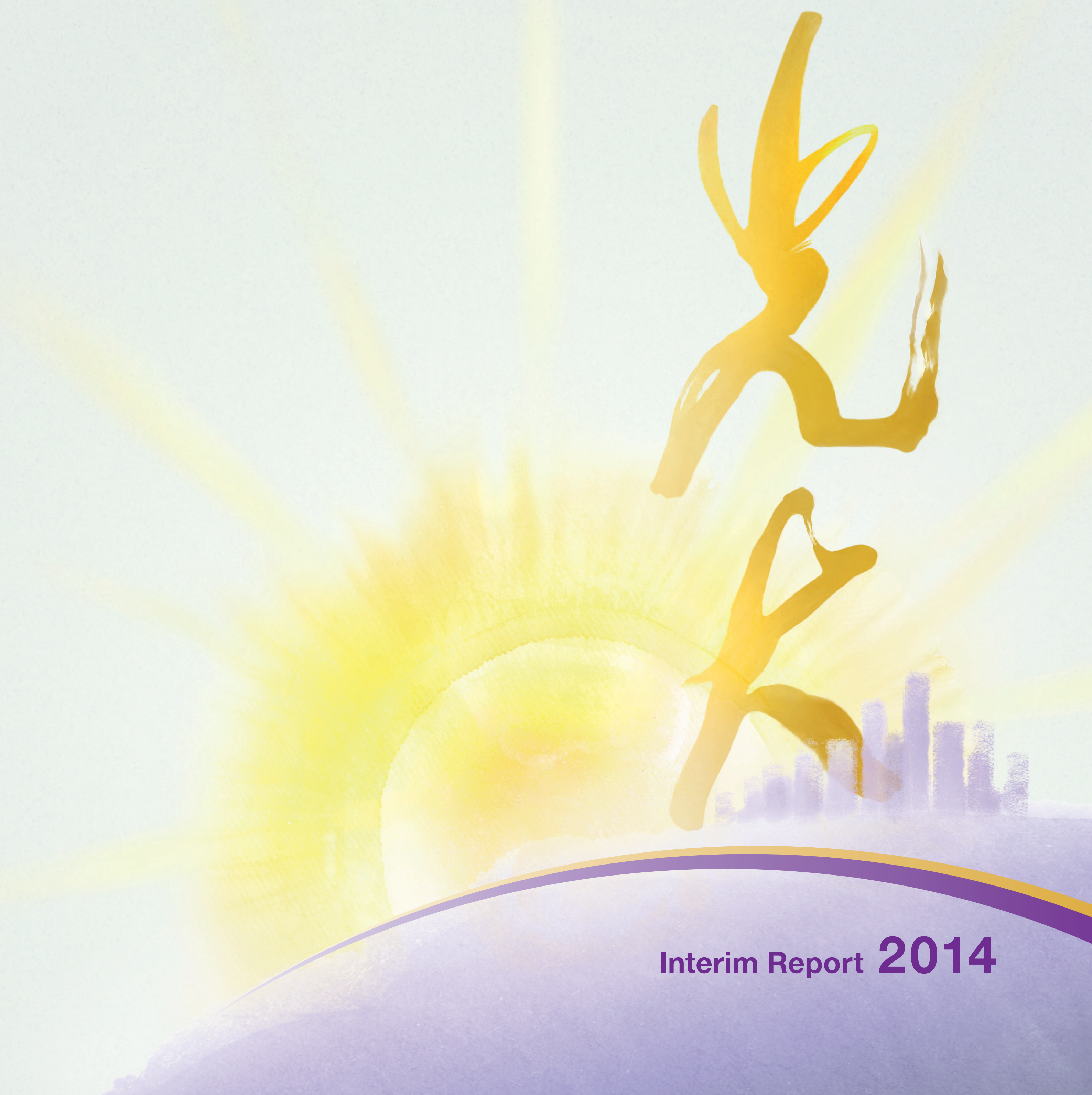
Bank 中国光大银行 CHINA EVERBRIGHT BANK

China Everbright Bank Company Limited

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

Stock Code : 6818



Interim Report 2014

Bank

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Chapter I Important Notice and Definition

I. Important Notice

(I) The Board of Directors, Board of Supervisors and Directors, Supervisors and Senior Management of the Bank hereby warrant the authenticity, accuracy and completeness of the contents of this report and that there are no false representations, misleading statements or material omissions, and jointly and severally accept full responsibility for the information in this report.

(II) The Bank did not implement any profit distribution or capitalization of capital reserves in the first half of 2014.

