRC approval of their qualifications for office.

## Directors, Supervisors, Senior Management and Staffs

In December 2013, in order to meet relevant requirements of the CBRC Guidelines on Corporate Governance of Commercial Banks, Dr. Zhuang Yumin resigned her positions as external supervisor, member and Chairperson of the Nomination Committee and member of the Supervision Committee of the Board of Supervisors of the Bank upon expiry of her six-year term of external supervisor-ship at the Bank. In January 2014, Dr. Zhuang Yumin's resignation officially took effect upon election of the external supervisor Ms. Wang Xiuhong to fill in her vacancy.

In December 2013, the 13th Meeting of the Bank's Third Board of Supervisors adopted the resolution on nominating Ms. Wang Xiuhong external supervisor of the Bank and submitting the nomination proposal to the Bank's general meeting for approval. In January 2014, the First Extraordinary General Meeting of the Bank in 2014 elected Ms. Wang Xiuhong external supervisor of the Bank, effective immediately.

In April 2014, Ms. Liu Shulan resigned her positions as independent non-executive director, member of the Audit and Related Party Transactions Control Committee and member of the Nomination and Remuneration Committee of the Board of Directors due to personal constraints and time rearrangement, effective when her successor assumes office as independent non-executive director of the Board of Directors upon CBRC approval of her qualification for office.

In May 2014, the 2013 Annual General Meeting elected Mr. Yuan Ming independent non-executive director of the Bank, whose qualification for office is still subject to CBRC approval.

In May 2014, Dr. Zhu Xiaohuang resigned from his presidency of the Bank, which proposal was adopted by the 27th Meeting of the Bank's Third Board of Directors. In July 2014, Dr. Zhu Xiaohuang's resignation officially took effect when Ms. Li Qingping assumed office as president of the Bank upon CBRC approval of her qualification for office, upon which time Dr. Zhu Xiaohuang's board directorship simultaneously changed from executive to non-executive.

In May 2014, Ms. Li Qingping was nominated president candidate at the 27th Meeting of the Bank's Third Board of Directors. In July 2014, Ms. Li Qingping assumed office as president of the Bank upon CBRC approval of her qualification for office, with her board directorship simultaneously changed from non-executive to executive.

In June 2014, the 22nd Meeting of the Bank's Third Board of Directors adopted the relevant proposal on the appointment of Mr. Zhu Jialin to be a vice president of the Bank. Mr. Ju Jialin's qualification for office as vice president of the Bank is subject to CBRC approval.

In August 2014, the 28th Meeting of the Bank's Third Board of Directors adopted the relevant proposals on the appointment of Mr. Fang Heying and Mr. Guo Danghuai to be vice presidents of the Bank. Their qualifications for office as vice presidents of the Bank are subject to CBRC approval.

### I 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 better staffing of management at the Head Office departments as well as the branches and sub-branches, enhancing human resources mechanisms such as the performance evaluation, appointment and removal systems, making reasonable adjustment to managers at branches directly managed by the Head Office and at various departments of the Head Office, building adequate reserve human resources, and promoting exchanges of managers. In addition, the Bank intensified efforts to sort out and analyze available jobs, define departmental duties and job responsibilities, and set up clear job descriptions. Other areas of improvement included scientific planning of human resources, reasonable set-up of internal organizational structures, better recruitment, and 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 revise and refine its job-specific remuneration system including standardizing the welfare and insurance mechanisms and optimization of the remuneration structure and reinforcing the role of incentives. Knowledge training and professional communications enjoyed marked enhancement, resulting in higher level of IT-based management of human resources, greater awareness of service and promotion of business development.

As at the end of the reporting period, the Bank (excluding its subsidiaries) had 46,701 full-time employees, including 39,757 under labor contracts with the Bank, 6,944 dispatched to the Bank or hired with letters of engagement by the Bank, and 580 retirees.

## *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 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, and ensuring clear division of duties, mutual cooperation and effective check and balance between decision-making, executive and supervisory bodies.

During the reporting period, the Bank assessed performance of the directors in 2013 in accordance with the CBRC regulatory requirements and its own internal regulations, and produced assessment reports thereof. All directors of the Bank were assessed to have performed their due diligence in 2013. For the purpose of escalating its operation quality, realizing its strategic objectives, maintaining its competitive advantages and achieving sustainable development, the Bank diversified membership of its Board of Directors pursuant to Code A.5.6 of the Corporate Governance Code, set out in Appendix 14 to the Hong Kong Listing Rules. The 14th Meeting of the Nomination and Remuneration Committee of the Third Board of Directors of the Bank put forward the proposal on the Policy of CITIC Bank on Diversification of Board Membership, which was adopted by the 28th Meeting of the Third Board of Directors. The policy, executed under the supervision of the Nomination and Remuneration Committee, required the Bank to consider diversification of directors from multiple perspectives when setting up the composition of its board membership, including but not limited to competence, skills, knowledge, industry and professional experiences, cultural and educational backgrounds, gender, age, race and other factors. Engagement of each board director shall be made after comprehensive consideration of the competence, skills, knowledge, and experiences needed for overall operation of the Board of Directors. The Nomination and Remuneration Committee was of the opinion that the members of the Board of Directors for the reporting period complied with requirements of the Bank's Policy on Diversification of Board Membership.

### **I General Meeting, Board of Directors and Board of Supervisors**

During the reporting period, the Bank convened two general meetings, eight meetings of the Board of Directors and six 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.

#### **General Meeting**

During the reporting period, the Bank convened two general meetings, i.e., the 2013 Annual General Meeting and the First Extraordinary General Meeting in 2014. The meetings were convened in strict compliance with the listing rules of the two listing venues. The General Meeting of the Bank makes decisions on material matters of the Bank according to law. The above-mentioned two general meetings deliberated and adopted the proposals on the 2013 Work Report of the Board of Directors, the 2013 Work Report of the Board of Supervisors, the 2013 Annual Report, the 2013 Annual Financial Report, the Financial Budget Plan for 2014, the 2013 Profit Distribution Plan, the 2014 Plan for Engagement of Auditors and Their Remunerations, the Application for the 2014 Annual Caps of Credit Extension Connected Transactions with Related-Party Entities, the Application for the 2014 Annual Caps of non-Credit Extension Connected Transactions with Related-Party Entities, the Special Report of CITIC Bank on Related Party Transactions in 2013, the Purchase of Part of the Properties of Project CBD-Z15, Election of Mr. Yuan Ming Independent Non-executive Director of the Board of Directors of China CITIC Bank Corporation Limited, Amendment of the Articles of Association, Amendment of the Rules of Procedure of the General Meeting, Amendment of the Rules of Procedure of the Board of Directors, Amendment of the Rules of Procedure of the Board of Supervisors, the Plan of CITIC Bank on Verification and Increase in Write-offs of Non-performing Asset in 2013, and Election of Ms. Wang Xiuhong External Supervisor of the Third Board of Supervisors, etc. 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 14 members, including two executive directors, seven non-executive directors and five independent non-executive directors.

During the reporting period, the Board of Directors convened eight meetings at which the Board adopted the proposals on the 2013 Work Report of the Board of Directors, the 2013 Annual Report, the 2013 Social Responsibility Report, the 2013 Internal Control Assessment Report, the 2014 Financial Budget Plan, the 2013 Profit Distribution Plan, the 2014 Plan for Engagement of Auditors and Their Remunerations, the Purchase of Part of the Properties of the Project CBD-Z15, Convening of the 2013 Annual General Meeting, the First Quarterly Report of 2014, the Application for the 2014 Annual Caps of Credit Extension Connected Transactions with Related-Party Entities, the Application for the 2014 Annual Caps of non-Credit Extension Connected Transactions with Related-Party Entities, Amendment of the Articles of Association, Amendment of the Rules of Procedure of the General Meeting, Amendment of the Rules of Procedure of the Board of Directors, the 2014 Institutional Development Plan, Approval of Mr. Zhu Xiaohuang's Resignation from the Presidency of China CITIC Bank Corporation Limited, Engaging Ms. Li Qingping as President of China CITIC Bank Corporation Limited, Engaging Mr. Zhu Jianlin as Vice President of China CITIC Bank Corporation Limited, and Increasing Registered Capital of China Investment and Finance Limited (a controlled subsidiary of the Bank), and presented these proposals to the general meeting for voting and resolution. As such, the Board of Directors effectively performed its due diligence.

During the reporting period, the independent non-executive directors of the Bank actively performed their due diligence. They participated in deliberation of proposals and hearing of reports on the Board of Directors and its special committees, conducted surveys at branches, and expressed independent opinions on material matters in a timely manner. Particulars are set in the following table.

#### Attendance of meetings during the reporting period

Name	Board of Directors	Audit and Related-party Transactions Control Committee	Risk Management Committee	Nomination and Remuneration Committee
Li Zheping	8/8	6/6	1/1	—
Xing Tiancai	8/8	6/6	—	4/4
Liu Shulan	8/8	6/6	—	4/4
Wu Xiaoqing	8/8	6/6	1/1	4/4
Wong Luen Cheung Andrew	8/8	6/6	—	4/4

Note: Attendance times/number of meetings convened during the reporting period.

#### Surveys conducted during the reporting period

In February 2014, independent non-executive director Xing Tiancai conducted a survey on the annual report at Qingdao Branch.

In February 2014, independent non-executive director Liu Shulan conducted a survey on the annual report at the Risk Management Department of the Head Office of the Bank.

In February 2014, independent non-executive director Wu Xiaoqing conducted a survey on the annual report at Haikou Branch.

In March 2014, independent non-executive director Li Zheping conducted a survey on the annual report at Jinan Branch.

In March 2014, independent non-executive director Wong Luen Cheung Andrew conducted a survey on the annual report at Chongqing Branch.

#### Independent opinions expressed during the reporting period

During the reporting period, independent non-executive directors of the Bank expressed independent opinions on material matters such as the annual report, connected transactions, and engagement of senior management in a timely manner, and signed letters of endorsement on such independent opinions.

## Board of Supervisors

The Board of Supervisors consists of six members, including two external supervisors, two shareholder representative supervisors and two employee representative supervisors.

During the reporting period, the Board of Supervisors of the Bank held six meetings, at which the supervisors deliberated and adopted the proposals on the 2013 Annual Report, the 2013 Social Responsibility Report, the 2013 Report on Internal Control Assessment, the 2013 Profit Distribution Plan, the 2013 Annual Work Report of the Board of Supervisors, the First Quarterly Report of 2014 and Amendment of the Rules of Procedure of the Board of Supervisors.

During the reporting period, the external supervisors of the Bank actively performed their due diligence. They participated in deliberation of proposals and hearing of reports on the Board of Supervisors and its special committees, and conducted surveys at branches. Particulars are set in the following table.

### Attendance of meetings during the reporting period

Name	Board of Supervisors	Supervision Committee	Nomination Committee
Zhuang Yumin	1/6	—	—
Luo Xiaoyuan	6/6	2/2	2/2
Wang Xiuhong	5/6	—	—

- Notes: 1. Attendance times/number of meetings convened during the reporting period.  
 2. Supervisor Wang Xiuhong took office on 27 January 2014 and attended all meetings of the Board of Supervisors convened since she assumed office.  
 3. Supervisor Zhuang Yumin left office on 27 January 2014 and attended all meetings of the Board of Supervisors convened prior to her departure.

### Surveys conducted during the reporting period

In March 2014, External Supervisors Luo Xiaoyuan and Wang Xiuhong conducted a survey on compliance business at Guangzhou Branch.

## Senior Management

The Bank's senior management consists of eight members, including one president, six 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 its disclosures 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 nearly 40 announcements home and overseas for the reporting period.

### | Management of Related Party Transactions

The Board of Directors and its Audit and Related Party Transactions Control Committee attach great importance to the management of related party transactions and have carefully performed their duties of review, approval and supervision in relation to the management of related parties and related party transactions to ensure lawfulness and compliance of related party transactions conducted throughout the Bank.

During the reporting period, the Bank strictly adhered to the regulatory requirements in Shanghai and Hong Kong and comprehensively enhanced management of related party transactions to open up a nice picture for the work of the whole year. Specifics include: first, the Bank reinforced dynamic management and updating of related parties and reproduced its list of related parties covering 1,658 related enterprises; second, the Bank successfully applied for 2014 annual caps of credit extension and non-credit extension related party transactions, expanded the coverage of business classes, and greatly upgraded efficiency of business review and approval; third, the Bank promoted development of the related party transaction system for better electronic management of connected transactions; fourth, the Bank compiled the Knowledge Handbook on Related Party Transactions Involving Directors, Supervisors and Senior Management, introducing knowledge of related party transactions by way of lively cartoons to further enhance compliance awareness of the entire Bank; and fifth, performed procedures on review, approval and disclosure of related party transactions and daily monitoring thereof to ensure conduct of related party transactions bank-wide is in compliance with laws.

### | Management of Investor Relations

Following the principle of compliance, fairness and 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 provides more convenient and higher-quality services to investors.

During the reporting period, the Bank participated in nearly 40 external large-scale investors' forums and routine meetings with investors, organized one annual results release, and conducted road shows in Europe, the Middle East, USA, Hong Kong SAR and many places in mainland China in conjunction with the release of the annual results. Senior management members of the Bank participated in important investor activities such as results releases and road shows at home and abroad in person for in-depth communications 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.

# Independent Auditor's Review Report

**Independent review report to the Board of Directors of China CITIC Bank Corporation Limited**  
(a joint stock 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 78 to 179 which comprises the consolidated and Bank statements of financial position as at 30 June 2014 and the related consolidated statement of profit or loss and other 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 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

### **KPMG**

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

28 August 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2014 Unaudited	2013 Unaudited
Interest income		102,280	75,198
Interest expense		(56,666)	(34,724)
<b>Net interest income</b>	3	<b>45,614</b>	40,474
Fee and commission income		13,497	8,581
Fee and commission expense		(690)	(604)
<b>Net fee and commission income</b>	4	<b>12,807</b>	7,977
Net trading gain	5	2,712	1,170
Net gain from investment securities	6	800	73
Other operating income		168	380
<b>Operating income</b>		<b>62,101</b>	50,074
Operating expenses	7	(21,086)	(17,940)
<b>Operating Profit before impairment</b>		<b>41,015</b>	32,134
Impairment losses on			
– Loans and advances to customers	8	(10,914)	(4,719)
– Others	8	(703)	(170)
<b>Total impairment losses</b>		<b>(11,617)</b>	(4,889)
Revaluation (loss)/gain on investment properties		(1)	1
Share of gain/(loss) of associates		106	(3)
<b>Profit before tax</b>		<b>29,503</b>	27,243
Income tax	9	(7,078)	(6,600)
<b>Net profit</b>		<b>22,425</b>	20,643
<b>Other comprehensive income for the period</b>			
Items that may be reclassified subsequently to profit or loss when specific conditions are met (net of tax)			
Available-for-sale financial assets: net movement in fair value reserve		3,399	(480)
Exchange difference on translating foreign operations		148	(266)
Other comprehensive income of associates		(45)	12
Items that will not be reclassified to profit or loss (net of tax)			
Net changes on the measurement of defined benefit plans		(7)	—
<b>Other comprehensive income/(loss), net of tax</b>	10	<b>3,495</b>	(734)
<b>Total comprehensive income</b>		<b>25,920</b>	19,909
<b>Net profit attributable to:</b>			
Shareholders of the Bank		22,034	20,391
Non-controlling interests		391	252
		<b>22,425</b>	20,643
<b>Total comprehensive income attribute to:</b>			
Shareholders of the Bank		25,476	19,769
Non-controlling interests		444	140
		<b>25,920</b>	19,909
<b>Basic and diluted earnings per share (RMB)</b>	11	<b>0.47</b>	0.44

The notes on pages 85 to 179 form part of the unaudited interim financial report.



# Consolidated Statement of Financial Position

As at 30 June 2014  
(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2014 Unaudited	31 December 2013 Audited
<b>Assets</b>			
Cash and balances with central bank	12	597,719	496,476
Deposits with banks and non-bank financial institutions	13	137,642	131,711
Precious metals		673	—
Placements with banks and non-bank financial institutions	14	110,202	122,314
Financial assets at fair value through profit or loss	15	20,033	11,018
Positive fair value of derivatives	16	7,210	7,749
Financial assets held under resale agreements	17	384,382	286,767
Interest receivable	18	21,428	15,545
Loans and advances to customers	19	2,070,500	1,899,921
Available-for-sale financial assets	20	185,935	177,960
Held-to-maturity investments	21	158,781	154,849
Investment classified as receivables	22	563,697	300,158
Investments in joint ventures and associates	23	2,260	2,176
Fixed assets	25	13,520	13,734
Intangible assets	26	358	363
Investment properties	27	279	277
Goodwill	28	800	792
Deferred tax assets	29	8,519	8,434
Other assets	30	27,249	10,949
<b>Total assets</b>		<b>4,311,187</b>	<b>3,641,193</b>
<b>Liabilities</b>			
Deposits from banks and non-bank financial institutions	32	790,134	559,667
Placements from banks and non-bank financial institutions	33	39,558	41,952
Financial liabilities at fair value through profit or loss	34	615	—
Negative fair value of derivatives	16	6,561	6,853
Financial assets sold under repurchase agreements	35	8,999	7,949
Deposits from customers	36	3,053,213	2,651,678
Accrued staff costs	37	9,169	10,500
Taxes payable	38	4,826	4,355
Interest payable	39	35,178	28,143
Provisions	40	39	71
Debt certificates issued	41	88,086	76,869
Other liabilities	42	28,111	22,431
<b>Total liabilities</b>		<b>4,064,489</b>	<b>3,410,468</b>

The notes on pages 85 to 179 form part of the unaudited interim financial report.

## Consolidated Statement of Financial Position (Continued)

As at 30 June 2014

(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2014 Unaudited	31 December 2013 Audited
<b>Equity</b>			
Share capital	43	46,787	46,787
Share premium and other reserve	44	49,496	49,503
Investment revaluation reserve	45	(1,396)	(4,769)
Surplus reserve	46	15,495	15,495
General reserve	47	44,340	44,340
Retained earnings		86,934	76,690
Exchange difference		(2,369)	(2,445)
<b>Total equity attributable to shareholders of the Bank</b>		<b>239,287</b>	225,601
Non-controlling interests	48	7,411	5,124
<b>Total equity</b>		<b>246,698</b>	230,725
<b>Total liabilities and equity</b>		<b>4,311,187</b>	3,641,193

Approved and authorised for issue by the board of directors on 28 August 2014.

**Chang Zhenming**  
Chairman

**Li Qingping**  
President

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

**Lu Wei**  
General Manager  
of Budget and  
Finance Department

**Company stamp**

The notes on pages 85 to 179 form part of the unaudited interim financial report.

# Statement of Financial Position

As at 30 June 2014  
(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2014 Unaudited	31 December 2013 Audited
<b>Assets</b>			
Cash and balances with central bank	12	595,904	494,316
Deposits with banks and non-bank financial institutions	13	136,844	124,860
Precious metals		673	—
Placements with banks and non-bank financial institutions	14	86,542	98,414
Financial assets at fair value through profit or loss	15	20,021	10,966
Positive fair value of derivatives	16	4,905	5,866
Financial assets held under resale agreements	17	384,382	286,816
Interest receivable	18	20,811	14,976
Loans and advances to customers	19	1,952,085	1,798,983
Available-for-sale financial assets	20	165,701	160,636
Held-to-maturity investments	21	158,781	154,788
Investment classified as receivables	22	563,697	300,158
Investment in subsidiaries	24	9,986	9,986
Fixed assets	25	12,976	13,188
Intangible assets	26	357	363
Deferred tax assets	29	8,524	8,410
Other assets	30	26,231	10,251
<b>Total assets</b>		<b>4,148,420</b>	<b>3,492,977</b>
<b>Liabilities</b>			
Deposits from banks and non-bank financial institutions	32	803,775	571,234
Placements from banks and non-bank financial institutions	33	38,791	38,512
Financial liabilities at fair value through profit or loss	34	615	—
Negative fair value of derivatives	16	4,807	5,620
Financial assets sold under repurchase agreements	35	7,327	6,468
Deposits from customers	36	2,915,043	2,529,488
Accrued staff costs	37	8,717	10,043
Taxes payable	38	4,437	4,199
Interest payable	39	34,529	27,552
Provisions	40	35	71
Debt certificates issued	41	67,801	56,439
Other liabilities	42	26,571	19,995
<b>Total liabilities</b>		<b>3,912,448</b>	<b>3,269,621</b>
<b>Equity</b>			
Share capital	43	46,787	46,787
Share premium and other reserve	44	51,630	51,637
Investment revaluation reserve	45	(1,401)	(4,750)
Surplus reserve	46	15,495	15,495
General reserve	47	44,250	44,250
Retained earnings		79,211	69,937
<b>Total equity</b>		<b>235,972</b>	<b>223,356</b>
<b>Total liabilities and equity</b>		<b>4,148,420</b>	<b>3,492,977</b>

Approved and authorised for issue by the board of directors on 28 August 2014.

**Chang Zhenming**  
Chairman

**Li Qingping**  
President

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

**Lu Wei**  
General Manager  
of Budget and  
Finance Department

**Company stamp**

The notes on pages 85 to 179 form part of the unaudited interim financial report.

## Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2014

(Expressed in millions of Renminbi unless otherwise stated)

	Note	Investment							Exchange difference	Non-controlling interests	Total equity
		Share capital	Share premium	Other reserve	Revaluation Reserve	Surplus reserve	General reserve	Retained earnings			
As at 1 January 2014		46,787	49,214	289	(4,769)	15,495	44,340	76,690	(2,445)	5,124	230,725
Movements during the period											
(I) Net profit		—	—	—	—	—	—	22,034	—	391	22,425
(II) Other comprehensive income	10	—	—	(7)	3,373	—	—	—	76	53	3,495
Total comprehensive income		—	—	(7)	3,373	—	—	22,034	76	444	25,920
(III) Capital contribution by owners											
1. Capital contributed by holders of other equity instruments		—	—	—	—	—	—	—	—	1,825	1,825
2. Non controlling interest of a new tie 2 subsidiary		—	—	—	—	—	—	—	—	18	18
(IV) Profit appropriations											
Appropriations to shareholders	49	—	—	—	—	—	—	(11,790)	—	—	(11,790)
As at 30 June 2014		46,787	49,214	282	(1,396)	15,495	44,340	86,934	(2,369)	7,411	246,698

	Note	Investment							Exchange difference	Non-controlling interests	Total equity
		Share Capital	Share premium	Other reserve	Revaluation Reserve	Surplus reserve	General reserve	Retained earnings			
As at 31 December 2012		46,787	49,214	274	(185)	11,709	35,326	57,351	(2,120)	4,730	203,086
Changes in accounting policy		—	—	18	—	—	—	(18)	—	—	—
As at 1 January 2013		46,787	49,214	292	(185)	11,709	35,326	57,333	(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		—	—	—	—	—	—	(7,018)	—	—	(7,018)
As at 30 June 2013		46,787	49,214	290	(627)	11,709	35,326	70,706	(2,298)	4,870	215,977

	Note	Investment							Exchange difference	Non-controlling interests	Total equity
		Share Capital	Share premium	Other reserve	Revaluation reserve	Surplus reserve	General reserve	Retained earnings			
As at 31 December 2012		46,787	49,214	274	(185)	11,709	35,326	57,351	(2,120)	4,730	203,086
Changes in accounting policy		—	—	18	—	—	—	(18)	—	—	—
As at 1 January 2013		46,787	49,214	292	(185)	11,709	35,326	57,333	(2,120)	4,730	203,086
Movements during the year											
(I) Net profit		—	—	—	—	—	—	39,175	—	542	39,717
(II) Other comprehensive income		—	—	(3)	(4,584)	—	—	—	(325)	(148)	(5,060)
Total comprehensive income		—	—	(3)	(4,584)	—	—	39,175	(325)	394	34,657
(III) Profit appropriations											
1. Appropriations to surplus reserve	46	—	—	—	—	3,786	—	(3,786)	—	—	—
2. Appropriations to general reserve	47	—	—	—	—	—	9,014	(9,014)	—	—	—
3. Appropriations to shareholders		—	—	—	—	—	—	(7,018)	—	—	(7,018)
As at 31 December 2013		46,787	49,214	289	(4,769)	15,495	44,340	76,690	(2,445)	5,124	230,725

The notes on pages 85 to 179 form part of the unaudited interim financial report.

# Consolidated Cash Flow Statement

For the six months ended 30 June 2014  
(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2014 Unaudited	2013 Unaudited
<b>Operating activities</b>		
Profit before tax	29,503	27,243
Adjustments for:		
– Revaluation (gain)/loss on investments, derivatives and investment properties	(631)	117
– Investment gains	(275)	(48)
– Net gain on disposal of fixed assets, intangible assets and other assets	–	(14)
– Unrealised foreign exchange (gain)/loss	(329)	124
– Impairment loss	11,617	4,889
– Depreciation and amortisation	1,055	865
– Interest expense on debt certificates issued	1,752	1,104
– Dividend income from equity investment	(63)	(22)
– Income tax paid	(7,916)	(7,427)
	<b>34,713</b>	<b>26,831</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in balances with central bank	(31,979)	(61,080)
Increase in deposits with banks and non-bank financial institutions	(8,425)	(5,558)
Decrease in placements with banks and non-bank financial institutions	35,168	38,892
Increase in financial assets at fair value through profit or loss	(14,057)	(9,045)
Increase in financial liabilities at fair value through profit or loss	613	–
Increase in financial assets held under resale agreements	(97,642)	(148,627)
Increase in loans and advances to customers	(165,984)	(167,010)
Increase in investment classified as receivables	(263,639)	(84,232)
Increase in deposits from banks and non-bank financial institutions	230,258	72,222
(Decrease)/increase in placements from banks and non-bank financial institutions	(2,746)	16,190
Increase in financial assets sold under repurchase agreements	1,034	6,139
Increase in deposits from customers	398,829	365,195
Increase in other operating assets	(20,209)	(3,311)
(Decrease)/increase in other operating liabilities	(5,862)	775
<b>Net cash flows from in operating activities</b>	<b>90,072</b>	<b>47,381</b>

The notes on pages 85 to 179 form part of the unaudited interim financial report.

## Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2014  
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2014 Unaudited	2013 Unaudited
<b>Investing activities</b>			
Proceeds from disposal and redemption of investments		289,349	288,028
Proceeds from disposal of fixed assets, land use rights, and other assets		4	99
Cash received from equity investment income		63	22
Payments on acquisition of investments		(289,320)	(325,980)
Payments on acquisition of fixed assets, land use rights and other assets		(1,102)	(1,041)
<b>Net cash flows used in investing activities</b>		<b>(1,006)</b>	<b>(38,872)</b>
<b>Financing activities</b>			
Cash received from debt certificates issued		14,182	4,612
Cash received from other equity instruments issued		1,825	—
Cash received from non controlling interest of new tie 2 subsidiary		18	—
Cash paid for redemption of debt certificates issued		(3,000)	(5,408)
Interest paid on debt certificates issued		(2,182)	(2,096)
<b>Net cash flows from/(used) financing activities</b>		<b>10,843</b>	<b>(2,892)</b>
<b>Net increase in cash and cash equivalents</b>		<b>99,909</b>	<b>5,617</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>199,643</b>	<b>336,828</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>3,128</b>	<b>(1,490)</b>
<b>Cash and cash equivalents as at 30 June</b>	50	<b>302,680</b>	<b>340,955</b>
<b>Cash flows from operating activities include:</b>			
Interest received		96,513	74,790
Interest paid, excluding interest expense on debt certificates issued		(47,456)	(33,035)

The notes on pages 85 to 179 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” or “Mainland China”) 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.

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, respectively.

As at 30 June 2014, 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.

For the purpose of this interim financial report, Mainland China refers to the PRC excluding the 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.

The interim financial report was approved by the Board of Directors of the Bank on 28 August 2014.

## 2 Basis of preparation

### (a) 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 2013. 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 2013.

### (b) 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.

### (c) Significant accounting policies

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”, including IASs) as of 1 January 2014. The principal effects of adopting these revised IFRSs are as follows:

*Amendments to IFRS 10- Consolidated financial statements, IFRS 12- Disclosure of interests in other entities and IAS 27- Separate financial statements, Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. The adoption does not have any material impact on the Group’s interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 2 Basis of preparation (Continued)

### (c) Significant accounting policies (Continued)

#### *Amendments to IAS 32- Financial instruments: presentation, Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments to IAS 32 clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments do not have any material impact on the Group’s interim financial report.

#### *Amendments to IAS 36- Impairment of assets, Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have any material impact on the Group’s interim financial report.

#### *Amendments to IAS 39- Financial instruments: recognition and measurement, Novation of derivatives and continuation of hedge accounting*

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have any material impact on the Group’s interim financial report.

#### *IFRIC 21, Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have any material impact on the Group’s interim financial report.

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

### (d) 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 28 August 2014. The interim financial report is unaudited, but has 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 2013 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 statements in the report dated 27 March 2014.



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 3 Net interest income

	Six months ended 30 June	
	2014	2013
<b>Interest income arising from (note (a)):</b>		
Deposits with central banks	3,686	3,387
Deposits with banks and non-bank financial institutions	3,651	3,100
Placements with banks and non-bank financial institutions	3,047	2,656
Financial assets held under resale agreements	7,230	4,738
Investment classified as receivables	14,865	829
Loans and advances to customers		
– corporate loans	46,979	40,800
– personal loans	14,421	10,838
– discounted bills	1,962	2,286
Investments in debt securities	6,438	6,563
Others	1	1
	<b>102,280</b>	<b>75,198</b>
<b>Interest expense arising from:</b>		
Deposits from banks and non-bank financial institutions	(20,159)	(7,570)
Placements from banks and non-bank financial institutions	(904)	(358)
Financial assets sold under repurchase agreements	(482)	(117)
Deposits from customers	(33,367)	(25,575)
Debt certificates issued	(1,752)	(1,104)
Others	(2)	—
	<b>(56,666)</b>	<b>(34,724)</b>
<b>Net interest income</b>	<b>45,614</b>	<b>40,474</b>

Notes:

- (a) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB235 million for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB130 million).

## 4 Net fee and commission income

	Six months ended 30 June	
	2014	2013
<b>Fee and commission income</b>		
Bank card fees	3,679	2,445
Consultancy and advisory fees	3,336	2,262
Guarantee fees	1,805	1,125
Commission for wealth management services	1,773	950
Settlement fees	1,219	843
Agency fees and commission (note(a))	810	542
Commission for custodian business and other fiduciary	783	407
Others	92	7
<b>Total</b>	<b>13,497</b>	<b>8,581</b>
Fee and commission expense	(690)	(604)
<b>Net fee and commission income</b>	<b>12,807</b>	<b>7,977</b>

Note:

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

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 5 Net trading gain

	Six months ended 30 June	
	2014	2013
Trading profit:		
– debt securities	663	201
– foreign currencies	696	784
– derivatives	1,313	184
– financial instrument designated at fair value through profit or loss	14	1
– others	26	—
<b>Total</b>	<b>2,712</b>	<b>1,170</b>

## 6 Net gain from investment securities

	Six months ended 30 June	
	2014	2013
Net gain/(loss) from sale of available-for-sale securities	656	(87)
Net revaluation (loss)/gain reclassified from other comprehensive income on disposal	(496)	136
Others	640	24
<b>Total</b>	<b>800</b>	<b>73</b>

## 7 Operating expenses

	Six months ended 30 June	
	2014	2013
Staff costs		
– salaries and bonuses	7,215	6,144
– social insurance	971	760
– welfare expenses	473	406
– housing fund	463	301
– labour union expenses and employee education expenses	298	255
– housing allowance	167	133
– defined contribution retirement schemes	166	139
– supplementary retirement benefits	1	2
– others	90	69
<b>Subtotal</b>	<b>9,844</b>	<b>8,209</b>
Property and equipment expenses		
– rent and property management expenses	1,799	1,249
– depreciation	672	553
– amortisation expenses	383	312
– electronic equipment operating expenses	262	171
– maintenance	149	166
– others	129	223
<b>Subtotal</b>	<b>3,394</b>	<b>2,674</b>
Business tax and surcharges	4,350	3,588
Other general and administrative expenses	3,498	3,469
<b>Total</b>	<b>21,086</b>	<b>17,940</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 8 Impairment losses on assets

	Six months ended 30 June	
	2014	2013
Impairment losses charged on/(reversed from)		
– Placements with banks and non-bank financial institutions	(7)	1
– Loans and advances to customers	10,914	4,719
– Available-for-sale financial assets	5	(9)
– Held-to-maturity investments	(4)	(82)
– Off-balance sheet items	58	57
– Repossessed assets	79	(13)
– Others	472	216
– Investment classified as receivables	100	—
<b>Total</b>	<b>11,617</b>	<b>4,889</b>

## 9 Income tax

### (a) Recognised in the statement of profit or loss and other comprehensive income

	Six months ended 30 June	
	2014	2013
Current tax		
– Mainland China	8,074	6,825
– Hong Kong	223	146
– Overseas	12	3
Deferred tax	(1,231)	(374)
<b>Income tax</b>	<b>7,078</b>	<b>6,600</b>

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

	Six months ended 30 June	
	2014	2013
Profit before tax	29,503	27,243
Income tax calculated at statutory tax rate	7,376	6,811
Effect of different tax rates in other regions	(143)	(84)
Tax effect of non-deductible expenses (Note (i))	291	178
Tax effect of non-taxable income		
– Interest income arising from PRC government bonds	(343)	(275)
– Others	(103)	(30)
<b>Income tax</b>	<b>7,078</b>	<b>6,600</b>

Note:

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

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 10 Other comprehensive gain/(loss), net of tax

	Six months ended 30 June	
	2014	2013
(I) Items that may be reclassified subsequently to profit or loss when specific conditions are met		
Other comprehensive income of available-for-sale financial assets		
– Net changes in fair value recognised during the period	4,045	(491)
– Net amount transferred to profit or loss	496	(136)
Income tax relating to other comprehensive income of available-for-sale financial assets	(1,142)	147
Other comprehensive income/(loss) for available-for-sale financial assets, net of tax	3,399	(480)
Shares of other comprehensive (loss)/income of associates	(45)	12
Exchange differences on translation	148	(266)
(II) Items that will not be reclassified to profit or loss		
Changes on the measurement of defined benefit plans (net of tax)	(7)	—
Net other comprehensive income/(loss) during the period	3,495	(734)

## 11 Earnings per share

Earnings per share information for the six months ended 30 June 2014 and 2013 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 2014 and 2013.

	Six months ended 30 June	
	2014	2013
Net profit attributable to shareholders of the Bank	22,034	20,391
Weighted average number of shares (in million shares)	46,787	46,787
Basic and diluted earnings per share (in RMB)	0.47	0.44

## 12 Cash and balances with central banks

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Cash	6,542	6,848	6,344	6,617
Balances with central banks				
– Statutory deposit reserve funds (note (a))	452,137	419,932	450,911	418,402
– Surplus deposit reserve funds (note (b))	135,607	66,056	135,216	65,657
– Fiscal deposits	3,433	3,640	3,433	3,640
Total	597,719	496,476	595,904	494,316

Notes:

- (a) 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 2014, the statutory deposit reserve placed with the PBOC was calculated at 18% (31 December 2013: 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 2013: 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.

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

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

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

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

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– Banks	91,291	106,968	90,576	102,055
– Non-bank financial institutions	4,152	3,932	4,152	8,460
Subtotal	95,443	110,900	94,728	110,515
Outside Mainland China				
– Banks	41,286	17,757	42,116	14,345
– Non-bank financial institutions	913	3,054	—	—
Subtotal	42,199	20,811	42,116	14,345
Gross balance	137,642	131,711	136,844	124,860
Less: Allowances for impairment losses	—	—	—	—
Net balance	137,642	131,711	136,844	124,860

### (b) Analysed by remaining maturity

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Demand deposits	68,654	42,727	67,995	36,010
Time deposits with remaining maturity				
– within one month	17,273	29,290	17,183	29,187
– between one month and one year	49,565	57,706	49,516	57,675
– over one year	2,150	1,988	2,150	1,988
Subtotal	68,988	88,984	68,849	88,850
Gross balance	137,642	131,711	136,844	124,860
Less: Allowances for impairment losses	—	—	—	—
Net balance	137,642	131,711	136,844	124,860

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

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

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

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China					
– Banks		<b>63,598</b>	94,553	<b>42,138</b>	72,966
– Non-bank financial institutions		<b>34,792</b>	21,197	<b>34,792</b>	21,197
Subtotal		<b>98,390</b>	115,750	<b>76,930</b>	94,163
Outside Mainland China					
– Banks		<b>11,820</b>	6,579	<b>8,799</b>	3,231
– Non-bank financial institutions		—	—	<b>821</b>	1,035
Subtotal		<b>11,820</b>	6,579	<b>9,620</b>	4,266
Gross balance		<b>110,210</b>	122,329	<b>86,550</b>	98,429
Less: Allowances for impairment losses	31	<b>(8)</b>	(15)	<b>(8)</b>	(15)
Net balance		<b>110,202</b>	122,314	<b>86,542</b>	98,414

### (b) Analysed by remaining maturity

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Within one month		<b>53,790</b>	27,747	<b>45,965</b>	22,379
Between one month and one year		<b>56,354</b>	94,447	<b>40,556</b>	75,942
Over one year		<b>66</b>	135	<b>29</b>	108
Gross balance		<b>110,210</b>	122,329	<b>86,550</b>	98,429
Less: Allowances for impairment losses	31	<b>(8)</b>	(15)	<b>(8)</b>	(15)
Net balance		<b>110,202</b>	122,314	<b>86,542</b>	98,414

## 15 Financial assets at fair value through profit or loss

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Held for trading purpose:					
Debt trading financial assets	(a)	<b>19,208</b>	10,966	<b>19,208</b>	10,966
Investment funds		<b>2</b>	2	—	—
Financial assets designated at fair value through profit or loss	(b)	<b>823</b>	50	<b>813</b>	—
Total		<b>20,033</b>	11,018	<b>20,021</b>	10,966

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

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 15 Financial assets at fair value through profit or loss (Continued)

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

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– Government	41	5,109	41	5,109
– Policy banks	1,683	286	1,683	286
– Banks and non-bank financial institutions	9,478	2,215	9,478	2,215
– Corporate entities	7,975	3,356	7,975	3,356
Subtotal	19,177	10,966	19,177	10,966
Outside Mainland China				
– Government	31	—	31	—
Subtotal	31	—	31	—
Total	19,208	10,966	19,208	10,966
Listed in Hong Kong	676	—	676	—
Listed outside Hong Kong	198	1	198	1
Unlisted	18,334	10,965	18,334	10,965
Total	19,208	10,966	19,208	10,966

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

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– Government	10	10	—	—
– Banks and non-bank financial institutions	258	—	258	—
– Corporate entities	555	40	555	—
Subtotal	823	50	813	—
Outside Mainland China				
– Banks and non-bank financial institutions	—	—	—	—
Subtotal	—	—	—	—
Total	823	50	813	—
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	—	—	—	—
Unlisted	823	50	813	—
Total	823	50	813	—

# Notes to the Unaudited Interim Financial Report

(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(c)), are held for trading. 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.

	<b>The Group</b>					
	<b>30 June 2014</b>			<b>31 December 2013</b>		
	<b>Nominal amount</b>	<b>Assets</b>	<b>Liabilities</b>	Nominal amount	Assets	Liabilities
Hedging Instruments						
– Interest rate derivatives	<b>7,828</b>	<b>246</b>	<b>27</b>	8,021	210	59
Non-Hedging Instruments						
– Interest rate derivatives	<b>266,976</b>	<b>807</b>	<b>729</b>	199,677	1,294	1,257
– Currency derivatives	<b>985,208</b>	<b>6,129</b>	<b>5,713</b>	899,683	6,245	5,535
– Precious metal derivatives	<b>8,223</b>	<b>28</b>	<b>92</b>	—	—	—
– Other derivatives	<b>40,737</b>	—	—	63,255	—	2
<b>Total</b>	<b>1,308,972</b>	<b>7,210</b>	<b>6,561</b>	1,170,636	7,749	6,853



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 16 Derivatives (Continued)

	The Bank					
	30 June 2014			31 December 2013		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
– Interest rate derivatives	223,121	779	697	149,332	1,262	1,203
– Currency derivatives	677,696	4,098	4,018	631,215	4,604	4,415
– Precious metal derivatives	8,223	28	92	—	—	—
– Other derivatives	40,737	—	—	63,255	—	2
Total	949,777	4,905	4,807	843,802	5,866	5,620

### (a) Nominal amount analyzed by remaining maturity

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Within three months	454,229	488,429	349,463	366,048
Between three months and one year	625,775	419,440	498,658	335,325
Between one year and 5 years	225,650	257,786	101,415	142,325
Over five years	3,318	4,981	241	104
Total	1,308,972	1,170,636	949,777	843,802

### (b) Credit risk weighted amounts

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Default risk of counter party				
– Interest rate derivatives	740	766	485	500
– Currency derivatives	11,752	10,296	5,991	5,801
– Precious Metal derivatives	40	—	40	—
– Other derivatives	9,550	8,412	9,550	8,412
Credit Valuation Adjustment	10,401	11,224	8,768	10,114
Total	32,483	30,698	24,834	24,827

The credit risk weighted amount has been computed in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” promulgated by the China Banking Regulatory Commission (“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.

### (c) Fair value hedge

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

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 17 Financial assets held under resale agreements

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

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– PBOC	5,000	—	5,000	—
– Banks	335,489	282,515	335,489	282,515
– Non-bank financial institutions	43,279	4,252	43,279	4,252
Subtotal	383,768	286,767	383,768	286,767
Outside Mainland China				
– Banks	614	—	614	—
– Non-bank financial institutions	—	—	—	49
Subtotal	614	—	614	49
Gross balance	384,382	286,767	384,382	286,816
Less: Allowances for impairment losses	—	—	—	—
Net balance	384,382	286,767	384,382	286,816

### (b) Analysed by types of collaterals

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Discounted bills	262,179	225,046	262,179	225,046
Securities	116,722	47,812	116,722	47,861
Others	5,481	13,909	5,481	13,909
Gross balance	384,382	286,767	384,382	286,816
Less: Allowances for impairment losses	—	—	—	—
Net balance	384,382	286,767	384,382	286,816

### (c) Analysed by remaining maturity

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Within one month	268,645	131,965	268,645	131,965
Between one month and one year	114,234	149,879	114,234	149,928
More than one year	1,503	4,923	1,503	4,923
Gross balance	384,382	286,767	384,382	286,816
Less: Allowances for impairment losses	—	—	—	—
Net balance	384,382	286,767	384,382	286,816

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 18 Interest receivable

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Debt securities		5,279	6,139	5,187	6,020
Loans and advances to customers		7,370	6,051	7,079	5,717
Investment classified as receivables		7,128	2,092	7,128	2,092
Others		2,644	1,951	2,410	1,835
Gross balance		22,421	16,233	21,804	15,664
Less: Allowance for impairment losses	31	(993)	(688)	(993)	(688)
Net balance		21,428	15,545	20,811	14,976

## 19 Loans and advances to customers

### (a) Analysed by nature

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Corporate loans					
– Loans		1,558,780	1,435,157	1,463,226	1,356,527
– Discounted bills		66,264	64,769	59,143	57,188
– Lease receivables		651	696	—	—
Subtotal		1,625,695	1,500,622	1,522,369	1,413,715
Personal loans					
– Residential mortgages		222,641	220,369	213,439	211,649
– Business loans		106,324	97,767	106,324	97,767
– Credit cards		96,069	86,494	95,818	86,243
– Others		68,415	35,923	62,378	30,470
Subtotal		493,449	440,553	477,959	426,129
Gross balance		2,119,144	1,941,175	2,000,328	1,839,844
Less: Impairment allowances	31	(48,644)	(41,254)	(48,243)	(40,861)
– Individual assessed		(10,842)	(8,966)	(10,693)	(8,835)
– Collective assessed		(37,802)	(32,288)	(37,550)	(32,026)
Net balance		2,070,500	1,899,921	1,952,085	1,798,983

# Notes to the Unaudited Interim Financial Report

(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

#### The Group

	30 June 2014			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 for which allowances are collectively assessed	(note (i)) for which allowances are individually assessed		
Gross loans and advances	2,093,898	4,878	20,368	2,119,144	1.19%
Less: Impairment allowances against loans and advances	(34,148)	(3,654)	(10,842)	(48,644)	
Net loans and advances	2,059,750	1,224	9,526	2,070,500	

	31 December 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 for which allowances are collectively assessed	(note (i)) for which allowances are individually assessed		
Gross loans and advances	1,921,209	3,552	16,414	1,941,175	1.03%
Less: Impairment allowances against loans and advances	(29,632)	(2,656)	(8,966)	(41,254)	
Net loans and advances	1,891,577	896	7,448	1,899,921	

#### The Bank

	30 June 2014			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 for which allowances are collectively assessed	(note (i)) for which allowances are individually assessed		
Gross loans and advances	1,975,453	4,877	19,998	2,000,328	1.24%
Less: Impairment allowances against loans and advances	(33,897)	(3,653)	(10,693)	(48,243)	
Net loans and advances	1,941,556	1,224	9,305	1,952,085	

# Notes to the Unaudited Interim Financial Report

(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 Bank (Continued)

	31 December 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 for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed		
Gross loans and advances	1,820,205	3,548	16,091	1,839,844	1.07%
Less: Impairment allowances against loans and advances	(29,373)	(2,653)	(8,835)	(40,861)	
Net loans and advances	1,790,832	895	7,256	1,798,983	

(i) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

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

(ii) As at 30 June 2014, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB20,368 million (31 December 2013: RMB16,414 million). The covered portion and uncovered portion of these loans and advances were RMB5,239 million (31 December 2013: RMB4,005 million) and RMB15,129 million (31 December 2013: RMB12,409 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB9,213 million (31 December 2013: RMB7,819 million). The individual impairment allowances made against these loans and advances were RMB10,842 million (31 December 2013: RMB8,966 million).