(III) The 23rd meeting of the Sixth Session of the Board of Directors of the Bank was convened in Beijing on August 29, 2014, at which the 2014 Interim Report of the Bank was considered and approved. 12 out of 14 eligible Directors attended the meeting in person. Mr. Zhou Daojiong and Mr. Zhang Xinze, both being Independent Non-executive Directors, did not attend the meeting in person. Mr. Qiao Zhimin, Independent Non-executive Director, was authorized to attend the meeting and exercise the voting right on the behalf of Mr. Zhang Xinze.

(IV) The financial statements of the Bank for the first half of 2014 were prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") and the International Financial Reporting Standards ("IFRSs") and have been reviewed by KPMG Huazhen (Special General Partnership) and KPMG in accordance with Chinese and Hong Kong standards on review engagements, respectively.

(V) Mr. Tang Shuangning, Chairman of the Board of Directors, Mr. Zhao Huan, President, and Mr. Xie Rong, Independent Non-Executive Director, hereby warrant the authenticity, accuracy and completeness of the financial statements in this report.

(VI) Unless otherwise stated, all monetary sums stated in this report are expressed in Renminbi/RMB.

(VII) Forward-looking statements such as future plans of the Bank mentioned in this report do not constitute actual commitments of the Bank to the investors. Investors are cautioned against the investment risks.

(VIII) In this report, "We/we", the "Company", the "Bank", "our Company", "Whole Bank" and "China Everbright Bank" refer to China Everbright Bank Company Limited, and the "Group" refers to China Everbright Bank Company Limited and its subsidiaries.

II. Definition

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

Ministry of Finance	:	Ministry of Finance of the People's Republic of China
Central Bank	:	The People's Bank of China
CBRC	:	China Banking Regulatory Commission
CSRC	:	China Securities Regulatory Commission
CIC	:	China Investment Corporation
CHI	:	Central Huijin Investment Ltd.
Everbright Group	:	China Everbright (Group) Corporation
SSE	:	Shanghai Stock Exchange
HKSE	:	The Stock Exchange of Hong Kong Limited

(II) The terms in this report are general concepts adopted in the banking industry. For certain special terms used in connection with products of the Bank which may cause investors' difficulty in understanding their technical meanings, please refer to the 2013 annual report of the Bank.

Chapter II Company Profile

I. Registered Chinese Company Name: 中國光大銀行股份有限公司 (Abbreviation: 中國光大銀行 or 光大銀行)
Registered English Company Name: CHINA EVERBRIGHT BANK COMPANY LIMITED
(Abbreviation: CEB BANK)

II. Legal Representative: Tang Shuangning
Authorised Representatives: Zhao Huan, Cai Yunge

III. Secretary to the Board of Directors, Company Secretary: Cai Yunge
Securities Affairs Representative: Li Jiayan
Assistant to Company Secretary: Lee Mei Yi
Contact Address: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing
Postcode: 100033
Tel: 010-63636363
Fax: 010-63636713
E-mail: IR@cebbank.com
Investor hotline: 010-63636388

IV. Registered Address: Beijing
Office Address: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing
Postcode: 100033
Website: www.cebbank.com

V. Principal Place of Business in Hong Kong: 30/F, Far East Finance Centre, No. 16, Harcourt Road, Admiralty, Hong Kong

VI. Newspaper and Website Designated for Information Disclosure:
Mainland China: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by CSRC for publication of A share interim report:
SSE's website: www.sse.com.cn, Company's website: www.cebbank.com.
Website for publication of H share interim report:
HKSE's website: www.hkex.com.hk, Company's website: www.cebbank.com
Copies of the interim report are available at: Office of the Board of Directors of the Bank

VII. Stock Exchanges for Listing of Shares:
A share: SSE
Abbreviated name: Everbright Bank; Stock code: 601818
H share: HKSE
Abbreviated name: CEB Bank; Stock code: 6818

VIII. Registration:

Initial registration date: June 18, 1992

Initial registration place: Beijing

Initial registration authority: Enterprise Registration Bureau of the State Administration for Industry & Commerce of the People's Republic of China

Date of change of registration: March 9, 2011

Changed registration place: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing

Business license registration number for enterprise legal person: 100000000011748

Code of financial authority: B0007H111000001

Tax registration No: 110102100011743

Code of organisation: 10001174-3

IX. Auditors

Domestic Auditors: KPMG Huazhen (Special General Partnership)