As at 30 June 2014, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB19,998 million (31 December 2013: RMB16,091 million). The covered portion and uncovered portion of these loans and advances were RMB5,046 million (31 December 2013: RMB3,841 million) and RMB14,952 million (31 December 2013: RMB12,250 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB8,947 million (31 December 2013: RMB7,579 million). The individual impairment allowances made against these loans and advances were RMB10,693 million (31 December 2013: RMB8,835 million).

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

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 19 Loans and advances to customers (Continued)

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

The Group

	Six months ended 30 June 2014			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	29,632	2,656	8,966	41,254
Newly charged for the period	4,516	1,141	6,659	12,316
Released for the period	—	(5)	(1,397)	(1,402)
Unwinding of discount	—	—	(195)	(195)
Write-offs	—	(143)	(3,351)	(3,494)
Recoveries	—	5	160	165
As at 30 June	34,148	3,654	10,842	48,644

	Year ended 31 December 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
Newly charged for the year	1,989	2,570	11,175	15,734
Released for the year	—	(42)	(4,365)	(4,407)
Unwinding of discount	—	—	(275)	(275)
Transfers in/(out)	—	—	(42)	(42)
Write-offs	—	(897)	(4,408)	(5,305)
Recoveries	—	42	182	224
As at 31 December	29,632	2,656	8,966	41,254

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 19 Loans and advances to customers (Continued)

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

The Bank

	Six months ended 30 June 2014			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	29,373	2,653	8,835	40,861
Newly charged for the period	4,524	1,135	6,609	12,268
Released for the period	—	(3)	(1,357)	(1,360)
Unwinding of discount	—	—	(194)	(194)
Write-offs	—	(135)	(3,343)	(3,478)
Recoveries	—	3	143	146
As at 30 June	33,897	3,653	10,693	48,243

	Year ended 31 December 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	27,411	982	6,484	34,877
Newly charged for the year	1,962	2,553	11,097	15,612
Released for the year	—	(38)	(4,329)	(4,367)
Unwinding of discount	—	—	(271)	(271)
Transfer in/(out)	—	—	(30)	(30)
Write-offs	—	(882)	(4,287)	(5,169)
Recoveries	—	38	171	209
As at 31 December	29,373	2,653	8,835	40,861

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 19 Loans and advances to customers (Continued)

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

#### The Group

	Overdue within three months	Overdue between three months and one year	30 June 2014 Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	4,879	2,885	1,301	669	9,734
Guaranteed loans	8,116	6,009	3,482	403	18,010
Loans with pledged assets	12,421	8,287	5,121	466	26,295
– Loans secured by tangible assets	11,240	7,334	4,287	449	23,310
– Loans secured by monetary assets	1,181	953	834	17	2,985
<b>Total</b>	<b>25,416</b>	<b>17,181</b>	<b>9,904</b>	<b>1,538</b>	<b>54,039</b>

	Overdue within three months	Overdue between three months and one year	31 December 2013 Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	2,492	1,739	1,169	674	6,074
Guaranteed loans	3,774	4,572	1,978	499	10,823
Loans with pledged assets	9,158	5,848	3,014	672	18,692
– Loans secured by tangible assets	7,803	4,873	2,506	587	15,769
– Loans secured by monetary assets	1,355	975	508	85	2,923
<b>Total</b>	<b>15,424</b>	<b>12,159</b>	<b>6,161</b>	<b>1,845</b>	<b>35,589</b>

#### The Bank

	Overdue within three months	Overdue between three months and one year	30 June 2014 Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	4,736	2,883	1,301	669	9,589
Guaranteed loans	7,911	5,974	3,411	376	17,672
Loans with pledged assets	11,355	8,272	5,114	368	25,109
– Loans secured by tangible assets	10,236	7,321	4,280	351	22,188
– Loans secured by monetary assets	1,119	951	834	17	2,921
<b>Total</b>	<b>24,002</b>	<b>17,129</b>	<b>9,826</b>	<b>1,413</b>	<b>52,370</b>



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 19 Loans and advances to customers (Continued)

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

The Bank (Continued)

	31 December 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	2,303	1,736	1,169	674	5,882
Guaranteed loans	3,698	4,480	1,973	486	10,637
Loans with pledged assets	8,523	5,801	2,962	592	17,878
– Loans secured by tangible assets	7,182	4,831	2,454	507	14,974
– Loans secured by monetary assets	1,341	970	508	85	2,904
<b>Total</b>	<b>14,524</b>	<b>12,017</b>	<b>6,104</b>	<b>1,752</b>	<b>34,397</b>

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

### (e) Lease receivables

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

	The Group			
	30 June 2014		31 December 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)	129	149	138	158
1 year to 2 years (including 2 years)	88	100	90	102
2 years to 3 years (including 3 years)	54	62	47	55
Over 3 years	380	434	421	484
<b>Gross balance</b>	<b>651</b>	<b>745</b>	<b>696</b>	<b>799</b>
Less: impairment allowance				
– Individual assessed	(5)		(3)	
– Collective assessed	—		—	
<b>Net balance</b>	<b>646</b>		<b>693</b>	

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 20 Available-for-sale financial assets

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Debt securities	(a)	175,267	172,320	159,141	160,176
Investment funds	(b)	6,613	605	6,416	315
Certificates of deposit	(c)	3,851	4,828	—	—
Equity investments	(d)	204	207	144	145
<b>Total</b>		<b>185,935</b>	<b>177,960</b>	<b>165,701</b>	<b>160,636</b>

### (a) Debt securities issued by:

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– Government	35,243	35,021	35,243	35,021
– Policy banks	26,590	26,714	26,590	26,714
– Banks and non-bank financial institutions	53,992	48,529	52,290	47,456
– Corporate entities	47,502	52,696	44,434	50,353
Subtotal	163,327	162,960	158,557	159,544
Outside Mainland China				
– Government	7,410	3,556	—	62
– Banks and non-bank financial institutions	2,293	3,597	486	475
– Corporate entities	2,237	2,207	98	95
Subtotal	11,940	9,360	584	632
<b>Net balance</b>	<b>175,267</b>	<b>172,320</b>	<b>159,141</b>	<b>160,176</b>
Listed in Hong Kong	3,966	4,199	3,218	4,138
Listed outside Hong Kong	1,629	1,615	1,509	1,550
Unlisted	169,672	166,506	154,414	154,488
<b>Total</b>	<b>175,267</b>	<b>172,320</b>	<b>159,141</b>	<b>160,176</b>

### (b) Investment funds issued by

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Outside Mainland China				
– Banks and non-bank financial institutions	6,613	605	6,416	315
<b>Net balance</b>	<b>6,613</b>	<b>605</b>	<b>6,416</b>	<b>315</b>
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	—	—	—	—
Unlisted	6,613	605	6,416	315
<b>Total</b>	<b>6,613</b>	<b>605</b>	<b>6,416</b>	<b>315</b>

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

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

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

	The Group		The bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– Banks and non-bank financial institutions	2,357	2,589	—	—
Outside Mainland China				
– Banks and non-bank financial institutions	1,494	2,239	—	—
Net balance	3,851	4,828	—	—
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	—	—	—	—
Unlisted	3,851	4,828	—	—
Total	3,851	4,828	—	—

#### (d) Equity investments issued by

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– Corporate entities	118	118	114	114
Outside Mainland China				
– Banks and non-bank financial institutions	30	31	30	31
– Corporate entities	56	58	—	—
Net balance	204	207	144	145
Listed in Hong Kong	4	4	—	—
Listed outside Hong Kong	69	72	30	31
Unlisted	131	131	114	114
Total	204	207	144	145

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

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

### (e) Allowance for impairment losses

#### The Group

Classification	30 June 2014		
	Available-for-sale equity instruments and investment fund	Available-for-sale debt instruments	Total
Cost/Amortised cost	6,573	181,219	187,792
Fair value	6,817	179,118	185,935
Accumulated fair value changes charged in other comprehensive income	260	(2,010)	(1,750)
Allowance for impairment amounts	(16)	(91)	(107)

Classification	31 December 2013		
	Available-for-sale equity instruments and investment funds	Available-for-sale debt instruments	Total
Cost/Amortised cost	525	183,864	184,389
Fair value	812	177,148	177,960
Accumulated fair value changes charged in other comprehensive income	292	(6,564)	(6,272)
Allowance for impairment amounts	(5)	(152)	(157)

#### The Bank

Classification	30 June 2014		
	Available-for-sale equity instruments and investment funds	Available-for-sale debt instruments	Total
Cost/Amortised cost	6,344	161,280	167,624
Fair value	6,560	159,141	165,701
Accumulated fair value changes charged in other comprehensive income	216	(2,066)	(1,850)
Allowance for impairment amounts	—	(73)	(73)

Classification	31 December 2013		
	Available-for-sale equity instruments and investment funds	Available-for-sale debt instruments	Total
Cost/Amortised cost	251	166,824	167,075
Fair value	460	160,176	160,636
Accumulated fair value changes charged in other comprehensive income	209	(6,524)	(6,315)
Allowance for impairment amounts	—	(124)	(124)

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

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

#### (f) Movement of allowance for impairment losses

##### The Group

Classification	Six months ended 30 June 2014		Total
	Available-for-sale investment funds	Available-for-sale debt instruments	
As at 1 January	(5)	(152)	(157)
Charge for the period			
– transfer from other comprehensive income	(11)	—	(11)
Decrease for the period			
– reversal from fair value recovery	—	6	6
– transfer out	—	55	55
As at 30 June	(16)	(91)	(107)

Classification	Year ended 31 December 2013		Total
	Available-for-sale investment funds	Available-for-sale debt instruments	
As at 1 January	(5)	(144)	(149)
Charge for the year			
– transfer from other comprehensive income	—	(29)	(29)
Decrease for the year			
– reversal from fair value recovery	—	18	18
Exchange difference	—	3	3
As at 31 December	(5)	(152)	(157)

##### The Bank

Classification	Six months ended 30 June 2014		Total
	Available-for-sale investment funds	Available-for-sale debt instruments	
As at 1 January	—	(124)	(124)
Decrease for the period			
– reversal from fair value recovery	—	6	6
– Transfer out	—	45	45
As at 30 June	—	(73)	(73)

Classification	Year ended 31 December 2013		Total
	Available-for-sale investment funds	Available-for-sale debt instruments	
As at 1 January	—	(144)	(144)
Decrease for the year			
– reversal from fair value recovery	—	18	18
Exchange difference	—	2	2
As at 31 December	—	(124)	(124)

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 21 Held-to-maturity investments

Held-to-maturity debt securities issued by:

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China					
– Government		39,967	40,092	39,967	40,092
– Policy banks		18,356	20,296	18,356	20,296
– Banks and non-bank financial institutions		67,211	61,390	67,211	61,390
– Corporate entities		33,135	32,775	33,135	32,775
Subtotal		158,669	154,553	158,669	154,553
Outside Mainland China					
– Government		28	27	28	27
– Banks and non-bank financial institutions		106	109	106	109
– Public sector entities		22	25	22	25
– Corporate entities		—	183	—	122
Subtotal		156	344	156	283
Gross balance		158,825	154,897	158,825	154,836
Less: Allowance for impairment losses	31	(44)	(48)	(44)	(48)
Net balance		158,781	154,849	158,781	154,788
Listed in Hong Kong		117	115	117	115
Listed outside Hong Kong		841	606	841	545
Unlisted		157,823	154,128	157,823	154,128
Net balance		158,781	154,849	158,781	154,788
Fair value		155,456	147,052	155,456	146,990
Of which: listed securities		964	741	964	679

## 22 Investment classified as receivables

Investment classified as receivables analysed by type of collaterals:

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Trust investment plans		119,595	96,999	119,595	96,999
Investment management products managed by securities companies		350,620	114,987	350,620	114,987
Wealth Management Products issued by financial institutions		90,782	65,558	90,782	65,558
Corporate bonds		1,000	20,814	1,000	20,814
Others		1,800	1,800	1,800	1,800
Gross balance		563,797	300,158	563,797	300,158
Less: Allowance for impairment losses	31	(100)	—	(100)	—
Net balance		563,697	300,158	563,697	300,158

Among the above funds from investment classified as receivables, RMB44,688 million (as at 31 December 2013: RMB27,983 million) was managed by the fellow entities of CITIC Group Corporation (“CITIC Group”).

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 23 Investment in joint ventures and associates

	Note	The Group	
		30 June 2014	31 December 2013
Investment in joint ventures		3	—
Investment in associates	(a)-(c)	2,257	2,176
<b>Total</b>		<b>2,260</b>	<b>2,176</b>

- (a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 30 June 2014 are as follows:

Name of company	Forms of business structure	Place of incorporation	Effective 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	HKD70 million
CITIC International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	Investment holding and assets management	HKD2,218 million

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

Name of Enterprise	As at or for the six months ended 30 June 2014				
	Total assets	Total liabilities	Total net assets	Operating income	Net profit
CCHL	11,068	4,652	6,416	349	285
CIAM	2,380	213	2,167	116	48

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

	CCHL	CIAM	Total
Initial investment cost	1,038	893	1,931
As at 1 January 2014	1,338	838	2,176
Investment profit or loss and other comprehensive income recognised under equity method	41	20	61
Exchange difference	11	9	20
As at 30 June 2014	1,390	867	2,257
	CCHL	CIAM	Total
As at 1 January 2013	1,281	853	2,134
Investment profit or loss and other comprehensive income recognised under equity method	91	28	119
Dividend received	—	(16)	(16)
Exchange difference	(34)	(27)	(61)
As at 31 December 2013	1,338	838	2,176

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 24 Investment in subsidiaries

	Note	The Bank	
		30 June 2014	31 December 2013
Investment in subsidiaries			
– CIFH	(a)	9,797	9,797
– China Investment and Finance Limited (“CIFL”)	(b)	87	87
– Zhejiang Lin’an CITIC Rural Bank Corporation Limited (“Lin’an Rural Bank”)	(c)	102	102
<b>Total</b>		<b>9,986</b>	<b>9,986</b>

Major subsidiaries of the Group as at 30 June 2014 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 (a))	Hong Kong	HKD7,459 million	Commercial banking and other financial services	70.32%	—	70.32%
CIFL (note (b))	Hong Kong	HKD25 million	Lending services	95%	5%	98.5%
Lin’an Rural Bank (note(c))	Mainland China	RMB200 million	Commercial banking	51%	—	51%

Note:

- (a) 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.
- (b) CIFL was founded in Hong Kong in 1984 with a registered capital of HKD25 million. It holds “Money Lending Licence” 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.
- (c) 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.



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 25 Fixed assets

### The Group

	Premises (Note (b))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
As at 1 January 2014	11,409	1,548	7,145	20,102
Additions	27	90	343	460
Disposals	—	—	(44)	(44)
Exchange difference	4	—	8	12
As at 30 June 2014	11,440	1,638	7,452	20,530
<b>Accumulated depreciation:</b>				
As at 1 January 2014	(2,557)	—	(3,811)	(6,368)
Depreciation charges	(213)	—	(459)	(672)
Disposals	—	—	38	38
Exchange difference	(2)	—	(6)	(8)
As at 30 June 2014	(2,772)	—	(4,238)	(7,010)
<b>Net carrying value:</b>				
As at 1 January 2014 (Note (a))	8,852	1,548	3,334	13,734
As at 30 June 2014 (Note (a))	8,668	1,638	3,214	13,520

	Premises (Note (b))	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	1,519	210	1,714	3,443
Disposals	(28)	—	(271)	(299)
Exchange difference	(14)	—	(27)	(41)
As at 31 December 2013	11,409	1,548	7,145	20,102
<b>Accumulated depreciation:</b>				
As at 1 January 2013	(2,164)	—	(3,315)	(5,479)
Depreciation charges	(410)	—	(741)	(1,151)
Disposals	11	—	227	238
Exchange difference	6	—	18	24
As at 31 December 2013	(2,557)	—	(3,811)	(6,368)
<b>Net carrying value:</b>				
As at 1 January 2013	7,768	1,338	2,414	11,520
As at 31 December 2013 (Note (a))	8,852	1,548	3,334	13,734

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 25 Fixed assets (Continued)

### The Bank

	Premises (Note (b))	Construction in progress	Computer equipment and others	Total
<b>Cost or deemed cost:</b>				
As at 1 January 2014	10,950	1,547	6,216	18,713
Additions	27	90	296	413
Disposals	—	—	(42)	(42)
As at 30 June 2014	10,977	1,637	6,470	19,084
<b>Accumulated depreciation:</b>				
As at 1 January 2014	(2,351)	—	(3,174)	(5,525)
Depreciation charges	(208)	—	(411)	(619)
Disposals	—	—	36	36
As at 30 June 2014	(2,559)	—	(3,549)	(6,108)
<b>Net carrying value:</b>				
As at 1 January 2014	8,599	1,547	3,042	13,188
As at 30 June 2014	8,418	1,637	2,921	12,976

	Premises (Note (b))	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	1,519	210	1,573	3,302
Disposals	(21)	—	(236)	(257)
As at 31 December 2013	10,950	1,547	6,216	18,713
<b>Accumulated depreciation:</b>				
As at 1 January 2013	(1,955)	—	(2,716)	(4,671)
Depreciation charges	(401)	—	(657)	(1,058)
Disposals	5	—	199	204
As at 31 December 2013	(2,351)	—	(3,174)	(5,525)
<b>Net carrying value:</b>				
As at 1 January 2013	7,497	1,337	2,163	10,997
As at 31 December 2013	8,599	1,547	3,042	13,188

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 25 Fixed assets (Continued)

### The Bank (Continued)

Note:

- (a) As at 30 June 2014, the net book value of the Group's premises for which the ownership registration procedures had not been completed was approximately RMB1,751 million (31 December 2013: RMB1,754 million). The Group anticipated that there would be no significant difficulties or costs in completing such procedures.
- (b) 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 2014	31 December 2013	30 June 2014	31 December 2013
Long term leases (over 50 years), held in Hong Kong	66	66	—	—
Medium term leases (10-50 years), held in Hong Kong	161	164	—	—
Medium term leases (10-50 years), held in Mainland China	8,418	8,599	8,418	8,599
Permanent term lease, held in overseas	23	23	—	—
Total	8,668	8,852	8,418	8,599

## 26 Intangible assets

### The Group

	Software	Others	Total
<b>Cost</b>			
As at 1 January 2014	771	42	813
Additions	55	1	56
As at 30 June 2014	826	43	869
<b>Amortization</b>			
As at 1 January 2014	(439)	(11)	(450)
Charge for the period	(60)	(1)	(61)
As at 30 June 2014	(499)	(12)	(511)
<b>Net carrying value</b>			
As at 1 January 2014	332	31	363
As at 30 June 2014	327	31	358
<b>Cost</b>			
As at 1 January 2013	644	41	685
Additions	128	1	129
Disposals	(1)	—	(1)
As at 31 December 2013	771	42	813
<b>Amortization</b>			
As at 1 January 2013	(336)	(10)	(346)
Charge for the year	(104)	(1)	(105)
Disposals	1	—	1
As at 31 December 2013	(439)	(11)	(450)
<b>Net carrying value</b>			
As at 1 January 2013	308	31	339
As at 31 December 2013	332	31	363

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 26 Intangible assets (Continued)

### The Bank

	Software	Others	Total
<b>Cost</b>			
As at 1 January 2014	771	42	813
Additions	55	—	55
As at 30 June 2014	826	42	868
<b>Amortization</b>			
As at 1 January 2014	(439)	(11)	(450)
Charge for the period	(60)	(1)	(61)
As at 30 June 2014	(499)	(12)	(511)
<b>Net carrying value</b>			
As at 1 January 2014	332	31	363
As at 30 June 2014	327	30	357
<b>Cost</b>			
As at 1 January 2013	644	41	685
Additions	128	1	129
Disposals	(1)	—	(1)
As at 31 December 2013	771	42	813
<b>Amortization</b>			
As at 1 January 2013	(336)	(10)	(346)
Charge for the year	(104)	(1)	(105)
Disposals	1	—	1
As at 31 December 2013	(439)	(11)	(450)
<b>Net carrying value</b>			
As at 1 January 2013	308	31	339
As at 31 December 2013	332	31	363

## 27 Investment properties

	The Group		The Bank	
	Six months ended 30 June 2014	Year ended 31 December 2013	Six months ended 30 June 2014	Year ended 31 December 2013
Fair value as at 1 January	277	333	—	—
Addition:				
– Change in fair value	(1)	2	—	—
Decrease				
– Disposal	—	(48)	—	—
Exchange difference	3	(10)	—	—
Fair value as at 30 June/31 December	279	277	—	—

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 2014.

All investment properties of the Group were revalued at 30 June 2014 by an independent firm of surveyors, Prudential Surveyors (Hong Kong) Limited, on an open market value basis. The fair value is in line with the definition of “IFRS 13 – Fair value measurement”. The revaluation surplus or deficit has been credited to the profit or charged to the loss respectively. Prudential Surveyors (Hong Kong) Limited 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

(Expressed in millions of Renminbi unless otherwise stated)

## 27 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		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Long term leases (over 50 years), held in Hong Kong	12	12	—	—
Medium term leases (10-50 years), held in Hong Kong	238	235	—	—
Medium term leases (10-50 years), held in Mainland China	29	30	—	—
<b>Total</b>	<b>279</b>	<b>277</b>	<b>—</b>	<b>—</b>

## 28 Goodwill

The goodwill recognized in the consolidated statement of financial position of the Group arises from CIFH's previous business combination of subsidiaries under non-common control.

## 29 Deferred tax assets

### (a) Analysed by nature

	The Group			
	30 June 2014		31 December 2013	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Impairment allowances	28,276	7,051	21,910	5,459
– Fair value adjustments	1,467	379	6,076	1,518
– Employee retirement benefits and salary payable	5,018	1,254	6,547	1,637
– Others	(704)	(165)	(758)	(180)
<b>Total</b>	<b>34,057</b>	<b>8,519</b>	<b>33,775</b>	<b>8,434</b>

	The Bank			
	30 June 2014		31 December 2013	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Impairment allowances	28,052	7,013	21,682	5,420
– Fair value adjustments	1,614	404	6,068	1,517
– Employee retirement benefits and salary payable	5,013	1,253	6,542	1,636
– Others	(582)	(146)	(651)	(163)
<b>Total</b>	<b>34,097</b>	<b>8,524</b>	<b>33,641</b>	<b>8,410</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 29 Deferred tax assets (Continued)

### (b) Movement of deferred tax assets

#### The Group

	Impairment allowances	Fair value adjustment	Employee retirement benefits and salary payable	Others	Total deferred tax assets
As at 1 January 2014	5,459	1,518	1,637	(180)	8,434
Recognized in profit or loss	1,592	3	(379)	15	1,231
Recognized in other comprehensive income	—	(1,142)	(4)	—	(1,146)
As at 30 June 2014	7,051	379	1,254	(165)	8,519
As at 1 January 2013	4,454	60	1,709	(132)	6,091
Recognized in profit or loss	1,005	(71)	(72)	(48)	814
Recognized in other comprehensive income	—	1,529	—	—	1,529
As at 31 December 2013	5,459	1,518	1,637	(180)	8,434

#### The Bank

	Impairment allowances	Fair value adjustment	Employee retirement benefits and salary payable	Others	Total deferred tax assets
As at 1 January 2014	5,420	1,517	1,636	(163)	8,410
Recognized in profit or loss	1,593	3	(379)	17	1,234
Recognized in other comprehensive income	—	(1,116)	(4)	—	(1,120)
As at 30 June 2014	7,013	404	1,253	(146)	8,524
As at 1 January 2013	4,421	69	1,708	(125)	6,073
Recognized in profit or loss	999	(71)	(72)	(38)	818
Recognized in other comprehensive income	—	1,519	—	—	1,519
As at 31 December 2013	5,420	1,517	1,636	(163)	8,410

Note:

- (i) The Bank has no material unrecognised deferred tax assets or liabilities as at 30 June 2014 (31 December 2013: nil).

## Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

### 30 Other assets

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Prepayment for long term assets		10,129	3,040	10,110	3,009
Settlement accounts		2,315	368	2,315	368
Leasehold improvements		1,298	1,318	1,294	1,314
Land use rights		888	900	888	900
Prepaid rent		838	754	832	747
Repossessed assets	(a)	219	268	219	268
Others	(b)	11,562	4,301	10,573	3,645
<b>Total</b>		<b>27,249</b>	<b>10,949</b>	<b>26,231</b>	<b>10,251</b>

#### (a) Repossessed assets

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Premises		377	350	377	350
Others		23	23	23	23
Gross balance		400	373	400	373
Less: Allowance for impairment losses	31	(181)	(105)	(181)	(105)
Net balance		219	268	219	268

#### (b) Others

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Gross balance		12,259	4,946	11,269	4,289
Less: Allowance for impairment losses	31	(697)	(645)	(696)	(644)
Net balance		11,562	4,301	10,573	3,645

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 31 Movements of allowances for impairment losses

### The Group

	Note	Six months ended 30 June 2014					As at 30 June
		As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	
Placements with banks and non-bank financial institutions	14	15	—	(7)	—	—	8
Interest receivable	18	688	522	(82)	7	(142)	993
Loans and advances to customers	19	41,254	12,316	(1,402)	(30)	(3,494)	48,644
Available-for-sale financial assets	20	157	11	(6)	(55)	—	107
Held-to-maturity investments	21	48	—	(4)	—	—	44
Investment classified as receivables	22	—	100	—	—	—	100
Repossessed assets	30(a)	105	79	—	(3)	—	181
Other assets	30(b)	645	63	(31)	20	—	697
<b>Gross balance</b>		<b>42,912</b>	<b>13,091</b>	<b>(1,532)</b>	<b>(61)</b>	<b>(3,636)</b>	<b>50,774</b>

	Note	Year ended 31 December 2013					As at 31 December
		As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	
Placements with banks and non-bank financial institutions	14	8	7	—	—	—	15
Interest receivable	18	242	702	(83)	(59)	(114)	688
Loans and advances to customers	19	35,325	15,734	(4,407)	(93)	(5,305)	41,254
Available-for-sale financial assets	20	149	29	(18)	(3)	—	157
Held-to-maturity investments	21	130	—	(85)	3	—	48
Investment classified as receivables	22	—	—	—	—	—	—
Repossessed assets	30(a)	167	7	(23)	(7)	(39)	105
Other assets	30(b)	647	68	(34)	(11)	(25)	645
<b>Gross balance</b>		<b>36,668</b>	<b>16,547</b>	<b>(4,650)</b>	<b>(170)</b>	<b>(5,483)</b>	<b>42,912</b>

### The Bank

	Note	Six months ended 30 June 2014					As at 30 June
		As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	
Placements with banks and non-bank financial institutions	14	15	—	(7)	—	—	8
Interest receivable	18	688	522	(82)	7	(142)	993
Loans and advances to customers	19	40,861	12,268	(1,360)	(48)	(3,478)	48,243
Available-for-sale financial assets	20	124	—	(6)	(45)	—	73
Held-to-maturity investments	21	48	—	(4)	—	—	44
Investment classified as receivables	22	—	100	—	—	—	100
Repossessed assets	30(a)	105	79	—	(3)	—	181
Other assets	30(b)	644	63	(30)	19	—	696
<b>Gross balance</b>		<b>42,485</b>	<b>13,032</b>	<b>(1,489)</b>	<b>(70)</b>	<b>(3,620)</b>	<b>50,338</b>



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

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

### The Bank (Continued)

	Note	Year ended 31 December 2013					As at 31 December
		As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	
Placements with banks and non-bank financial institutions	14	8	7	—	—	—	15
Interest receivable	18	242	702	(83)	(59)	(114)	688
Loans and advances to customers	19	34,877	15,612	(4,367)	(92)	(5,169)	40,861
Available-for-sale financial assets	20	144	—	(18)	(2)	—	124
Held-to-maturity investments	21	130	—	(85)	3	—	48
Investment classified as receivables	22	—	—	—	—	—	—
Repossessed assets	30(a)	167	7	(23)	(7)	(39)	105
Other assets	30(b)	646	68	(34)	(11)	(25)	644
<b>Gross balance</b>		<b>36,214</b>	<b>16,396</b>	<b>(4,610)</b>	<b>(168)</b>	<b>(5,347)</b>	<b>42,485</b>

Note:

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

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

### Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– Banks	<b>393,540</b>	312,846	<b>393,566</b>	313,411
– Non-bank financial institutions	<b>370,902</b>	231,521	<b>370,902</b>	231,515
Subtotal	<b>764,442</b>	544,367	<b>764,468</b>	544,926
Outside Mainland China				
– Banks	<b>25,685</b>	15,294	<b>39,306</b>	26,302
– Non-bank financial institutions	<b>7</b>	6	<b>1</b>	6
Subtotal	<b>25,692</b>	15,300	<b>39,307</b>	26,308
<b>Total</b>	<b>790,134</b>	559,667	<b>803,775</b>	571,234

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

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

Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– Banks	8,068	15,655	7,944	15,372
– Non-bank financial institutions	607	579	607	579
Subtotal	8,675	16,234	8,551	15,951
Outside Mainland China				
– Banks	30,883	25,718	30,240	22,561
Subtotal	30,883	25,718	30,240	22,561
Total	39,558	41,952	38,791	38,512

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

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Short position in debt securities	615	—	615	—
Total	615	—	615	—

## 35 Financial assets sold under repurchase agreements

(a) Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
In Mainland China				
– PBOC	7,296	4,949	7,296	4,949
– Banks	194	1,470	—	1,470
Subtotal	7,490	6,419	7,296	6,419
Outside Mainland China				
– Banks	1,509	1,530	31	49
Subtotal	1,509	1,530	31	49
Total	8,999	7,949	7,327	6,468

(b) Analysed by types of collaterals

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Discounted bills	7,296	4,949	7,296	4,949
Debt securities	1,703	3,000	31	1,519
Total	8,999	7,949	7,327	6,468

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 36 Deposits from customers

### Analysed by natures of deposits

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Demand deposits				
– Corporate customers	1,028,590	932,551	1,000,473	913,320
– Personal customers	163,710	127,430	150,146	113,377
Subtotal	1,192,300	1,059,981	1,150,619	1,026,697
Time and call deposits				
– Corporate customers	1,406,138	1,198,043	1,351,696	1,143,519
– Personal customers	440,253	387,311	398,206	352,929
Subtotal	1,846,391	1,585,354	1,749,902	1,496,448
Outward remittance and remittance payables	14,522	6,343	14,522	6,343
Total	3,053,213	2,651,678	2,915,043	2,529,488

Deposits from customers included pledged deposits for:

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Bank acceptances	314,964	302,969	314,856	302,951
Letters of credit	18,116	35,882	18,041	35,707
Guarantees	13,805	22,018	11,548	19,883
Others	175,334	85,265	166,747	79,938
Total	522,219	446,134	511,192	438,479

## 37 Accrued staff costs

### The Group

	Note	Six months ended 30 June 2014			
		As at 1 January	Additions for the period	Payment for the period	As at 30 June
Salaries and bonuses		9,742	7,215	(8,742)	8,215
Social insurance	(a)	36	971	(926)	81
Welfare expenses		—	473	(473)	—
Housing fund		16	463	(458)	21
Labour union expenses and employee education expenses		538	298	(144)	692
Housing allowance		36	167	(169)	34
Defined contribution retirement schemes	(b)	4	166	(166)	4
Supplementary retirement benefits	(c)	34	3	(1)	36
Others		94	90	(98)	86
Total		10,500	9,846	(11,177)	9,169

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 37 Accrued staff costs (Continued)

### The Group (Continued)

	Note	Year ended 31 December 2013			As at 31 December
		As at 1 January	Additions for the year	Payment for the year	
Salaries and bonuses		9,901	12,839	(12,998)	9,742
Social insurance	(a)	36	1,680	(1,680)	36
Welfare expenses		—	1,195	(1,195)	—
Housing fund		22	750	(756)	16
Labour union expenses and employee education expenses		446	534	(442)	538
Housing allowance		31	303	(298)	36
Defined contribution retirement schemes	(b)	3	291	(290)	4
Supplementary retirement benefits	(c)	35	6	(7)	34
Others		104	199	(209)	94
<b>Total</b>		<b>10,578</b>	<b>17,797</b>	<b>(17,875)</b>	<b>10,500</b>

### The Bank

	Note	Six months ended 30 June 2014			As at 30 June
		As at 1 January	Additions for the period	Payment for the period	
Salaries and bonuses		9,290	6,605	(8,128)	7,767
Social insurance	(a)	35	964	(919)	80
Welfare expenses		—	470	(470)	—
Housing fund		16	460	(455)	21
Labour union expenses and employee education expenses		536	297	(142)	691
Housing allowance		36	166	(168)	34
Defined contribution retirement schemes	(b)	4	163	(163)	4
Supplementary retirement benefits	(c)	34	3	(1)	36
Others		92	52	(60)	84
<b>Total</b>		<b>10,043</b>	<b>9,180</b>	<b>(10,506)</b>	<b>8,717</b>

	Note	Year ended 31 December 2013			As at 31 December
		As at 1 January	Additions for the year	Payment for the year	
Salaries and bonuses		9,568	11,838	(12,116)	9,290
Social insurance	(a)	35	1,663	(1,663)	35
Welfare expenses		—	1,186	(1,186)	—
Housing fund		22	745	(751)	16
Labour union expenses and employee education expenses		444	533	(441)	536
Housing allowance		31	301	(296)	36
Defined contribution retirement schemes	(b)	3	285	(284)	4
Supplementary retirement benefits	(c)	35	6	(7)	34
Others		103	121	(132)	92
<b>Total</b>		<b>10,241</b>	<b>16,678</b>	<b>(16,876)</b>	<b>10,043</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 37 Accrued staff costs (Continued)

- (a) 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.
- (b) Defined contribution retirement schemes  
In addition to the above statutory retirement plan, the Bank'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. As at six months ended 30 June 2014, the Bank made annuity contribution amounting to RMB163 million (as at six months ended 30 June 2013: RMB136 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.
- (c) Supplementary retirement benefits ("SRB")  
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.

The Group's obligations in respect of the supplementary retirement benefits as at the reporting date based on the projected unit credit actuarial cost method were determined by qualified staff (a member of Society of Actuaries in America) of an external independent actuary: Tower Watson.

Save for the above schemes in 37(a) to 37(c), the Group has no other material obligation for payment of retirement benefits beyond the contributions.

## 38 Taxes payable

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Income tax	2,602	2,226	2,229	2,087
Business tax and surcharges	2,209	2,110	2,204	2,104
Others	15	19	4	8
<b>Total</b>	<b>4,826</b>	<b>4,355</b>	<b>4,437</b>	<b>4,199</b>

## 39 Interest payable

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Deposits from customers	24,589	21,696	24,125	21,325
Debt certificates issued	748	1,246	604	1,108
Others	9,841	5,201	9,800	5,119
<b>Total</b>	<b>35,178</b>	<b>28,143</b>	<b>34,529</b>	<b>27,552</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 40 Provisions

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Litigation provisions	39	71	35	71
Total	39	71	35	71

Movement of provisions:

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
As at 1 January	71	93	71	93
(Reversal)/Charge for the period/year	(18)	3	(22)	3
Settlement	(14)	(25)	(14)	(25)
As at 30 June/31 December	39	71	35	71

## 41 Debt certificates issued

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Debt securities issued	(a)	17,187	15,904	16,475	14,999
Subordinated bonds issued:		45,418	45,279	38,473	38,472
– by the Bank	(b)	38,473	38,472	38,473	38,472
– by CIFH	(c)	6,945	6,807	—	—
Certificates of deposit issued	(d)	12,628	12,718	—	—
Certificates of interbank deposit issued	(e)	12,853	2,968	12,853	2,968
Total		88,086	76,869	67,801	56,439

(a) Financial bonds with an interest rate of 5.2% per annum and with nominal value of RMB15,000 million were issued on 8 November 2013. The bonds will be mature on 12 November 2018. In addition, bonds with an interest rate of 4.125% per annum and with nominal value of RMB1,500 million were issued on 20 February 2014, which will be mature on 27 February 2017. Other debt securities were issued by CBI.

(b) The carrying value of the Bank's subordinated bonds issued as at 30 June 2014 represents:

	Note	30 June 2014	31 December 2013
Subordinated fixed rate bonds maturing:			
– in May 2020	(i)	5,000	5,000
– in June 2021	(ii)	2,000	2,000
– in May 2025	(iii)	11,500	11,500
– in June 2027	(iv)	19,973	19,972
Total		38,473	38,472

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 41 Debt certificates issued (Continued)

- (b) The carrying value of the Bank's subordinated bonds issued as at 30 June 2014 represents: (Continued)
- (i) 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, the interest rate of the bonds will remain 4.00% per annum for the next five years.
  - (ii) 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, the interest rate of the bonds will increase to 7.12% per annum for the next five years.
  - (iii) 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, the interest rate of the bonds will remain 4.30% per annum for the next five years.
  - (iv) 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, the interest rate of the bonds will remain 5.15% per annum for the next five years.

- (c) The carrying value of CBI's subordinated bonds issued as at 30 June 2014 represents:

	Note	30 June 2014	31 December 2013
Subordinated fixed rate bonds maturing in June 2020	(i)	3,294	3,222
Subordinated fixed rate bonds maturing in September 2017	(ii)	1,833	1,791
Subordinated fixed rate bonds maturing in May 2019	(iii)	1,818	1,794
<b>Total</b>		<b>6,945</b>	<b>6,807</b>

- (i) Subordinated bonds with an interest rate of 6.875% per annum and with nominal value of USD 500 million were issued on 24 June 2010 by CBI. The bonds are listed on SGX-ST and mature on 24 June 2020.
  - (ii) Subordinated bonds with an interest rate of 3.875% per annum and with nominal value of USD 300 million were issued on 27 September 2012 by CBI. The bonds will be mature on 28 September 2017.
  - (iii) Subordinated bonds with an interest rate of 6.00% per annum and with nominal value of USD 300 million were issued on 7 November 2013 by CBI. The bonds will be mature on 07 May 2019.
- (d) The certificates of deposit were issued by CBI.
- (e) The Bank issued some certificates of interbank deposit with total nominal value of RMB13,000 million from January to June 2014 with duration between 3-6 months.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 42 Other liabilities

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Settlement accounts	4,334	11,897	3,923	10,303
Dormant accounts	243	222	243	222
Payment and collection clearance accounts	231	319	231	319
Dividend payable	11,774	—	11,774	—
Others	11,529	9,993	10,400	9,151
<b>Total</b>	<b>28,111</b>	<b>22,431</b>	<b>26,571</b>	<b>19,995</b>

## 43 Share capital

### Structure of share capital

	The Group and the Bank	
	30 June 2014	31 December 2013
A-Share	31,905	31,905
H-Share	14,882	14,882
<b>Total</b>	<b>46,787</b>	<b>46,787</b>

## 44 Share premium and other reserve

	Note	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Share premium	(a)	49,214	49,214	51,619	51,619
Other reserves		282	289	11	18
<b>Total</b>		<b>49,496</b>	<b>49,503</b>	<b>51,630</b>	<b>51,637</b>

(a) Share premium arises from the issuance of 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, net of tax effect. The movement of investment revaluation reserve is disclosed as below.

	The Group		The Bank	
	Six months ended 30 June 2014	Year ended 31 December 2013	Six months ended 30 June 2014	Year ended 31 December 2013
As at 1 January	(4,769)	(185)	(4,750)	(195)
Changes in fair value during the period/year	4,009	(6,893)	3,963	(6,845)
Net amount transferred to profit or loss	498	784	502	771
Tax effect	(1,134)	1,525	(1,116)	1,519
<b>As at 30 June/31 December</b>	<b>(1,396)</b>	<b>(4,769)</b>	<b>(1,401)</b>	<b>(4,750)</b>



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 46 Surplus reserve

### Movement of Surplus reserve

	The Group and the Bank	
	Six months ended 30 June 2014	Year ended 31 December 2013
As at 1 January	15,495	11,709
Appropriations	—	3,786
As at 30 June/31 December	15,495	15,495

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 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.

## 47 General reserve

	The Group		The Bank	
	Six months ended 30 June 2014	Year ended 31 December 2013	Six months ended 30 June 2014	Year ended 31 December 2013
As at 1 January	44,340	35,326	44,250	35,250
Appropriations	—	9,014	—	9,000
As at 30 June/31 December	44,340	44,340	44,250	44,250

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 Non-controlling interest

As at 30 June 2014, the non-controlling interest included an amount of RMB1,825 million contributed to the holders of other equity instrument. CBI, an entity ultimately controlled by the Group, issued an Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the "Capital Securities") with nominal value of USD 300 million on 22 April 2014. The Capital Securities are undated and will carry a 7.25% coupon rate until the first call date on 22 April 2019. The coupon rate will be reset every five years if the Capital Securities are not redeemed, to a rate equivalent to the then-prevailing five year US Treasury rate plus 5.627%. CBI may, at its sole discretion, elect to cancel any payment of distribution of coupon, in whole or in part, or redeem the Capital Securities. Therefore, the Group classified it as an equity instrument, and it is considered as the qualified regulatory capital, which resulting in an increase of 0.05% in the Group's Tier 1 capital adequacy ratio.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 49 Profit appropriations and retained earnings

### (a) Profit appropriations during the period

In accordance with the resolution approved in the Annual General Meeting of the Bank on 21 May 2014, a total amount of approximately RMB11,790 million (RMB252 cents per 10 shares) were distributed in the form of cash dividend to the Bank's shareholders on 17 July 2014.

### (b) Retained earnings

As at 30 June 2014, the retained earnings included the statutory surplus reserve of RMB34 million contributed by the subsidiaries and attributable to the Bank (31 December 2013: RMB34 million). The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.

## 50 Notes to consolidated cash flow statement

### Cash and cash equivalents

#### The Group

	30 June 2014	30 June 2013
Cash	6,542	7,105
Cash equivalents		
Surplus deposit reserve funds	135,607	65,699
Deposits with banks and non-bank financial institutions due within three months when acquired	85,501	218,937
Placements with banks and non-bank financial institutions due within three months when acquired	58,927	25,375
Investment securities due within three months when acquired	16,103	23,839
Total of cash equivalents	296,138	333,850
Total	302,680	340,955

## 51 Commitments and contingent liabilities

### (a) Credit commitments

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

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.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 51 Commitments and contingent liabilities (Continued)

### (a) Credit commitments (Continued)

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
<b>Contractual amount</b>				
Loan commitments				
– with an original maturity of within one year	103,582	86,470	38,721	37,076
– with an original maturity of one year or beyond	48,089	50,861	46,786	50,063
Subtotal	151,671	137,331	85,507	87,139
Guarantees	119,024	114,950	117,825	109,999
Letters of credit	191,451	199,762	184,684	191,454
Acceptances	760,452	695,944	758,191	692,522
Credit card commitments	120,317	95,217	114,094	89,589
Total	1,342,915	1,243,204	1,260,301	1,170,703

### (b) Credit commitments analysed by credit risk weighted amount

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Credit risk weighted amount of contingent liabilities and commitments	460,179	428,172	456,054	423,022

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

### (c) Capital commitments

The Group had the following authorised capital commitments at reporting date:

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
– Contracted for	2,752	2,715	2,727	2,695
– Authorized but not contracted for	416	12	416	12

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 51 Commitments and contingent liabilities (Continued)

### (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 leases when all terms are renegotiated. At 30 June 2014 and at 31 December 2013, the Group's future minimum lease payments under non-cancellable operating leases were as follows:

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Within one year	2,345	2,733	2,154	2,536
After one year but within two years	2,424	2,534	2,258	2,353
After two years but within three years	2,207	2,235	2,070	2,086
After three years but within five years	3,463	3,682	3,244	3,447
After five years	5,898	3,591	5,685	3,328
Total	16,337	14,775	15,411	13,750

### (e) Outstanding litigations and disputes

As at 30 June 2014, the Group was the defendant in certain pending litigations with gross claims of RMB266 million (as at 31 December 2013: RMB358 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB39 million (as at 31 December 2013: RMB71 million). The Group believes that these provisions 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 dates is based on the nominal 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 2014	31 December 2013
Bonds redemption obligations	3,634	3,792

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 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

(Expressed in millions of Renminbi unless otherwise stated)

## 52 Pledged assets

### (a) Financial assets pledged as collaterals

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

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Discounted bills	7,039	4,618	7,039	4,618
Debt securities	13,321	3,134	11,563	1,498
Others	68	67	—	—
Total	20,428	7,819	18,602	6,116

### (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 2014, the fair values of collateral held by the Group under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions amounted to RMB615 million (as at 31 December 2013:nil).