Office Address: 8/F, Office Tower E2, Oriental Plaza, Beijing

Certified Public Accountants for Signature: Jin Naiwen, Huang Aizhou

Overseas Auditors: KPMG

Office Address: 8/F, Prince's Building, No. 10, Charter Road, Central, Hong Kong

X. A Share Legal Advisor: Jun He Law Offices

H Share Legal Advisor: Herbert Smith Freehills

XI. A Share Depository: Shanghai Branch, China Securities Depository and Clearing Corporation Limited

Office Address: 36/F, China Insurance Building, No. 166, Lujiazui East Road, Pudong New District, Shanghai

H Share Registrar: Computershare Hong Kong Investor Services Limited

Office Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong

XII. H Share Compliance Advisor: China International Capital Corporation Hong Kong Securities Limited

Office Address: 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Chapter III Summary of Accounting Data and Financial Indicators

I. Key Financial Data and Indicators

Item	January – June, 2014	January – June, 2013	Change (%)	January – June, 2012
Operating performance (RMB million)				
Net interest income	27,838	26,054	6.85	25,308
Net fee and commission income	8,632	7,349	17.46	4,938
Operating income	37,560	33,838	11.00	30,531
Operating expenses	13,661	12,160	12.34	10,802
Impairment losses on assets	3,128	2,250	39.02	2,439
Profit before tax	20,771	19,428	6.91	17,290
Net profit	15,872	14,939	6.25	12,936
Net profit attributable to equity shareholders of the Bank	15,845	14,917	6.22	12,920

Per share (in RMB)	January – June, 2014	January – June, 2013	Change (%)	January – June, 2012
Basic and diluted earnings per share	0.34	0.37	(8.11)	0.32

	June 30, 2014	December 31, 2013	Change (%)	December 31, 2012
Net asset per share	3.53	3.30	6.97	2.82

Profitability indicators (%)	January – June, 2014	January – June, 2013	Change	January – June, 2012
Return on average total assets	1.25	1.26	-0.01 percentage point	1.35
Return on weighted average equity	19.40	24.59	-5.19 percentage points	25.20
Net interest spread	1.99	2.04	-0.05 percentage point	2.48
Net interest margin	2.25	2.23	+0.02 percentage point	2.70
Proportion of fee and commission income in operation income	22.98	21.72	+1.26 percentage points	16.17
Cost-to-income ratio	28.38	27.93	+0.45 percentage point	28.22

Item	June 30, 2014	December 31, 2013	Change (%)	December 31, 2012
Scale indicators (RMB million)				
Total assets	2,669,578	2,415,086	10.54	2,279,295
Net loans and advances to customers	1,219,616	1,142,138	6.78	997,331
Total liabilities	2,504,347	2,262,034	10.71	2,164,973
Deposits from customers	1,796,282	1,605,278	11.90	1,426,941
Equity attributable to equity shareholders of the Bank	164,961	152,839	7.93	114,178
Share capital	46,679	46,277	0.87	40,435
Asset quality indicators (%)				
Non-performing loan ratio	1.11	0.86	+0.25 percentage point	0.74
Provision coverage ratio	185.49	241.02	-55.53 percentage points	339.63
Provision-to-loan ratio	2.07	2.07	0.00	2.53

II. Supplementary Financial Indicators

Unit: %

Item		Standard value	June 30, 2014	December 31, 2013	December 31, 2012
Liquidity ratio	RMB	≥25	45.23	33.12	51.25
	Foreign currency	≥25	42.39	59.65	45.88
Loan to deposit ratio	RMB	≤75	68.89	72.06	71.50
	Currencies converted into RMB	≤75	69.41	72.59	71.52
Loan exposure to single largest customer		≤10	3.35	3.70	4.39
Loan exposure to top ten customers		≤50	16.96	18.92	23.73

Note: The above data of the Bank is calculated in accordance with the regulatory requirements of the CBRC.