## 53 Transactions on behalf of customers

### (a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals, as well as entrusted provident housing fund mortgage business services. All entrusted loans are made under the instruction or at the direction of these entities, individuals or provident housing fund centre and are funded by entrusted funds from them.

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

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

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

	The Group and the Bank	
	30 June 2014	31 December 2013
Entrusted loans	414,671	358,561
Entrusted funds	414,671	358,561

### (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 various products, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. The credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. 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 profit or loss and other comprehensive income as commission income.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 53 Transactions on behalf of customers (Continued)

### (b) Wealth management services (Continued)

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 2014	31 December 2013	30 June 2014	31 December 2013
Investments under wealth management services	309,881	246,356	309,881	246,356
Funds from wealth management services	309,881	246,356	309,881	246,356

Amongst the above funds from wealth management service, RMB63,854 million was entrusted to a wholly owned subsidiary of CITIC Group, as at 30 June 2014 (as at 31 December 2013: RMB60,171 million).

## 54 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. Segment assets and liabilities do not include deferred tax 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 tangibles 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, 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, deposit taking activities, agency services, remittance and settlement services and guarantee services provided to small enterprises.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 54 Segment reporting (Continued)

### (a) Business segments (Continued)

#### Treasury business

This segment covers the Group's treasury, interbank operations, international trade financing and investment banking business. 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, international trade financing and structured finance. 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.

#### Others and unallocated

These represent the non-banking business provided by the Group's subsidiaries, CIFH and CIFL, head office 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 has reorganized the trade financing and investment banking from Corporate banking to Treasury business, and further specified the nature and business attribution for a few unallocated items in the previous years. The disclosure of the respected segments therefore has been changed accordingly. Compared to the prior years, the current segment structure better reflects current management model in the Group. The 2013 comparative figures have been restated accordingly.

	Six months ended 30 June 2014				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
External net interest income	23,896	9,315	11,800	603	45,614
Internal net interest income/ (expense)	4,822	(2,408)	(1,524)	(890)	—
<b>Net interest income</b>	<b>28,718</b>	<b>6,907</b>	<b>10,276</b>	<b>(287)</b>	<b>45,614</b>
Net fee and commission income	2,868	4,505	5,358	76	12,807
Other net income (note i)	137	42	2,738	763	3,680
<b>Operating income</b>	<b>31,723</b>	<b>11,454</b>	<b>18,372</b>	<b>552</b>	<b>62,101</b>
Operating expenses					
– depreciation and amortization	(619)	(191)	(204)	(41)	(1,055)
– others	(9,852)	(8,150)	(1,544)	(485)	(20,031)
Impairment losses	(7,861)	(2,762)	(554)	(440)	(11,617)
Revaluation loss on investment properties	—	—	—	(1)	(1)
Share of gain of associates	—	—	—	106	106
<b>Profit/(loss) before tax</b>	<b>13,391</b>	<b>351</b>	<b>16,070</b>	<b>(309)</b>	<b>29,503</b>
<b>Capital expenditure</b>	<b>173</b>	<b>266</b>	<b>14</b>	<b>118</b>	<b>571</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 54 Segment reporting (Continued)

### (a) Business segments (Continued)

Changes in disclosure of segment results and assets and liabilities (Continued)

	30 June 2014				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
<b>Segment assets</b>	<b>1,848,443</b>	<b>654,409</b>	<b>1,678,980</b>	<b>118,576</b>	<b>4,300,408</b>
Investment in joint ventures and associates	—	—	—	2,260	2,260
Deferred tax assets					8,519
<b>Total asset</b>					<b>4,311,187</b>
<b>Segment liabilities</b>	<b>2,510,246</b>	<b>629,664</b>	<b>847,815</b>	<b>76,764</b>	<b>4,064,489</b>
<b>Total liabilities</b>					<b>4,064,489</b>
Off-balance sheet credit commitments	<b>1,222,598</b>	<b>120,317</b>	—	—	<b>1,342,915</b>

	Six months ended 30 June 2013				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
External net interest income	22,271	7,741	10,034	428	40,474
Internal net interest income/(expense)	5,864	(1,133)	(5,316)	585	—
<b>Net interest income</b>	<b>28,135</b>	<b>6,608</b>	<b>4,718</b>	<b>1,013</b>	<b>40,474</b>
Net fee and commission income/(expense)	1,326	2,955	3,709	(13)	7,977
Other net income (note i)	97	45	1,254	227	1,623
<b>Operating income</b>	<b>29,558</b>	<b>9,608</b>	<b>9,681</b>	<b>1,227</b>	<b>50,074</b>
Operating expenses					
– depreciation and amortization	(387)	(356)	(64)	(58)	(865)
– others	(8,845)	(6,350)	(1,479)	(401)	(17,075)
Impairment losses	(3,303)	(1,219)	(173)	(194)	(4,889)
Revaluation gain on investment properties	—	—	—	1	1
Share of loss of associates	—	—	—	(3)	(3)
<b>Profit before tax</b>	<b>17,023</b>	<b>1,683</b>	<b>7,965</b>	<b>572</b>	<b>27,243</b>
<b>Capital expenditure</b>	<b>394</b>	<b>363</b>	<b>41</b>	<b>20</b>	<b>818</b>

	31 December 2013				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
<b>Segment assets</b>	<b>1,705,515</b>	<b>595,217</b>	<b>1,307,446</b>	<b>22,405</b>	<b>3,630,583</b>
Investment in joint ventures and associates	—	—	—	2,176	2,176
Deferred tax assets	—	—	—	—	8,434
<b>Total asset</b>					<b>3,641,193</b>
<b>Segment liabilities</b>	<b>2,166,596</b>	<b>537,464</b>	<b>632,937</b>	<b>73,471</b>	<b>3,410,468</b>
<b>Total liabilities</b>					<b>3,410,468</b>
Off-balance sheet credit commitments	<b>1,147,987</b>	<b>95,217</b>	—	—	<b>1,243,204</b>

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



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 54 Segment reporting (Continued)

### (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 Group 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 Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, Haikou, Quanzhou and Foshan;
- “Bohai Rim” refers to the following areas where tier-1 branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan;
- “Central” region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;
- “Western” region refers to the following areas where tier-1 branches of the Group 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 Group 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.

	Six months ended 30 June 2014									Total
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	
External net interest income	7,443	6,355	5,127	5,477	5,203	1,108	13,788	1,113	—	45,614
Internal net interest income/(expense)	1,333	(436)	3,324	866	566	143	(6,387)	591	—	—
<b>Net interest income</b>	<b>8,776</b>	<b>5,919</b>	<b>8,451</b>	<b>6,343</b>	<b>5,769</b>	<b>1,251</b>	<b>7,401</b>	<b>1,704</b>	<b>—</b>	<b>45,614</b>
Net fee and commission income	2,057	1,392	2,149	1,297	1,414	300	3,798	400	—	12,807
Other net income (note i)	572	237	515	99	134	25	1,642	456	—	3,680
<b>Operating income</b>	<b>11,405</b>	<b>7,548</b>	<b>11,115</b>	<b>7,739</b>	<b>7,317</b>	<b>1,576</b>	<b>12,841</b>	<b>2,560</b>	<b>—</b>	<b>62,101</b>
Operating expense										
– depreciation and amortisation	(170)	(112)	(201)	(116)	(121)	(33)	(210)	(92)	—	(1,055)
– others	(3,961)	(2,538)	(3,977)	(2,614)	(2,474)	(554)	(2,952)	(961)	—	(20,031)
Impairment losses	(5,343)	(2,223)	(2,396)	(656)	(493)	(361)	(132)	(13)	—	(11,617)
Revaluation loss on investment properties	—	—	—	—	—	—	—	(1)	—	(1)
Share of profit of associates	—	—	—	—	—	—	—	106	—	106
<b>Profit before tax</b>	<b>1,931</b>	<b>2,675</b>	<b>4,541</b>	<b>4,353</b>	<b>4,229</b>	<b>628</b>	<b>9,547</b>	<b>1,599</b>	<b>—</b>	<b>29,503</b>
<b>Capital expenditure</b>	<b>61</b>	<b>69</b>	<b>62</b>	<b>73</b>	<b>29</b>	<b>13</b>	<b>218</b>	<b>46</b>	<b>—</b>	<b>571</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 54 Segment reporting (Continued)

### (b) Geographical segments (Continued)

	30 June 2014									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	North eastern	Head Office	Hong Kong	Elimination	Total
<b>Segment assets</b>	958,992	623,960	958,837	526,064	573,491	108,108	1,444,932	186,626	(1,080,602)	4,300,408
Interests in joint ventures and associates	—	—	—	—	—	—	—	2,260	—	2,260
Deferred tax assets	—	—	—	—	—	—	—	—	—	8,519
<b>Total assets</b>										<b>4,311,187</b>
<b>Segment liabilities</b>	953,923	619,848	950,850	521,251	567,911	106,689	1,256,467	168,381	(1,080,831)	4,064,489
<b>Total liabilities</b>										<b>4,064,489</b>
Off-balance sheet credit commitment	318,767	171,313	275,308	200,165	152,963	28,060	114,094	82,245	—	1,342,915

	Six months ended 30 June 2013									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	6,509	4,680	5,334	4,420	4,913	1,276	12,402	940	—	40,474
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	5,515	1,204	—	40,474
Net fee and commission income	1,504	576	1,462	932	823	283	2,121	276	—	7,977
Other net income (note ii)	273	135	296	101	55	18	316	429	—	1,623
<b>Operating income</b>	10,419	5,967	9,735	6,633	5,867	1,592	7,952	1,909	—	50,074
Operating expense										
– depreciation and amortisation	(154)	(83)	(171)	(89)	(89)	(26)	(174)	(79)	—	(865)
– others	(3,865)	(2,188)	(3,355)	(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 loss of associates	—	—	—	—	—	—	—	(3)	—	(3)
<b>Profit before tax</b>	3,524	3,073	5,459	3,967	3,407	1,048	5,768	997	—	27,243
<b>Capital expenditure</b>	43	29	65	32	498	9	112	30	—	818

	31 December 2013									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
<b>Segment assets</b>	771,024	549,279	851,490	455,064	446,164	99,848	1,114,858	168,881	(826,025)	3,630,583
Interests in joint ventures and associates	—	—	—	—	—	—	—	2,176	—	2,176
Deferred tax assets	—	—	—	—	—	—	—	—	—	8,434
<b>Total assets</b>										<b>3,641,193</b>
<b>Segment liabilities</b>	767,235	542,146	839,582	447,303	438,613	97,957	949,745	153,933	(826,046)	3,410,468
<b>Total liabilities</b>										<b>3,410,468</b>
Off-balance sheet credit commitment	296,680	162,977	280,094	184,939	131,909	24,515	89,589	72,501	—	1,243,204

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

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 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 demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.
- Operational risk: Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategy risk and reputational risk.

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 relevant policies and procedures.

### (a) Credit risk

This category includes credit and counterparty risks from loans and advances, solvency 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 are credit limit management, the credit approval process, post-disbursement monitoring procedures such as early warning and examination etc. 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 and Internal Control Committee monitors overall portfolio risk as well as individual problem loans, both actual and potential, on a regular basis.

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans and advances are classified as non-impaired and impaired based on the different risk level. When one or more event demonstrates there is objective evidence of impairment and causes losses, corresponding loans and advances are considered to be classified as impaired. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The Group applies a series of criteria in determining the classification of loans. The loan classification criteria focuses on a number of factors, including (i) the borrower's ability to repay the loan; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the net realizable value of any collateral; and (v) the prospect for the support from any financially responsible guarantor. The Group also takes into account the length of time for which payments of principal and interest on a loan are overdue.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Credit business (Continued)

The Group's retail credit policies and approval processes are designed with reference to the fact that there are high volumes of relatively homogeneous, small value transaction 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 credit 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 type of financial assets in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Balances with central banks	591,177	489,628	589,560	487,699
Deposits with bank and non-bank financial institutions	137,642	131,711	136,844	124,860
Placements with banks and non-bank financial	110,202	122,314	86,542	98,414
Financial assets at fair value through profit or loss	20,031	11,016	20,021	10,966
Positive fair value of derivatives	7,210	7,749	4,905	5,866
Financial assets held under resale agreements	384,382	286,767	384,382	286,816
Interest receivables	21,428	15,545	20,811	14,976
Loans and advances to customers	2,070,500	1,899,921	1,952,085	1,798,983
Available-for-sale financial assets	179,118	177,148	159,141	160,176
Held-to-maturity investments	158,781	154,849	158,781	154,788
Investment classified as receivables	563,697	300,158	563,697	300,158
Other financial assets	23,874	6,707	22,998	6,140
Subtotal	4,268,042	3,603,513	4,099,767	3,449,842
Credit commitments	1,342,915	1,243,204	1,260,301	1,170,703
Maximum credit risk exposure	5,610,957	4,846,717	5,360,068	4,620,545

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments, certificates of deposit and investments classified as receivable are as follows:

#### The Group

	Note	30 June 2014				Investments classified as receivable
		Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt Securities investments and certificates of deposit	
<b>Impaired</b>						
– Individually assessed						
Gross balance		20,368	29	—	232	—
Allowance for impairment		(10,842)	(8)	—	(135)	—
Net balance		9,526	21	—	97	—
– Collectively assessed						
Gross balance		4,878	—	—	—	—
Allowance for impairment		(3,654)	—	—	—	—
Net balance		1,224	—	—	—	—
<b>Overdue but not impaired</b> (1)						
Gross balance		29,211	—	—	—	—
Within which						
– Less than 3 months		24,584	—	—	—	—
– 3 months to 1 year		4,627	—	—	—	—
– Over 1 year		—	—	—	—	—
Allowance for impairment		(3,183)	—	—	—	—
Net balance		26,028	—	—	—	—
<b>Neither overdue nor impaired</b>						
Gross balance		2,064,687	247,823	384,382	357,833	563,797
Allowance for impairment	(2)	(30,965)	—	—	—	(100)
Net balance		2,033,722	247,823	384,382	357,833	563,697
<b>Net balance of total assets</b>		<b>2,070,500</b>	<b>247,844</b>	<b>384,382</b>	<b>357,930</b>	<b>563,697</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments, certificates of deposit and investments classified as receivable are as follows: (Continued)

#### The Group (Continued)

	Note	31 December 2013				Investments classified as receivable
		Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt Securities investments and certificates of deposit	
<b>Impaired</b>						
– Individually assessed						
Gross balance		16,414	96	—	422	—
Allowance for impairment		(8,966)	(15)	—	(200)	—
Net balance		7,448	81	—	222	—
– Collectively assessed						
Gross balance		3,552	—	—	—	—
Allowance for impairment		(2,656)	—	—	—	—
Net balance		896	—	—	—	—
<b>Overdue but not impaired</b>	(1)					
Gross balance		15,946	30	—	—	—
Within which						
– Less than 3 months		14,845	30	—	—	—
– 3 months to 1 year		1,101	—	—	—	—
– Over 1 year		—	—	—	—	—
Allowance for impairment		(1,047)	—	—	—	—
Net balance		14,899	30	—	—	—
<b>Neither overdue nor impaired</b>						
Gross balance		1,905,263	253,914	286,767	342,791	300,158
Allowance for impairment	(2)	(28,585)	—	—	—	—
Net balance		1,876,678	253,914	286,767	342,791	300,158
<b>Net balance of total assets</b>		<b>1,899,921</b>	<b>254,025</b>	<b>286,767</b>	<b>343,013</b>	<b>300,158</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments, certificates of deposit and investments classified as receivable are as follows: (Continued)

#### The Bank

	Note	30 June 2014				
		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	Investments classified as receivable
<b>Impaired</b>						
– Individually assessed						
Gross balance		19,998	29	—	126	—
Allowance for impairment		(10,693)	(8)	—	(117)	—
Net balance		9,305	21	—	9	—
<hr/>						
– Collectively assessed						
Gross balance		4,877	—	—	—	—
Allowance for impairment		(3,653)	—	—	—	—
Net balance		1,224	—	—	—	—
<hr/>						
<b>Overdue but not impaired</b>	(1)					
Gross balance		27,818	—	—	—	—
Within which						
– Less than 3 months		23,191	—	—	—	—
– 3 months to 1 year		4,627	—	—	—	—
– Over 1 year		—	—	—	—	—
Allowance for impairment		(3,176)	—	—	—	—
Net balance		24,642	—	—	—	—
<hr/>						
<b>Neither overdue nor impaired</b>						
Gross balance		1,947,635	223,365	384,382	337,934	563,797
Allowance for impairment	(2)	(30,721)	—	—	—	(100)
Net balance		1,916,914	223,365	384,382	337,934	563,697
<b>Net balance of total assets</b>		<b>1,952,085</b>	<b>223,386</b>	<b>384,382</b>	<b>337,943</b>	<b>563,697</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments, certificates of deposit and investments classified as receivable are as follows: (Continued)

#### The Bank (Continued)

	Note	31 December 2013				Investments classified as receivable
		Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit	
<b>Impaired</b>						
– Individually assessed						
Gross balance		16,091	96	—	181	—
Allowance for impairment		(8,835)	(15)	—	(172)	—
Net balance		7,256	81	—	9	—
<hr/>						
– Collectively assessed						
Gross balance		3,548	—	—	—	—
Allowance for impairment		(2,653)	—	—	—	—
Net balance		895	—	—	—	—
<hr/>						
<b>Overdue but not impaired</b>	(1)					
Gross balance		15,066	30	—	—	—
Within which						
– Less than 3 months		13,965	30	—	—	—
– 3 months to 1 year		1,101	—	—	—	—
– Over 1 year		—	—	—	—	—
Allowance for impairment		(1,038)	—	—	—	—
Net balance		14,028	30	—	—	—
<hr/>						
<b>Neither overdue nor impaired</b>						
Gross balance		1,805,139	223,163	286,816	325,921	300,158
Allowance for impairment	(2)	(28,335)	—	—	—	—
Net balance		1,776,804	223,163	286,816	325,921	300,158
<hr/>						
<b>Net balance of total assets</b>		<b>1,798,983</b>	<b>223,274</b>	<b>286,816</b>	<b>325,930</b>	<b>300,158</b>



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

(ii) *Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments, certificates of deposit and investments 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 2014, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB22,684 million (as at 31 December 2013: RMB9,938 million). The covered portion and uncovered portion of these loans and advances were RMB9,775 million (as at 31 December 2013: RMB5,559 million) and RMB12,909 million (as at 31 December 2013: RMB4,379 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB13,370 million (as at 31 December 2013: RMB8,069 million).

As at 30 June 2014, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB21,292 million (as at 31 December 2013: RMB9,376 million). The covered portion and uncovered portion of these loans and advances were RMB8,789 million (as at 31 December 2013: RMB5,125 million) and RMB12,503 million (as at 31 December 2013: RMB4,251 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB10,006 million (as at 31 December 2013: RMB5,712 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation 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:*

	The Group					
	30 June 2014			31 December 2013		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
– Manufacturing	429,686	20.3	173,369	412,819	21.3	149,772
– Wholesale and retail	326,275	15.4	170,020	298,847	15.4	149,330
– Transportation, storage and postal services	138,425	6.5	60,371	135,778	7.0	61,179
– Real estate	146,803	6.9	124,220	128,930	6.6	113,434
– Construction	97,599	4.6	40,809	81,873	4.2	32,750
– Water, environment and public utility management	86,578	4.1	41,045	71,853	3.7	34,543
– Production and supply of electric power, gas and water	54,712	2.6	14,980	56,817	2.9	15,523
– Rental and business services	73,998	3.5	37,567	67,657	3.5	35,537
– Public management and social organizations	16,265	0.8	4,213	16,992	0.9	4,880
– Others	189,090	8.9	61,786	164,287	8.5	49,120
Subtotal	1,559,431	73.6	728,380	1,435,853	74.0	646,068
Personal loans	493,449	23.3	372,756	440,553	22.7	330,753
Discounted bills	66,264	3.1	—	64,769	3.3	—
Gross loans and advances to customers	2,119,144	100.0	1,101,136	1,941,175	100.0	976,821

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

(iii) Loans and advances to customers analysed by economic sector concentrations: (Continued)

	The Bank					
	30 June 2014			31 December 2013		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
– Manufacturing	423,064	21.2	171,295	406,726	22.1	147,756
– Wholesale and retail	306,087	15.3	166,244	287,087	15.6	145,686
– Transportation, storage and postal services	136,638	6.8	59,716	134,002	7.3	60,554
– Real estate	133,749	6.7	112,520	116,735	6.3	101,770
– Construction	96,851	4.8	40,358	81,048	4.4	32,440
– Water, environment and public utility management	86,450	4.3	41,045	71,722	3.9	34,543
– Production and supply of electric power, gas and water	54,313	2.7	14,836	56,419	3.1	15,453
– Rental and business services	73,673	3.7	37,480	67,428	3.7	35,479
– Public management and social organizations	16,265	0.8	4,213	16,992	0.9	4,880
– Others	136,136	6.8	50,028	118,368	6.4	41,703
Subtotal	1,463,226	73.1	697,735	1,356,527	73.7	620,264
Personal loans	477,959	23.9	358,308	426,129	23.2	317,126
Discounted bills	59,143	3.0	—	57,188	3.1	—
Gross loans and advances to customers	2,000,328	100.0	1,056,043	1,839,844	100.0	937,390

As at 30 June 2014, impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

#### The Group

	30 June 2014				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the period	Impaired loan written off during the period
Manufacturing	7,735	3,882	7,563	4,115	(1,443)
Wholesale and retail	10,490	5,609	6,263	4,607	(1,733)

	31 December 2013				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	6,454	3,278	5,469	2,034	(1,541)
Wholesale and retail	8,059	4,654	4,335	5,366	(2,841)

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

(iii) Loans and advances to customers analysed by economic sector concentrations: (Continued)

#### The Bank

	30 June 2014				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the period	Impaired loan written off during the period
Manufacturing	7,551	3,824	7,547	4,117	(1,440)
Wholesale and retail	10,485	5,607	6,232	4,621	(1,729)

	31 December 2013				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	6,319	3,250	5,444	2,011	(1,534)
Wholesale and retail	8,055	4,650	4,297	5,313	(2,816)

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

(iv) Loans and advances to customers analysed by geographical sector risk concentrations:

	The Group					
	30 June 2014			31 December 2013		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	554,353	26.2	233,846	513,609	26.5	214,739
Yangtze River Delta	508,364	24.0	273,671	476,101	24.5	238,225
Pearl River Delta and West Strait	315,432	14.9	213,047	278,425	14.3	180,297
Central	288,688	13.6	151,142	266,342	13.7	139,354
Western	288,585	13.6	152,860	255,620	13.2	133,977
Northeastern	61,335	2.9	35,932	57,920	3.0	34,898
Outside Mainland China	102,387	4.8	40,638	93,158	4.8	35,331
<b>Total</b>	<b>2,119,144</b>	<b>100.0</b>	<b>1,101,136</b>	<b>1,941,175</b>	<b>100.0</b>	<b>976,821</b>

	The Bank					
	30 June 2014			31 December 2013		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and Advances secured by collaterals
Bohai Rim (including Head Office)	543,344	27.2	232,556	511,075	27.8	214,041
Yangtze River Delta	505,481	25.3	271,521	472,973	25.7	236,173
Pearl River Delta and West Strait	312,895	15.6	212,032	275,914	15.0	178,947
Central	288,688	14.4	151,142	266,342	14.5	139,354
Western	288,585	14.4	152,860	255,620	13.9	133,977
Northeastern	61,335	3.1	35,932	57,920	3.1	34,898
<b>Total</b>	<b>2,000,328</b>	<b>100.0</b>	<b>1,056,043</b>	<b>1,839,844</b>	<b>100.0</b>	<b>937,390</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

(iv) Loans and advances to customers analysed by geographical sector risk concentrations: (Continued)

As at 30 June 2014, impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

The Group	30 June 2014		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	6,700	1,775	10,437
Yangtze River Delta	10,581	5,294	10,181
Pearl River Delta and West Strait	4,198	2,458	5,971
Central	1,674	498	5,419
Western	1,140	504	4,671
		31 December 2013	
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	3,995	1,151	9,107
Yangtze River Delta	10,567	5,353	8,898
Pearl River Delta and West Strait	2,311	1,360	4,571
Central	1,126	235	4,528
Western	976	432	4,073
		30 June 2014	
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	6,656	1,742	10,436
Yangtze River Delta	10,575	5,290	10,161
Pearl River Delta and West Strait	4,158	2,438	5,962
Central	1,674	498	5,419
Western	1,140	504	4,671
		31 December 2013	
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	3,950	1,132	9,106
Yangtze River Delta	10,559	5,349	8,884
Pearl River Delta and West Strait	2,268	1,360	4,568
Central	1,126	235	4,528
Western	976	432	4,073

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (a) Credit risk (Continued)

#### Treasury business (Continued)

##### (v) Loans and advances to customers analysed by types of collaterals

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Unsecured loans	421,300	399,860	393,908	382,075
Guaranteed loans	530,444	499,725	491,234	463,191
Secured loans	1,101,136	976,821	1,056,043	937,390
– Tangible assets other than monetary assets	815,428	740,650	779,838	705,499
– Monetary assets	285,708	236,171	276,205	231,891
Subtotal	2,052,880	1,876,406	1,941,185	1,782,656
Discounted bills	66,264	64,769	59,143	57,188
Gross loans and advances to customers	2,119,144	1,941,175	2,000,328	1,839,844

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

#### The Group

	30 June 2014		31 December 2013	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	10,439	0.50%	6,176	0.32%
Less:				
– rescheduled loans and advances overdue more than 3 months	5,633	0.27%	4,045	0.21%
– rescheduled loans and advances overdue less than 3 months	4,806	0.23%	2,131	0.11%

#### The Bank

	30 June 2014		31 December 2013	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	9,879	0.49%	5,603	0.30%
Less:				
– rescheduled loans and advances overdue more than 3 months	5,633	0.28%	4,045	0.22%
– rescheduled loans and advances overdue less than 3 months	4,246	0.21%	1,558	0.08%

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrowers, or of the inability of the borrowers 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

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

## 55 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.

Risk and Internal control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organisational structure and information systems to effectively identify, measure, monitor and control market risks derived from business, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorisation limits, providing independent report of market risk, to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operation, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses its sensitivity analysis, foreign exchange 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.

The following tables indicate the effective interest rates for the respective period, and the expected next re-pricing dates (or maturity dates whichever are earlier) for the assets and liabilities as at the end of the reporting period.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

#### The Group

	Effective interest rate (note (i))	30 June 2014					
		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%	597,719	6,542	591,177	—	—	—
Deposits with banks and non-bank financial institutions	4.18%	137,642	125	105,856	29,511	2,150	—
Placements with banks and non-bank financial institutions	4.49%	110,202	21	90,351	19,830	—	—
Financial assets held under resale agreements	5.65%	384,382	—	367,594	15,476	1,312	—
Investment classified as receivable	6.43%	563,697	—	169,904	287,292	106,501	—
Loans and advances to customers (note (ii))	6.31%	2,070,500	212	920,830	1,103,375	43,603	2,480
Investments (note (iii))	3.84%	367,009	9,154	63,279	71,714	152,331	70,531
Others	3.96%	80,036	72,751	1,994	5,291	—	—
<b>Total assets</b>		<b>4,311,187</b>	<b>88,805</b>	<b>2,310,985</b>	<b>1,532,489</b>	<b>305,897</b>	<b>73,011</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	5.48%	790,134	2,687	555,883	178,874	52,690	—
Placements from banks and non-bank financial institutions	3.61%	39,558	—	35,758	3,193	607	—
Financial assets sold under repurchase agreements	3.82%	8,999	—	6,546	2,453	—	—
Deposits from customers	2.47%	3,053,213	15,413	2,071,631	695,818	267,240	3,111
Debt certificates issued	4.20%	88,086	—	18,079	7,962	20,278	41,767
Others	3.24%	84,499	81,535	940	1,409	615	—
<b>Total liabilities</b>		<b>4,064,489</b>	<b>99,635</b>	<b>2,688,837</b>	<b>889,709</b>	<b>341,430</b>	<b>44,878</b>
<b>Asset-liability gap</b>		<b>246,698</b>	<b>(10,830)</b>	<b>(377,852)</b>	<b>642,780</b>	<b>(35,533)</b>	<b>28,133</b>



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

#### The Group (Continued)

	Effective interest rate (note (i))	31 December 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	1.50%	496,476	6,848	489,628	—	—	—
Deposits with banks and non-bank financial institutions	3.91%	131,711	—	98,753	30,970	1,988	—
Placements with banks and non-bank financial institutions	4.05%	122,314	21	73,156	49,125	12	—
Financial assets held under resale agreements	5.02%	286,767	—	206,245	75,629	4,893	—
Investment classified as receivable	6.03%	300,158	—	93,423	121,758	84,977	—
Loans and advances to customers (note (ii))	6.18%	1,899,921	211	1,047,247	799,481	51,412	1,570
Investments (note (iii))	3.75%	346,003	3,084	71,585	60,401	145,265	65,668
Others		57,843	57,843	—	—	—	—
<b>Total assets</b>		<b>3,641,193</b>	<b>68,007</b>	<b>2,080,037</b>	<b>1,137,364</b>	<b>288,547</b>	<b>67,238</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	4.25%	559,667	1,071	355,471	157,559	45,566	—
Placements from banks and non-bank financial institutions	2.47%	41,952	—	36,560	4,813	579	—
Financial assets sold under repurchase agreements	4.53%	7,949	—	5,085	2,864	—	—
Deposits from customers	2.20%	2,651,678	11,434	1,800,758	587,175	250,052	2,259
Debt certificates issued	3.96%	76,869	—	7,275	8,821	17,284	43,489
Others		72,353	72,353	—	—	—	—
<b>Total liabilities</b>		<b>3,410,468</b>	<b>84,858</b>	<b>2,205,149</b>	<b>761,232</b>	<b>313,481</b>	<b>45,748</b>
<b>Asset-liability gap</b>		<b>230,725</b>	<b>(16,851)</b>	<b>(125,112)</b>	<b>376,132</b>	<b>(24,934)</b>	<b>21,490</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

##### The Bank

	Effective interest rate (note (i))	30 June 2014					
		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	1.50%	595,904	6,344	589,560	—	—	—
Deposits with banks and non-bank financial institutions	4.31%	136,844	—	105,183	29,511	2,150	—
Placements with banks and non-bank financial institutions	5.23%	86,542	21	69,770	16,751	—	—
Financial assets held under resale agreements	5.65%	384,382	—	367,594	15,476	1,312	—
Investment classified as receivables	6.43%	563,697	—	169,904	287,292	106,501	—
Loans and advances to customers (note (ii))	6.47%	1,952,085	—	815,707	1,091,492	42,593	2,293
Investments (note (iii))	3.88%	354,489	16,618	53,074	68,871	145,580	70,346
Others	3.96%	74,477	67,192	1,994	5,291	—	—
<b>Total assets</b>		<b>4,148,420</b>	<b>90,175</b>	<b>2,172,786</b>	<b>1,514,684</b>	<b>298,136</b>	<b>72,639</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	5.58%	803,775	368	571,748	178,969	52,690	—
Placements from banks and non-bank financial institutions	3.87%	38,791	—	34,991	3,193	607	—
Financial assets sold under repurchase agreements	4.12%	7,327	—	5,103	2,224	—	—
Deposits from customers	2.51%	2,915,043	14,522	1,966,812	665,321	265,277	3,111
Debt certificates issued	4.88%	67,801	—	11,393	1,460	16,475	38,473
Others	3.24%	79,711	76,747	940	1,409	615	—
<b>Total liabilities</b>		<b>3,912,448</b>	<b>91,637</b>	<b>2,590,987</b>	<b>852,576</b>	<b>335,664</b>	<b>41,584</b>
<b>Asset-liability gap</b>		<b>235,972</b>	<b>(1,462)</b>	<b>(418,201)</b>	<b>662,108</b>	<b>(37,528)</b>	<b>31,055</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

#### The Bank (Continued)

	Effective interest rate (note (i))	Total	Non-interest bearing	31 December 2013			
				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%	494,316	6,617	487,699	—	—	—
Deposits with banks and non-bank financial institutions	4.02%	124,860	—	91,901	30,971	1,988	—
Placements with banks and non-bank financial institutions	4.77%	98,414	21	59,532	38,849	12	—
Financial assets held under resale agreements	5.02%	286,816	—	206,294	75,629	4,893	—
Investment classified as receivables	6.03%	300,158	—	93,423	121,758	84,977	—
Loans and advances to customers (note (ii))	6.34%	1,798,983	—	955,897	791,493	50,217	1,376
Investments (note (iii))	3.78%	336,376	10,498	63,681	57,155	139,492	65,550
Others		53,054	53,054	—	—	—	—
<b>Total assets</b>		<b>3,492,977</b>	<b>70,190</b>	<b>1,958,427</b>	<b>1,115,855</b>	<b>281,579</b>	<b>66,926</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	4.39%	571,234	79	364,393	161,196	45,566	—
Placements from banks and non-bank financial institutions	2.63%	38,512	—	33,130	4,803	579	—
Financial assets sold under repurchase agreements	4.90%	6,468	—	3,604	2,864	—	—
Deposits from customers	2.24%	2,529,488	6,343	1,708,754	564,646	247,486	2,259
Debt certificates issued	4.72%	56,439	—	2,968	—	14,999	38,472
Others		67,480	67,480	—	—	—	—
<b>Total liabilities</b>		<b>3,269,621</b>	<b>73,902</b>	<b>2,112,849</b>	<b>733,509</b>	<b>308,630</b>	<b>40,731</b>
<b>Asset-liability gap</b>		<b>223,356</b>	<b>(3,712)</b>	<b>(154,422)</b>	<b>382,346</b>	<b>(27,051)</b>	<b>26,195</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 RMB34,182 million as at 30 June 2014 (as at 31 December 2013: RMB22,869 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 RMB34,071 million as at 30 June 2014 (as at 31 December 2013: RMB21,969 million).
- (iii) Investments include the financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments in joint ventures and associates. At the bank level, it also includes the investments in subsidiaries.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate 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 2014 and 31 December 2013.

	30 June 2014		31 December 2013	
	Change in interest rates (in basis point)		Change in interest rates (in basis point)	
	(100)	100	(100)	100
(Decrease)/Increase in annualized net interest income (in millions of RMB)	(1,042)	1,042	(1,570)	1,570

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

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

#### Currency risk (Continued)

The exposures at the reporting date were as follows:

#### The Group

	30 June 2014				Total
	RMB	USD	HKD	Others	
<b>Assets</b>					
Cash and balances with central bank	585,072	11,660	765	222	597,719
Deposits with banks and non-bank financial institutions	59,061	74,479	1,738	2,364	137,642
Placements with banks and non-bank financial institutions	89,440	20,710	45	7	110,202
Financial assets held under resale agreements	383,768	614	—	—	384,382
Investment classified as receivables	563,697	—	—	—	563,697
Loans and advances to customers	1,803,752	208,462	46,500	11,786	2,070,500
Investments	332,693	19,937	11,214	3,165	367,009
Others	73,351	2,821	3,089	775	80,036
<b>Total assets</b>	<b>3,890,834</b>	<b>338,683</b>	<b>63,351</b>	<b>18,319</b>	<b>4,311,187</b>
<b>Liabilities</b>					
Deposits from banks and non-bank financial institutions	749,301	28,984	472	11,377	790,134
Placements from banks and non-bank financial institutions	1,817	36,285	20	1,436	39,558
Financial assets sold under repurchase agreements	7,490	1,509	—	—	8,999
Deposits from customers	2,714,779	241,966	79,356	17,112	3,053,213
Debt certificates issued	71,971	8,723	3,825	3,567	88,086
Others	77,549	2,472	3,901	577	84,499
<b>Total liabilities</b>	<b>3,622,907</b>	<b>319,939</b>	<b>87,574</b>	<b>34,069</b>	<b>4,064,489</b>
<b>Net on-balance sheet position</b>	<b>267,927</b>	<b>18,744</b>	<b>(24,223)</b>	<b>(15,750)</b>	<b>246,698</b>
Credit commitments	1,180,907	127,888	25,556	8,564	1,342,915
Derivatives (note(i))	(16,030)	(42,524)	38,622	15,732	(4,200)

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

Currency risk (Continued)

The Group (Continued)

	31 December 2013				
	RMB	USD	HKD	Others	Total
<b>Assets</b>					
Cash and balances with central bank	486,947	8,680	655	194	496,476
Deposits with banks and non-bank financial institutions	71,895	50,953	4,676	4,187	131,711
Placements with banks and non-bank financial institutions	107,586	14,683	45	—	122,314
Financial assets held under resale agreements	286,767	—	—	—	286,767
Investment classified as receivables	300,158	—	—	—	300,158
Loans and advances to customers	1,692,895	159,118	42,991	4,917	1,899,921
Investments	320,450	13,760	8,764	3,029	346,003
Others	55,881	(990)	2,285	667	57,843
<b>Total assets</b>	<b>3,322,579</b>	<b>246,204</b>	<b>59,416</b>	<b>12,994</b>	<b>3,641,193</b>
<b>Liabilities</b>					
Deposits from banks and non-bank financial institutions	526,942	16,446	1,095	15,184	559,667
Placements from banks and non-bank financial institutions	6,021	33,313	4	2,614	41,952
Financial assets sold under repurchase agreements	6,419	1,530	—	—	7,949
Deposits from customers	2,411,528	158,965	65,991	15,194	2,651,678
Debt certificates issued	60,654	8,176	4,472	3,567	76,869
Others	66,838	2,326	2,534	655	72,353
<b>Total liabilities</b>	<b>3,078,402</b>	<b>220,756</b>	<b>74,096</b>	<b>37,214</b>	<b>3,410,468</b>
<b>Net on-balance sheet position</b>	<b>244,177</b>	<b>25,448</b>	<b>(14,680)</b>	<b>(24,220)</b>	<b>230,725</b>
Credit commitments	1,080,234	130,747	23,114	9,109	1,243,204
Derivatives (note(i))	(21,054)	(37,716)	27,712	23,540	(7,518)

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

#### Currency risk (Continued)

##### The Bank

	30 June 2014				Total
	RMB	USD	HKD	Others	
<b>Assets</b>					
Cash and balances with central bank	583,855	11,280	588	181	595,904
Deposits with banks and non-bank financial institutions	59,544	74,624	453	2,223	136,844
Placements with banks and non-bank financial institutions	75,485	10,796	261	—	86,542
Financial assets held under resale agreements	383,768	614	—	—	384,382
Investment classified as receivable	563,697	—	—	—	563,697
Loans and advances to customers	1,791,787	148,650	937	10,711	1,952,085
Investments	340,522	13,398	—	569	354,489
Others	69,280	4,563	131	503	74,477
<b>Total assets</b>	<b>3,867,938</b>	<b>263,925</b>	<b>2,370</b>	<b>14,187</b>	<b>4,148,420</b>
<b>Liabilities</b>					
Deposits from banks and non-bank financial institutions	763,000	28,967	432	11,376	803,775
Placements from banks and non-bank financial institutions	1,694	35,642	20	1,435	38,791
Financial assets sold under repurchase agreements	7,296	31	—	—	7,327
Deposits from customers	2,679,718	216,885	9,818	8,622	2,915,043
Debt certificates issued	67,801	—	—	—	67,801
Others	73,452	4,611	1,418	230	79,711
<b>Total liabilities</b>	<b>3,592,961</b>	<b>286,136</b>	<b>11,688</b>	<b>21,663</b>	<b>3,912,448</b>
<b>Net on-balance sheet position</b>	<b>274,977</b>	<b>(22,211)</b>	<b>(9,318)</b>	<b>(7,476)</b>	<b>235,972</b>
Credit commitments	1,173,498	79,140	156	7,507	1,260,301
Derivatives (note(i))	(15,678)	(4,674)	8,965	7,461	(3,926)

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

Currency risk (Continued)

The Bank (Continued)

	31 December 2013				Total
	RMB	USD	HKD	Others	
<b>Assets</b>					
Cash and balances with central bank	485,412	8,307	442	155	494,316
Deposits with banks and non-bank financial institutions	69,795	50,189	861	4,015	124,860
Placements with banks and non-bank financial institutions	90,199	7,835	380	—	98,414
Financial assets held under resale agreements	286,767	49	—	—	286,816
Investment classified as receivable	300,158	—	—	—	300,158
Loans and advances to customers	1,681,466	113,149	396	3,972	1,798,983
Investments	328,427	6,844	284	821	336,376
Others	51,141	1,439	2	472	53,054
<b>Total assets</b>	<b>3,293,365</b>	<b>187,812</b>	<b>2,365</b>	<b>9,435</b>	<b>3,492,977</b>
<b>Liabilities</b>					
Deposits from banks and non-bank financial institutions	538,600	16,424	1,026	15,184	571,234
Placements from banks and non-bank financial institutions	5,056	31,579	4	1,873	38,512
Financial assets sold under repurchase agreements	6,419	49	—	—	6,468
Deposits from customers	2,380,143	135,674	8,021	5,650	2,529,488
Debt certificates issued	56,439	—	—	—	56,439
Others	62,130	4,960	35	355	67,480
<b>Total liabilities</b>	<b>3,048,787</b>	<b>188,686</b>	<b>9,086</b>	<b>23,062</b>	<b>3,269,621</b>
<b>Net on-balance sheet position</b>	<b>244,578</b>	<b>(874)</b>	<b>(6,721)</b>	<b>(13,627)</b>	<b>223,356</b>
Credit commitments	1,075,617	88,453	14	6,619	1,170,703
Derivatives (note(i))	(13,229)	(13,709)	6,390	13,010	(7,538)

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 profit. The following table sets forth, as at 30 June 2014 and 31 December 2013, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

	30 June 2014 Change in foreign currency exchange rate (in basis point)		31 December 2013 Change in foreign currency exchange rate (in basis point)	
	(100)	100	(100)	100
Increase/(Decrease) in annualized profit (in millions of RMB)	15.28	(15.28)	(0.14)	0.14



# Notes to the Unaudited Interim Financial Report

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

## 55 Financial risk management (Continued)

### (b) Market risk (Continued)

#### *Currency risk (Continued)*

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 recognized 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 profit resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

### (c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities; customers may 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 setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds some assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include liquidity gap analysis, liquidity indicator (including but not limited to regulated and internal managed indicators, such as loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring, scenario analysis and stress tests. On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management in time.

The following tables indicate the analysis by remaining maturity for the assets and liabilities as at the end of the reporting period.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (c) Liquidity risk (Continued)

#### The Group

	30 June 2014						Total
	Repayable on demand	Within 3 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	142,149	—	—	—	—	455,570	597,719
Deposits with banks and non-bank financial institutions	68,654	37,327	29,511	2,150	—	—	137,642
Placements with banks and non-bank financial institutions	—	89,111	21,033	37	—	21	110,202
Financial assets held under resale agreements	—	367,379	15,500	1,503	—	—	384,382
Investment classified as receivables	—	169,904	287,292	106,501	—	—	563,697
Loans and advances to customers (note (ii))	13,963	508,079	808,176	391,499	325,968	22,815	2,070,500
Investments (note (iii))	6,488	21,505	50,175	201,380	84,701	2,760	367,009
Others	16,831	24,719	8,805	1,546	530	27,605	80,036
<b>Total assets</b>	<b>248,085</b>	<b>1,218,024</b>	<b>1,220,492</b>	<b>704,616</b>	<b>411,199</b>	<b>508,771</b>	<b>4,311,187</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	68,074	485,202	184,168	52,690	—	—	790,134
Placements from banks and non-bank financial institutions	—	35,758	3,193	607	—	—	39,558
Financial assets sold under repurchase agreements	—	6,546	2,453	—	—	—	8,999
Deposits from customers	1,509,322	580,425	692,919	267,436	3,111	—	3,053,213
Debt certificates issued	—	16,013	8,660	21,646	41,767	—	88,086
Others	51,594	5,927	7,343	14,597	1,382	3,656	84,499
<b>Total liabilities</b>	<b>1,628,990</b>	<b>1,129,871</b>	<b>898,736</b>	<b>356,976</b>	<b>46,260</b>	<b>3,656</b>	<b>4,064,489</b>
<b>(Short)/Long position</b>	<b>(1,380,905)</b>	<b>88,153</b>	<b>321,756</b>	<b>347,640</b>	<b>364,939</b>	<b>505,115</b>	<b>246,698</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (c) Liquidity risk (Continued)

The Group (Continued)

	31 December 2013						Total
	Repayable on demand	Within 3 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	72,904	—	—	—	—	423,572	496,476
Deposits with banks and non-bank financial institutions	42,727	56,026	30,970	1,988	—	—	131,711
Placements with banks and non-bank financial institutions	30	71,915	50,249	39	—	81	122,314
Financial assets held under resale agreements	—	206,165	75,679	4,923	—	—	286,767
Investment classified as receivables	—	93,423	121,758	84,977	—	—	300,158
Loans and advances to customers (note (ii))	7,950	413,272	799,264	356,098	308,044	15,293	1,899,921
Investments (note (iii))	367	27,126	37,473	195,147	83,166	2,724	346,003
Others	8,047	14,024	6,650	2,601	766	25,755	57,843
<b>Total assets</b>	<b>132,025</b>	<b>881,951</b>	<b>1,122,043</b>	<b>645,773</b>	<b>391,976</b>	<b>467,425</b>	<b>3,641,193</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	60,376	291,991	161,734	45,566	—	—	559,667
Placements from banks and non-bank financial institutions	—	36,459	4,914	579	—	—	41,952
Financial assets sold under repurchase agreements	—	5,085	2,864	—	—	—	7,949
Deposits from customers	1,205,784	611,742	581,454	250,439	2,259	—	2,651,678
Debt certificates issued	—	4,882	9,987	18,511	43,489	—	76,869
Others	31,087	8,721	10,021	18,103	1,559	2,862	72,353
<b>Total liabilities</b>	<b>1,297,247</b>	<b>958,880</b>	<b>770,974</b>	<b>333,198</b>	<b>47,307</b>	<b>2,862</b>	<b>3,410,468</b>
<b>(Short)/Long position</b>	<b>(1,165,222)</b>	<b>(76,929)</b>	<b>351,069</b>	<b>312,575</b>	<b>344,669</b>	<b>464,563</b>	<b>230,725</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (c) Liquidity risk (Continued)

#### The Bank

	30 June 2014						Total
	Repayable on demand	Within 3 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	141,560	—	—	—	—	454,344	595,904
Deposits with banks and non-bank financial institutions	67,995	37,188	29,511	2,150	—	—	136,844
Placements with banks and non-bank financial institutions	—	69,770	16,751	—	—	21	86,542
Financial assets held under resale agreements	—	367,379	15,500	1,503	—	—	384,382
Investment classified as receivables	—	169,904	287,292	106,501	—	—	563,697
Loans and advances to customers (note (ii))	13,240	470,324	777,638	359,038	309,914	21,931	1,952,085
Investments (note (iii))	6,488	13,460	46,910	193,415	84,077	10,139	354,489
Others	14,521	24,039	8,807	1,548	530	25,032	74,477
<b>Total assets</b>	<b>243,804</b>	<b>1,152,064</b>	<b>1,182,409</b>	<b>664,155</b>	<b>394,521</b>	<b>511,467</b>	<b>4,148,420</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	68,424	498,398	184,263	52,690	—	—	803,775
Placements from banks and non-bank financial institutions	—	34,991	3,193	607	—	—	38,791
Financial assets sold under repurchase agreements	—	5,103	2,224	—	—	—	7,327
Deposits from customers	1,467,633	513,701	665,321	265,277	3,111	—	2,915,043
Debt certificates issued	—	11,393	1,460	16,475	38,473	—	67,801
Others	47,649	6,892	8,207	14,597	1,382	984	79,711
<b>Total liabilities</b>	<b>1,583,706</b>	<b>1,070,478</b>	<b>864,668</b>	<b>349,646</b>	<b>42,966</b>	<b>984</b>	<b>3,912,448</b>
<b>(Short)/Long position</b>	<b>(1,339,902)</b>	<b>81,586</b>	<b>317,741</b>	<b>314,509</b>	<b>351,555</b>	<b>510,483</b>	<b>235,972</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 55 Financial risk management (Continued)

### (c) Liquidity risk (Continued)

#### The Bank (Continued)

	31 December 2013						Total
	Repayable on demand	Within 3 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	72,274	—	—	—	—	442,042	494,316
Deposits with banks and non-bank financial institutions	36,010	55,891	30,971	1,988	—	—	124,860
Placements with banks and non-bank financial institutions	30	59,421	38,870	12	—	81	98,414
Financial assets held under resale agreements	—	206,214	75,679	4,923	—	—	286,816
Investment classified as receivables	—	93,423	121,758	84,977	—	—	300,158
Loans and advances to customers (note (ii))	7,175	388,015	770,045	326,859	291,885	15,004	1,798,983
Investments (note (iii))	367	21,946	33,377	187,933	82,613	10,140	336,376
Others	6,166	13,589	6,653	2,596	766	23,284	53,054
<b>Total assets</b>	<b>122,022</b>	<b>838,499</b>	<b>1,077,353</b>	<b>609,288</b>	<b>375,264</b>	<b>470,551</b>	<b>3,492,977</b>
<b>Liabilities</b>							
Deposits from banks and non-bank financial institutions	60,647	299,650	165,371	45,566	—	—	571,234
Placements from banks and non-bank financial institutions	—	33,029	4,904	579	—	—	38,512
Financial assets sold under repurchase agreements	—	3,604	2,864	—	—	—	6,468
Deposits from customers	1,172,493	542,604	564,646	247,486	2,259	—	2,529,488
Debt certificates issued	—	2,968	—	14,999	38,472	—	56,439
Others	29,858	7,144	9,873	18,102	1,559	944	67,480
<b>Total liabilities</b>	<b>1,262,998</b>	<b>888,999</b>	<b>747,658</b>	<b>326,732</b>	<b>42,290</b>	<b>944</b>	<b>3,269,621</b>
<b>(Short)/Long position</b>	<b>(1,140,976)</b>	<b>(50,500)</b>	<b>329,695</b>	<b>282,556</b>	<b>332,974</b>	<b>469,607</b>	<b>223,356</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

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

## 55 Financial risk management (Continued)

### (d) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, IT systems, or external events, including legal risk, but excluding strategy risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational 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. Key controls include:

- establishment of matrix authorization management mechanism, carrying out annual uniform authorization, prohibition of developing businesses beyond the scope of the permissions granted;
- the use of the single legal responsibility framework and strict disciplinary measures in order to ensure accountability;
- promotion of an operational risk management culture throughout the organisation by building a team of operational risk management professionals, providing formal training and having an appraisal system in place, to raise awareness of risk management among the Group's employees;
- cash management and account management are in compliance with the relevant regulations, intensify monitor of suspicious transactions, improve training on anti-money laundering to ensure our staff are well-equipped with the necessary knowledge and basic skills;
- 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.

## 56 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's sound operations and risk management capability and it is a core issue of capital management. The Group's capital 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. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 56 Capital Adequacy Ratio (Continued)

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios as stipulated in the “Regulation Governing Capital of Commercial Banks (provisional)” by the end of 2018. 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. During the period, the Group has complied in full with all its externally imposed capital requirements.

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 2014</b> <b>(unaudited)</b>	31 December 2013 (audited)
<b>Core tier-one capital adequacy ratio</b>	<b>8.71%</b>	8.78%
<b>Tier-one capital adequacy ratio</b>	<b>8.77%</b>	8.78%
<b>Capital adequacy ratio</b>	<b>10.98%</b>	11.24%
Components of capital base		
Core tier-one capital:		
Paid-in capital	46,787	46,787
Valid portion of capital reserve	48,100	44,734
Surplus reserve	15,495	15,495
General reserve	44,340	44,340
Retained profits	86,934	76,690
Valid portion of non-controlling interests	3,836	3,865
Others <sup>(1)</sup>	(2,369)	(2,445)
Total core tier-one capital	243,123	229,466
Core tier-one capital deductions:		
Goodwill (net of related deferred tax liability)	800	792
Other intangible assets other than land use right (net of related deferred tax liability)	358	363
Net core tier-one capital	241,965	228,311
Other tier-one capital <sup>(2)</sup>	1,759	69
Net tier-one capital	243,724	228,380
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	36,698	40,930
Surplus provision for loan impairment	23,398	21,288
Valid portion of non-controlling interests	1,327	1,614
Net capital base	305,147	292,212
Total risk-weighted assets	2,779,222	2,600,494

(a) Pursuant to the “Regulation Governing Capital of Commercial Banks (provisional)” issued by the CBRC, others are foreign currency translation reserve.

(b) As at 30 June 2014, the Group’s other tier-one capital is the valid portion of non-controlling interests.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 57 Fair value

### (a) Financial assets

The Group's financial assets mainly include cash, amounts due from central bank, banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, investment classified as receivables and investments.

#### *Amounts due from central banks, banks and other financial institutions, financial assets held under resale agreements, investment classified as receivables*

Amounts due from central banks, banks and other financial institutions, financial assets held under resale agreements, investments classified as receivables are mainly priced at market interest rates. 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 financial assets at fair value through profit or loss are stated at fair value on the statement of financial position. The carrying values and the fair values of held-to-maturity debt securities are presented in Note 21.

The fair value of held-to-maturity investments at fair value hierarchy is as follows:

#### The Group and the Bank

	30 June 2014			Total
	Level 1	Level 2	Level 3	
Held-to-maturity investments	1,050	154,406	—	155,456

#### The Group

	31 December 2013			Total
	Level 1	Level 2	Level 3	
Held-to-maturity investments	547	146,505	—	147,052

#### The Bank

	31 December 2013			Total
	Level 1	Level 2	Level 3	
Held-to-maturity investments	547	146,443	—	146,990



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 57 Fair value (Continued)

### (b) Financial liabilities

The Group's financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers, debt certificates 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 2014	31 December 2013	30 June 2014	31 December 2013
Debt certificates issued				
– Certificates of deposit (not for trading purpose)	12,628	12,718	12,627	12,732
– Debt securities issued	17,187	15,904	17,332	15,393
– Subordinated bonds issued	45,418	45,279	43,344	40,640
– Certificates of interbank deposit issued	12,853	2,968	12,758	2,956
<b>Total</b>	<b>88,086</b>	<b>76,869</b>	<b>86,061</b>	<b>71,721</b>

#### The Bank

	Carrying values		Fair values	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Debt certificates issued				
– Debt securities issued	16,475	14,999	16,620	14,480
– Subordinated bonds issued	38,473	38,472	36,133	33,660
– Certificates of interbank deposit issued	12,853	2,968	12,758	2,956
<b>Total</b>	<b>67,801</b>	<b>56,439</b>	<b>65,511</b>	<b>51,096</b>

The fair value of financial liabilities at fair value hierarchy is as follows:

#### The Group

	30 June 2014			Total
	Level 1	Level 2	Level 3	
Debt certificates issued				
– Certificates of deposit (not for trading purpose) issued	—	12,627	—	12,627
– Debt securities issued	—	17,332	—	17,332
– Subordinated bonds issued	7,211	36,133	—	43,344
– Certificates of interbank deposit issued	—	12,758	—	12,758
<b>Total</b>	<b>7,211</b>	<b>78,850</b>	<b>—</b>	<b>86,061</b>

	31 December 2013			Total
	Level 1	Level 2	Level 3	
Debt certificates issued				
– Certificates of deposit (not for trading purpose) issued	—	12,732	—	12,732
– Debt securities issued	507	14,886	—	15,393
– Subordinated bonds issued	6,980	33,660	—	40,640
– Certificates of interbank deposit issued	—	2,956	—	2,956
<b>Total</b>	<b>7,487</b>	<b>64,234</b>	<b>—</b>	<b>71,721</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 57 Fair value (Continued)

### (b) Financial liabilities (Continued)

#### The Bank

	30 June 2014			Total
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	
Debt certificates issued				
– Debt securities issued	—	16,620	—	16,620
– Subordinated bonds issued	—	36,133	—	36,133
– Certificates of interbank deposit issued	—	12,758	—	12,758
<b>Total</b>	<b>—</b>	<b>65,511</b>	<b>—</b>	<b>65,511</b>
		31 December 2013		
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	Total
Debt certificates issued				
– Debt securities issued	—	14,480	—	14,480
– Subordinated bonds issued	—	33,660	—	33,660
– Certificates of interbank deposit issued	—	2,956	—	2,956
<b>Total</b>	<b>—</b>	<b>51,096</b>	<b>—</b>	<b>51,096</b>

### (c) Valuation of financial instruments

The table below analyses financial instruments, measured at fair value by the level in the fair value hierarchy into which the fair value treatment is categorised:

	The Group			Total
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	
As at 30 June 2014				
<b>Assets</b>				
Trading financial assets				
– Debt securities	1,297	17,911	—	19,208
– Investment funds	—	—	2	2
Financial assets designated at fair value through profit or loss				
– Debt securities	10	813	—	823
Positive fair value of derivatives				
– Interest rate derivatives	—	1,041	12	1,053
– Currency derivatives	11	6,118	—	6,129
– Precious metals derivatives	—	28	—	28
Available-for-sale financial assets				
– Debt securities	19,939	155,316	12	175,267
– Investment funds	—	6,416	197	6,613
– Certificates of deposit	259	3,592	—	3,851
– Equity instruments	73	—	17	90
<b>Total</b>	<b>21,589</b>	<b>191,235</b>	<b>240</b>	<b>213,064</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Short position in debt securities	(615)	—	—	(615)
Negative fair value of derivatives				
– Interest rate derivatives	—	(739)	(17)	(756)
– Currency derivatives	—	(5,713)	—	(5,713)
– Precious metals derivatives	—	(92)	—	(92)
<b>Total</b>	<b>(615)</b>	<b>(6,544)</b>	<b>(17)</b>	<b>(7,176)</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 57 Fair value (Continued)

### (c) Valuation of financial instruments (Continued)

	The Group			Total
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	
As at 31 December 2013				
<b>Assets</b>				
Trading financial assets				
– Debt securities	—	10,966	—	10,966
– Investment funds	—	—	2	2
Financial assets designated at fair value through profit or loss				
– Debt securities	10	—	40	50
Positive fair value of derivatives				
– Interest rate derivatives	—	1,492	12	1,504
– Currency derivatives	12	6,233	—	6,245
Available-for-sale financial assets				
– Debt securities	15,457	156,850	13	172,320
– Investment funds	—	315	290	605
– Certificates of deposit	247	4,581	—	4,828
– Equity instruments	76	—	17	93
<b>Total</b>	<b>15,802</b>	<b>180,437</b>	<b>374</b>	<b>196,613</b>
<b>Liabilities</b>				
Negative fair value of derivatives				
– Interest rate derivatives	—	(1,299)	(17)	(1,316)
– Currency derivatives	—	(5,535)	—	(5,535)
– Other derivatives	—	(2)	—	(2)
<b>Total</b>	<b>—</b>	<b>(6,836)</b>	<b>(17)</b>	<b>(6,853)</b>

	The Bank			Total
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	
As at 30 June 2014				
<b>Assets</b>				
Trading financial assets				
– Debt securities	1,297	17,911	—	19,208
Financial asset designated at fair value through profit or loss				
– Debt securities	—	813	—	813
Positive fair value of derivatives				
– Interest rate derivatives	—	767	12	779
– Currency derivatives	—	4,098	—	4,098
– Precious metals	—	28	—	28
Available-for-sale financial assets				
– Debt securities	5,135	153,997	9	159,141
– Investment funds	—	6,416	—	6,416
– Equity instruments	30	—	—	30
<b>Total</b>	<b>6,462</b>	<b>184,030</b>	<b>21</b>	<b>190,513</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Short position in debt securities	(615)	—	—	(615)
Negative fair value of derivatives				
– Interest rate derivatives	—	(680)	(17)	(697)
– Currency derivatives	—	(4,018)	—	(4,018)
– Precious metals derivatives	—	(92)	—	(92)
<b>Total</b>	<b>(615)</b>	<b>(4,790)</b>	<b>(17)</b>	<b>(5,422)</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 57 Fair value (Continued)

### (c) Valuation of financial instruments (Continued)

	The Bank			Total
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)-(iii))	
As at 31 December 2013				
<b>Assets</b>				
Trading financial assets				
– Debt securities	—	10,966	—	10,966
Positive fair value of derivatives				
– Interest rate derivatives	—	1,250	12	1,262
– Currency derivatives	—	4,604	—	4,604
Available-for-sale financial assets				
– Debt securities	6,179	153,988	9	160,176
– Investment funds	—	315	—	315
– Equity instruments	31	—	—	31
<b>Total</b>	<b>6,210</b>	<b>171,123</b>	<b>21</b>	<b>177,354</b>
<b>Liabilities</b>				
Negative fair value of derivatives				
– Interest rate derivatives	—	(1,186)	(17)	(1,203)
– Currency derivatives	—	(4,415)	—	(4,415)
– Other derivatives	—	(2)	—	(2)
<b>Total</b>	<b>—</b>	<b>(5,603)</b>	<b>(17)</b>	<b>(5,620)</b>

(i) During the current period, there were no significant transfer between Level 1 and Level 2 of the fair value hierarchy.

(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		
	Trading financial assets Investment funds	Financial assets designed at fair value through profit or loss Debt securities	Positive fair value of derivatives Interest rate derivatives	Available-for-sale financial assets Debt securities	Investment funds	Equity instruments	Total	Negative fair value of derivatives Interest rate derivatives	Total
As at 1 January 2014	2	40	12	13	290	17	374	(17)	(17)
Total gains or losses									
– In profit or loss	1	1	3	—	—	—	5	(1)	(1)
– In other comprehensive income	—	—	—	(1)	(50)	—	(51)	—	—
Purchase	—	—	—	—	15	—	15	—	—
Settlements	(1)	(40)	(3)	—	(60)	—	(104)	1	1
Exchange effect	—	(1)	—	—	2	—	1	—	—
As at 30 June 2014	2	—	12	12	197	17	240	(17)	(17)
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	1	4	—	—	—	6	(2)	(2)

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 57 Fair value (Continued)

### (c) Valuation of financial instruments (Continued)

#### The Group (Continued)

	Assets						Liabilities		
	Trading financial assets Investment funds	Financial assets designed at fair value through profit or loss Debt securities	Positive fair value of derivatives Interest rate derivatives	Debt securities	Available-for-sale financial assets Investment funds	Equity instruments	Total	Negative fair value of derivatives Interest rate derivatives	Total
As at 1 January 2013	2	39	84	17	364	18	524	(117)	(117)
Total gains or losses									
– In profit or loss	—	1	(62)	1	—	—	(60)	98	98
– In other comprehensive income	—	—	—	1	2	—	3	—	—
Purchase	—	—	—	—	25	—	25	—	—
Settlements	—	—	(10)	(6)	(91)	—	(107)	2	2
Exchange effect	—	—	—	—	(10)	(1)	(11)	—	—
As at 31 December 2013	2	40	12	13	290	17	374	(17)	(17)
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	(52)	—	—	—	(51)	48	48

#### The Bank

	Assets			Liabilities	
	Positive fair value of derivatives Interest rate derivatives	Available-for- sale financial assets Debt securities	Total	Negative fair value of derivatives Interest rate derivatives	Total
As at 1 January 2014	12	9	21	(17)	(17)
Total gains or losses					
– In profit or loss	3	1	4	(1)	(1)
– In other comprehensive income	—	(1)	(1)	—	—
Settlements	(3)	—	(3)	1	1
As at 30 June 2014	12	9	21	(17)	(17)
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))	4	—	4	(2)	(2)

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 57 Fair value (Continued)

### (c) Valuation of financial instruments (Continued)

#### The Bank (Continued)

	Positive fair value of derivatives Interest rate derivatives	Asset Available-for-sale financial assets Debt securities	Total	Liabilities Negative fair value of derivatives Interest rate derivatives	Total
As at 1 January 2013	84	14	98	(117)	(117)
Total gains or losses:					
– In profit or loss	(62)	1	(61)	98	98
– In other comprehensive income	—	1	1	—	—
Settlements	(10)	(7)	(17)	2	2
As at 31 December 2013	12	9	21	(17)	(17)
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))	(52)	—	(52)	48	48

- (iii) In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses in the statement of profit or loss and other comprehensive income.

## 58 Related parties

### (a) Relationship of related parties

- (i) Related parties of the Group include CITIC Group, CITIC Limited and their fellow entities, subsidiaries, joint ventures and associates of the Group as well as BBVA, which is a strategic investor of the Group.
- (ii) According to the relevant requirements on information disclosures of listed companies issued by China Securities Regulatory Commission (“CSRC”), all parties that hold more than 5% of a listed company’s shares should be recognised 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 9.9% of the Bank’s share as of 30 June 2014 (31 December 2013: 9.9%) and therefore BBVA is recognised as a related party of the Group under the definition provided by the local regulators.
- (iii) Besides the subsidiaries of the Bank mentioned in Note 24, CITIC Limited and CITIC Group are also related parties of the Bank that have control relations.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 58 Related parties (Continued)

### (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 conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction. Transactions during the relevant period/year and the corresponding balances outstanding at the reporting dates are as follows:

	Six months ended 30 June 2014			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Profit and loss				
Interest income	168	33	1	11
Fee and commission income and other operating income	185	—	15	—
Interest expense	(624)	(17)	—	(305)
Net trading gain	10	35	—	1
Other service fees	(366)	—	—	(38)

	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)

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 58 Related parties (Continued)

### (b) Related party transactions (Continued)

	Ultimate holding company and fellow entities	30 June 2014		
		BBVA	Associates	Subsidiaries Note (i)
<b>Assets</b>				
Gross loans and advances to customers	7,084	—	147	—
Less: collectively assessed allowances for impairment loss	(82)	—	—	—
Loans and advances to customers (net)	7,002	—	147	—
Gross amount of deposits and placements with banks and non-bank financial institutions	133	2	—	3,096
Less: Allowances for impairment losses	(7)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	126	2	—	3,096
Investments	299	—	2,257	9,986
Other assets	6,400	70	—	2
<b>Liabilities</b>				
Deposits from customers	30,509	—	363	32
Deposits and placements from banks and non-bank financial institutions	24,505	2,345	—	13,691
Debt certificates issued	—	—	—	180
Other liabilities	8,151	177	—	42
<b>Off-balance sheet items</b>				
Guarantees and letters of credit	581	—	—	—
Acceptances	656	—	—	—
Guarantees received	55	5	—	—
Nominal amount of derivatives	2,175	23,698	—	61



# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 58 Related parties (Continued)

### (b) Related party transactions (Continued)

	31 December 2013			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
<b>Assets</b>				
Gross loans and advances to customers	6,934	11	31	—
Less: collectively assessed allowances for impairment loss	(114)	(1)	—	—
Loans and advances to customers (net)	6,820	10	31	—
Gross amount of deposits and placements with banks and non-bank financial institutions	717	3	—	1,836
Less: Allowances for impairment losses	(7)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	710	3	—	1,836
Investments	628	—	2,176	9,986
Financial assets held under resale agreements	—	—	—	49
Other assets	694	278	—	4
<b>Liabilities</b>				
Deposits from customers	27,477	—	696	25
Deposits and placements from banks and non-bank financial institutions	23,684	3,604	—	11,764
Other liabilities	144	89	—	44
<b>Off-balance sheet items</b>				
Guarantees and letters of credit	389	—	5	—
Acceptances	926	—	—	—
Guarantees received	328	5	—	20
Nominal amount of derivatives	4,507	15,467	—	61

Notes:

(i) The related party transactions between the Bank and the subsidiaries and among the subsidiaries are eliminated on consolidation.

### (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 joint controlled 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, their close family members or those companies controlled or joint controlled by them.

The aggregate amount of relevant loans outstanding as at 30 June 2014 to directors, supervisors and executive officers amounted to RMB14.92 million (as at 31 December 2013: RMB15.26 million).

The aggregate of the compensations in respect of directors and supervisors during the six months ended 30 June 2014 amounted to RMB12.39 million (six months ended 30 June 2013: 7.44 million).

# Notes to the Unaudited Interim Financial Report

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

## 58 Related parties (Continued)

### (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 37(c)).

### (e) Transactions with other state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations (“state-owned entities”).

Transactions with other state-owned entities include but are not limited to the following:

- lending and deposit taking;
- taking and placing of inter-bank balances;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;
- purchase, sale and leases of property and other assets; and
- rendering and receiving of utilities and other services.

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

## 59 Involvement with unconsolidated structured entities

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the debt securities issued by these structured entities. Such structured entities include wealth management products, investment management products managed by securities companies, trust investment plans, asset-backed financings and investment funds and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of notes to investors.

# Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

## 59 Involvement with unconsolidated structured entities (Continued)

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The following tables sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2014 and 31 December 2013 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognized:

	The Group 30 June 2014					Total	Maximum loss exposure
	Held-to- maturity investments	Available for sale financial assets	Investment classified as receivables	Carrying amount Financial assets held under resale agreements	Interest Receivable		
Wealth management products	—	—	90,782	—	1,406	92,188	92,188
Investment management products managed by securities companies	—	—	350,620	3,668	4,032	358,320	358,320
Trust investment plans	—	—	119,595	485	849	120,929	120,929
Asset-backed financings	105	14	—	—	—	119	119
Investment funds	—	197	—	—	—	197	197
<b>Total</b>	<b>105</b>	<b>211</b>	<b>560,997</b>	<b>4,153</b>	<b>6,287</b>	<b>571,753</b>	<b>571,753</b>

	The Group 31 December 2013					Total	Maximum los exposure
	Held-to- maturity investments	Available for sale financial assets	Investment classified as receivables	Carrying amount Financial assets held under resale agreements	Interest Receivable		
Wealth management products	—	—	65,558	—	560	66,118	66,118
Investment management products managed by securities companies	—	—	114,987	7,706	995	123,688	123,688
Trust investment plans	—	—	96,999	1,951	494	99,444	99,444
Asset-backed financings	202	15	—	—	—	217	217
Investment funds	—	290	—	—	—	290	290
<b>Total</b>	<b>202</b>	<b>305</b>	<b>277,544</b>	<b>9,657</b>	<b>2,049</b>	<b>289,757</b>	<b>289,757</b>

The maximum exposures to loss in the above wealth management products, trust investment plans, investment management products managed by securities companies and investment funds are the fair value or the carrying value (whichever is higher) of the assets held by the Group at the reporting date. The maximum exposures to loss in the asset-backed financings are the amortized cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognized in the statement of financial positions.

# Notes to the Unaudited Interim Financial Report

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

## 59 Involvement with unconsolidated structured entities (Continued)

### (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services. As at 30 June 2014, the carrying amounts of management fee receivables being recognized in the statement of financial position is RMB646 million (as at 31 December 2013: RMB474 million).

As at 30 June 2014, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB309,881 million (as at 31 December 2013: RMB246,356 million).

As at 30 June 2014, the amount of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB25,768 million (as at 31 December 2013: RMB5,750 million). During the the six months ended 30 June 2014, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB25,768 million (as at 31 December 2013: RMB7,450 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

As at 30 June 2014, the amount of fee and commission income earned from the abovementioned structured entities by the Group is RMB1,720 million.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2014 but matured before 30 June 2014 amounted to RMB63,957 million.

## 60 Ultimate parent

The Bank' immediate parent is CITIC Limited and its ultimate parent is CITIC Group.

## 61 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2014

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 2014 and which have not been adopted in this interim financial report.

- Amendments to IAS 16, Property, plant and equipment
- Amendments to IAS 19, Employee benefit: Defined benefit plans, "Employee contributions"
- Amendments to IAS 38, Intangible assets
- IFRS 9, Financial Instruments
- IFRS 15, Revenue: "Revenue from contracts with customers"
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

The Group is in the process of making assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for IFRS 9, Financial instruments, which may have an impact on the Group's results and financial position. 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.

# Notes to the Unaudited Interim Financial Report

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

## 62 Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

## 63 Events after the reporting date

On 6 August 2014, the Bank was noticed that its immediate parent has been renamed as CITIC Corporation Limited. On 25 August 2014, the transaction of transferring the share of CITIC Corporation Limited held by Citic Group and Beijing CITIC Enterprise Management Co., Ltd to CITIC Pacific Limited was completed. Upon completion of the transaction, the ultimate parent of the Bank remains unchanged, being CITIC Group.

On 26 August 2014, the Bank issued tier-2 capital bonds of RMB37 billion with a fixed coupon rate of 6.13%. The bonds have a tenor of 10 years and the Bank has conditional early redemption right. Upon the approval of the CBRC, the Bank can redeem all or part of the bonds at the end of the fifth year.

# Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the unaudited interim financial report, and is included herein for information purposes only.

## 1 Difference between the financial report prepared under IFRS and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation limited (the “Bank”) prepares consolidated financial report for the six months ended 30 June 2014, 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 2014 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 2014 or total equity as at 30 June 2014 between the Group’s consolidated financial report prepared under IAS 34 and that prepared under CAS 32 respectively.

## 2 Liquidity ratios

	30 June 2014	31 December 2013
RMB current assets to RMB current liabilities	55.11%	43.45%
Foreign currency current assets to foreign currency current liabilities	243.52%	106.78%

The above liquidity ratios were calculated based on the interim financial report under PRC GAAP with reference to the revised formula issued by the China Banking Regulatory Commission (the “CBRC”).

## 3 Currency concentrations

	30 June 2014			
	US Dollars	HK Dollars	Others	Total
Spot assets	338,683	63,351	18,319	420,353
Spot liabilities	(319,939)	(87,574)	(34,069)	(441,582)
Forward purchases	420,708	47,649	59,192	527,549
Forward sales	(469,823)	(9,025)	(43,511)	(522,359)
Options	6,591	(2)	51	6,640
Net (short)/long position	(23,780)	14,399	(18)	(9,399)

	31 December 2013			
	US Dollars	HK Dollars	Others	Total
Spot assets	246,204	59,416	12,994	318,614
Spot liabilities	(220,756)	(74,096)	(37,214)	(332,066)
Forward purchases	379,765	41,990	46,883	468,638
Forward sales	(421,792)	(14,222)	(23,381)	(459,395)
Options	4,311	(56)	38	4,293
Net (short)/long position	(12,268)	13,032	(680)	84

# Unaudited Supplementary Financial Information

(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 2014			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	16,315	5	16,537	32,857
– of which attributed to Hong Kong	2,896	—	5,784	8,680
Europe	3,715	52	999	4,766
North and South America	39,235	10	8,443	47,688
<b>Total</b>	<b>59,265</b>	<b>67</b>	<b>25,979</b>	<b>85,311</b>

	31 December 2013			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	40,709	130	13,079	53,918
– of which attributed to Hong Kong	5,757	—	6,123	11,880
Europe	2,868	54	541	3,463
North and South America	19,321	11	1,663	20,995
<b>Total</b>	<b>62,898</b>	<b>195</b>	<b>15,283</b>	<b>78,376</b>

## Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

### 5 Overdue loans and advances to customers by geographical sectors

	30 June 2014		
	Gross loans and advances	Loans and Advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	554,353	6,883	6,700
Yangtze River Delta	508,364	12,683	10,581
Pearl River Delta and West Strait	315,432	4,554	4,198
Central	288,688	2,178	1,674
Western	288,585	1,440	1,140
North eastern	61,335	686	672
Outside Mainland China	102,387	199	281
<b>Total</b>	<b>2,119,144</b>	<b>28,623</b>	<b>25,246</b>

	31 December 2013		
	Gross loans and advances	Loans and Advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	513,609	3,783	3,995
Yangtze River Delta	476,101	11,094	10,567
Pearl River Delta and West Strait	278,425	2,235	2,311
Central	266,342	1,148	1,126
Western	255,620	927	976
Northeastern	57,920	769	760
Outside Mainland China	93,158	209	231
<b>Total</b>	<b>1,941,175</b>	<b>20,165</b>	<b>19,966</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.



## Unaudited Supplementary Financial Information

(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

#### (a) Gross overdue amounts due from banks and other financial institutions

	<b>30 June 2014</b>	31 December 2013
Gross amounts due from banks and other financial institutions which have been overdue	<b>29</b>	126
As a percentage of total gross amounts due from banks and other financial institutions	<b>0.01%</b>	0.05%

#### (b) Gross amounts of overdue loans and advances to customers

	<b>30 June 2014</b>	31 December 2013
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	<b>7,641</b>	3,654
– between 6 and 12 months	<b>9,540</b>	8,505
– over 12 months	<b>11,442</b>	8,006
<b>Total</b>	<b>28,623</b>	20,165
As a percentage of total gross loans and advances to customers:		
– between 3 and 6 months	<b>0.36%</b>	0.19%
– between 6 and 12 months	<b>0.45%</b>	0.44%
– over 12 months	<b>0.54%</b>	0.41%
<b>Total</b>	<b>1.35%</b>	1.04%

# Unaudited Supplementary Financial Information

*(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)

### (b) Gross amounts of overdue loans and advances to customers (Continued)

- 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 2014, the loans and advances to customers of RMB19,166 million (as at 31 December 2013: RMB16,180 million) and RMB9,457 million (as at 31 December 2013: RMB3,985 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 RMB4,936 million (as at 31 December 2013: RMB3,786 million) and RMB14,230 million (as at 31 December 2013: RMB12,394 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB8,851 million (as at 31 December 2013: RMB6,723 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 RMB10,362 million (as at 31 December 2013: RMB8,714 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 2014, 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 1,096 branches in China, consisting of 42 tier-one branches, 69 tier-two branches and 978 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://bank.ecitic.com">http://bank.ecitic.com</a> SWIFT BIC: CIBKCNBJ	Tel: 010-65558888 Fax: 010-65550801 Hotline: 95558
		65	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: Tianjin Globle Financial Center, No. 2, North Dagou Road, Heping District, Tianjin Postal Code: 300020	Tel: 022-23028888 Fax: 022-23028800
3	Hebei Province Shijiazhuang	50	Shijiazhuang Branch	Address: No. 209, Xinhua East Road, Shijiazhuang, Hebei Province Postal Code: 050056	Tel: 0311-87033788 Fax: 0311-87884483
		27			
	Tangshan	13	Tangshan Branch	Address: No. 46, Xinhua West Road, Tangshan, Hebei Province Postal Code: 063000	Tel: 0315-3738508 Fax: 0315-3738522
	Baoding	5	Baoding Branch	Address: No.178, Middle Swan Road, Baoding City, Hebei Province Postal Code: 071000	Tel: 0312-2081508 Fax: 0312-5881167
	Handan	4	Handan Branch	Address: Jinlin Building, No. 408 Renmin Road, Congtai District, Handan, Hebei Province Postal Code: 056002	Tel: 0310-2076507 Fax: 0310-2076500
Cangzhou	1	Cangzhou Branch	Address: Yihe Mansion, intersection of West Jiefang Road and Jing'er Avenue, Canal District, Cangzhou City, Hebei Province Postal Code: 061001	Tel: 0317-5588009 Fax: 0317-5588012	
4	Liaoning Province Shenyang	73	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	Tel: 024-31510456 Fax: 024-31510234
		23			
	Dalian	25	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	10	Anshan Branch	Address: No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province Postal Code: 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	6	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	3	Yingkou Branch	Address: No. 8, Yinggang Road, Bayu District, Liaoning Province Postal Code: 115007	Tel: 0417-8208988 Fax: 0417-8208989

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
5	Shanghai	42	Shanghai Branch	Address: Aurora Plaza, No. 99, Fucheng Road, Pudong New District, Shanghai Postal Code: 200120	Tel: 021-58771111 Fax: 021-58776606
6	Jiangsu Province	99			
	Nanjing	21	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	18	Wuxi Branch	Address: No. 112, Renmin Road, Wuxi, Jiangsu Province Postal Code: 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	10	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	7	Taizhou Branch	Address: No. 15, Gulou Road, Taizhou Postal Code: 225300	Tel: 0523-86399111 Fax: 0523-86399120
	Nantong	7	Nantong Branch	Address: Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province Postal Code: 226001	Tel: 0513-81120909 Fax: 0513-81120900
	Zhenjiang	4	Zhenjiang Branch	Address: Building No. 66, Shenhua Guancheng International, No.8, Tanshan Road, Zhenjiang, Jiangsu Province Postal Code: 212003	Tel: 0511-89886271 Fax: 0511-89886200
	Yancheng	1	Yancheng Branch	Address: No.188, South Yingbin Road, Yancheng, Jiangsu Province Postal Code: 224000	Tel: 0515-89089958 Fax: 0515- 89089900
7	Zhejiang Province	93			
	Hangzhou	28	Hangzhou Branch	Address: No. 88, Yan'an Road, Hangzhou, Zhejiang Province Postal Code: 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Ningbo	22	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	6	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
	Zhoushan	1	Zhoushan Branch	Address: F/1-5, East Side Building of Zhongchang International Mansion, No.31 Hexing Road, Lincheng, Dinghai District, Zhoushan City, Zhejiang Province Postal Code: 316021	Tel: 0580-8258288 Fax: 0580-8258655

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
8	Anhui Province	29			
	Hefei	16	Hefei Branch	Address: No. 300, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	Tel: 0551-62898328 Fax: 0551-62896226
	Wuhu	4	Wuhu Branch	Address: X1-X4, West Jing Street, No. 8, Jinghu Road, Wuhu, Anhui Province Postal Code: 241000	Tel: 0553-3888685 Fax: 0553-3888685
	Anqing	3	Anqing Branch	Address: No. 101, Zhongxing Road, Anqing, Anhui Province Postal Code: 246005	Tel: 0556-5280606 Fax: 0556-5280605
	Bengbu	3	Bengbu Branch	Address: No. 859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province Postal Code: 233000	Tel: 0552-2087000 Fax: 0552-2087000
	Chuzhou	2	Chuzhou Branch	Address: No.79 West Langya Road, Chuzhou City, Anhui Province Postal Code: 239000	Tel: 0550-3529558 Fax: 0550-3529559
	Maanshan	1	Maanshan Branch	Address: No.1177 Central Huxi Road, Maanshan City, Anhui Province Postal Code: 243000	Tel: 0555-2773228 Fax: 0555-2773217
9	Fujian Province	54			
	Fuzhou	21	Fuzhou Branch	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350001	Tel: 0591-87613100 Fax: 0591-87537066
	Xiamen	15	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	9	Quanzhou Branch	Address: 1-3/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, Fujian Province Postal Code: 363000	Tel: 0596-2995568 Fax: 0596-2995207
	Longyan	2	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 Jinan	85				
		16	Jinan Branch	Address: CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province Postal Code: 250011	Tel: 0531-86911315 Fax: 0531-86929194	
		Qingdao	26	Qingdao Branch	Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	Tel: 0532-85022889 Fax: 0532-85022888
		Zibo	8	Zibo Branch	Address: CITIC Mansion, No. 203 Liuquan Road, Zhangdian District, Zibo, Shandong Province Postal Code: 2210138	Tel: 0533-3169875 Fax: 0533-2210138
		Yantai	8	Yantai Branch	Address: No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province Postal Code: 264001	Tel: 0535-6611030 Fax: 0535-6611032
		Weihai	9	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	Tel: 0631-5336802 Fax: 0631-5314076
		Jining	7	Jining Branch	Address: No. 28, Gongxiao Road, Jining, Shandong Province Postal Code: 272000	Tel: 0537-2338888 Fax: 0537-2338888
		Weifang	4	Weifang Branch	Address: No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province Postal Code: 261041	Tel: 0536-8056002 Fax: 0536-8056002
		Dongying	5	Dongying Branch	Address: No. 128, Fuqian Avenue, Dongcheng, Dongying, Shandong Province Postal Code: 257091	Tel: 0546-7922255 Fax: 0546-8198666
		Linyi	2	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 Zhengzhou	45				
		24	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	7	Luoyang Branch	Address: No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province Postal Code: 454000	Tel: 0391-8768282 Fax: 0391-8789969
		Jiaozuo	3	Jiaozuo Branch	Address: No. 1736, Tanan Road, Jiaozuo, Henan Province Postal Code: 471000	Tel: 0379-64682858 Fax: 0379-64682875
		Nanyang	4	Nanyang Branch	Address: Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province Postal Code: 473000	Tel: 0377-61628299 Fax: 0377-61628299
		Anyang	4	Anyang Branch	Address: Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province Postal Code: 455000	Tel: 0372-5998026 Fax: 0377-5998086
		Pingdingshan	2	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
		Xinxiang	1	Xinxiang Branch	Address: F/1-2, Xinghairuyi Building, intersection of Xinzhong Avenue & East Renmin Road, Xinxiang, Henan Province Postal Code: 453000	Tel: 0373-5891002 Fax: 0373-5891055

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
12	Hubei Province	34			
	Wuhan	27	Wuhan Branch	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	Tel: 027-85355111 Fax: 027-85355222
	Xiangyang	4	Xiangyang Branch	Address: No. 1, Paopu Street, South People's Square, Xiangyang, Hubei Province Postal Code: 441000	Tel: 0710-3454199 Fax: 0710-3454166
	Yichang	2	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
	Shiyan	1	Shiyan Branch	Address: F/1-2, Hua Fu Ming Di Project, No.3 Middle Beijing Road, Maojian District, Shiyan City, Hubei Province Postal Code: 442000	Tel: 0719-8106678 Fax: 0719-8106606
13	Hunan Province	31			
	Changsha	29	Changsha Branch	Address: No. 456, Wuyi Street, Changsha, Hunan Province Postal Code: 410011	Tel: 0731-84582177 Fax: 0731-84582179
	Hengyang	2	Hengyang Branch	Address: No. 38, Jiefangdadao, Huaxin Development Zone, Hengyang, Hunan Province Postal Code: 421001	Tel: 0734-8669859 Fax: 0734-8669899
14	Guangdong Province	112			
	Guangzhou	31	Guangzhou Branch	Address: CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	8	Foshan Branch	Address: No. 140, Central Fenjiang Road, Foshan, Guangdong Province Postal Code: 528000	Tel: 0757-83989999 Fax: 0757-83309903
	Shenzhen	32	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	26	Dongguan Branch	Address: Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	Tel: 0769-22667888 Fax: 0769-22667999
	Jiangmen	4	Jiangmen Branch	Address: CNCB Tower, No. 131, Yingbin Avenue, Jiangmen, Guangdong Province Postal Code: 529000	Tel: 0750-393999 Fax: 0750-3939029
	Huizhou	4	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	3	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	3	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	24	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 Chengdu	32 32	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 Kunming	29 23	Kunming Branch	Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	Tel: 0871-3648666 Fax: 0871-3648667
	Qujing	3	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	3	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 Guiyang	7 6	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 Lanzhou	8 8	Lanzhou Branch	Address: No. 638, West Donggang Road, Lanzhou, Gansu Province Postal Code: 730000	Tel: 0931-8890600 Fax: 0931-8890699
20	Shaanxi Province Xi'an	28 23	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	2	Baoji Branch	Address: No 50, Caifu Plaza B, Gaoxindadao, Baoji, Shaanxi Province Postal Code: 721013	Tel: 0917-3158818 Fax: 0917-3158807
	Weinan	2	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 Taiyuan	18 14	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	3	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
	Changzhi	1	Changzhi Branch	Address: No.3 Office Building, Upper Binhe City, No.288 Chengdong Road, Changzhi City, Shaanxi Province Postal Code: 46000	Tel: 0355-8590000 Fax: 0355-8590956
22	Jiangxi Province Nanchang	14 11	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	2	Pingxiang Branch	Address: Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province Postal Code: 337000	Tel: 0799-6890078 Fax: 0799-6890005
	Jiujiang	1	Jiujiang Branch	Address: Tower B, Jinxuan yijun Hotel, No. 276, Changhong Avenue, Lushan District, Jiujiang City, Jiangxi Province Postal Code: 332000	Tel: 0792-8193538 Fax: 0792-8193535
23	Inner Mongolia Autonomous Region Hohhot	21 9	Hohhot Branch	Address: No. 68, Xinhua Avenue, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	Tel: 0471-6664933 Fax: 0471-6664933
	Baotou	5	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	6	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
	Chifeng	1	Chifeng	Address: CNCB Tower, No. 128 West Hada Street, Hongshan District, Chifeng, Inner Mongolia Autonomous Region Postal Code: 024000	Tel: 0476-8235558 Fax: 0476-8867007
24	Guangxi Zhuang Autonomous Region Nanning	14 10	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	2	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

## List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
25	Heilongjiang Province Harbin	10			
		9	Harbin Branch	Address: No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province Postal Code: 150090	Tel: 0451-55558112 Fax: 0451-53995558
	1	Mudanjiang Branch	Address: No. 80 Xisantiao Road, Xi'an District, Mudanjiang City, Heilongjiang Province Postal Code: 157099	Tel: 0453-6313011 Fax: 0453-6131016	
26	Jilin Province Changchun	13			
		12	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130041	Tel: 0431-81910011 Fax: 0431-81910123
	1	Jilin Branch	Address: No. 818 East Jiefang Road, Changyi District, Jilin, Jilin Province Postal Code: 132001	Tel: 0432-65156011 Fax: 0432-65156100	
27	Xinjiang Uighur Autonomous Region Urumqi	8			
		8	Urumqi Branch	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	Tel: 0991-2365966 Fax: 0991-2365888
28	Hainan Province Haikou	3			
		3	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 Xining	1			
		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 Yinchuan	1			
		1	Yinchuan Branch	Address: No.160 Middle Beijing Road, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	Tel: 0951-7659955 Fax: 0951-7659558
Serial Number	Administrative Region	Number of Branches	Overseas Controlled Subsidiaries	Address	Tel and Fax
31	Hong Kong Special Administrative Region	2			
		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
32	Zhejiang Province Lin-An City	1			
		1	Zhejiang Lin-An CITIC Village and Township Bank Corporation Limited	Address: No. 777, Shijing Street, Jincheng Road, Lin'an, Zhejiang Province Postal Code: 311300	Tel: 0571-61109006 Fax: 0571-61106889





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