III. Capital Composition and Changes under New Measures

Capital adequacy ratios calculated in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)*(released by the CBRC on June 7, 2012) are as follows:

Unit: RMB million, %

Item		June 30, 2014		31 December, 2013	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated
1.	Net capital base	198,087	195,925	175,351	173,178
	1.1 Core tier-1 capital	165,211	163,989	153,037	152,090
	1.2 Core tier-1 capital deductions	(1,921)	(2,812)	(1,920)	(2,742)
	1.3 Net core tier-1 capital	163,290	161,177	151,117	149,348
	1.4 Other tier-1 capitals	5	–	4	–
	1.5 Other tier-1 capital deductions	–	–	–	–
	1.6 Net tier-1 capital	163,295	161,177	151,121	149,348
	1.7 Tier-2 capital	34,792	34,748	24,230	23,830
	1.8 Tier-2 capital deductions	–	–	–	–
2.	Credit risk weighted asset	1,707,504	1,687,454	1,546,021	1,530,287
3.	Market risk weighted asset	4,952	4,952	5,749	5,749
4.	Operational risk weighted asset	107,091	106,041	107,091	106,041
5.	Total risk weighted assets	1,819,547	1,798,447	1,658,861	1,642,077
6.	Core tier-1 capital adequacy ratio	8.97	8.96	9.11	9.10
7.	Tier-1 capital adequacy ratio	8.97	8.96	9.11	9.10
8.	Capital adequacy ratio	10.89	10.89	10.57	10.55

Note: 1. In accordance with the relevant provisions as stipulated in Articles 174 and 175 of the *Regulation Governing Capital of Commercial Banks (Provisional),* hereinafter referred to as the *"**Provisional Regulation**")*, commercial banks, during the compliance transition period, should calculate and disclose the consolidated and non-consolidated capital adequacy ratios according to the *Regulation Governing Capital Adequacy of Commercial Banks and the Provisional Regulation,* and make clear relevant information disclosure contents. The above are relevant data and information of consolidated and non-consolidated capital adequacy ratios calculated in accordance with the *Provisional Regulation*.

2. All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management in accordance with the *Provisional Regulation*, should calculate the consolidated capital adequacy ratios. The invested financial institutions within the scope of consolidated management include Everbright Financial Leasing Co., Ltd., Shaoshan Everbright Village Bank Co., Ltd., and Jiangsu Huai'an Everbright Village Bank Co., Ltd.

3. Core tier-1 net capital = Core tier-1 capital – Core tier-1 capital deductions; Net tier-1 capital = Net core tier-1 capital + Other tier-1 capitals – Other tier-1 capital deductions; Total net capital = Net tier-1 capital + Tier-2 capital – Tier-2 capital deductions.

4. As at the end of the reporting period, the aggregate amount of risk exposure of the Bank's credit risk asset portfolio after mitigation was RMB2,984,928 million.

5. Please refer to the website of the Bank for details of the capital composition.

Chapter IV Report of the Board of Directors

I. Business Review

During the reporting period, China's economy managed to maintain its growth rate within a reasonable range while its structural adjustment was further stepping up. Underpinned by the progression of interest rate liberalization and the release of business regulatory policies, the government continued to press ahead with its financial reform. With the continuous downward pressure on the real economy and the emerging credit risks in various industries and regions, the asset quality of banks was under growing pressure. Facing all these challenges, the Company persisted in implementing its strategic plan by reinforcing its structural adjustment, increased its core deposits, controlled its liability costs, and seized market opportunities arising from the relatively high liquidity in the monetary market. Therefore, the Bank achieved stable growth of business scale, continuous enhancement of profitability, maintaining overall risks at a controllable level and effective improvement in capital adequacy ratio.

(I) Stable growth of business scale

As at the end of the reporting period, the total assets of the Group were RMB2,669.578 billion, representing an increase of RMB254.492 billion, or 10.54% as compared with those at the end of the previous year. The total liabilities were RMB2,504.347 billion, representing an increase of RMB242.313 billion or 10.71% as compared with the end of the previous year. Total deposits from customers were RMB1,796.282 billion, representing an increase of RMB191.004 billion or 11.90% as compared with the end of the previous year. Total loans and advances were RMB1,245.356 billion, representing an increase of RMB79.046 billion or 6.78% as compared with those at the end of the previous year. Loan-to-deposit ratio of currencies converted into RMB and was 69.41%, which was well controlled within the statutory limit.

(II) Enhancement of profitability

During the reporting period, operation income of the Group was RMB37.560 billion, representing a year-on-year increase of RMB3.722 billion or 11.00%. Actual operating expenses were RMB13.661 billion, representing a year-on-year increase of RMB1.501 billion or 12.34%. Profit before tax was RMB20.771 billion, representing a year-on-year increase of RMB1.343 billion or 6.91%. Net profit was RMB15.872 billion, representing a year-on-year increase of RMB933 million or 6.25%.

In light of the continuous advancement in interest rate liberalization in China, the Group tightened the control over liability costs, resulting in a year-on-year increase of 2 basis points in net interest margin during the reporting period. Net fee and commission income recorded a year-on-year increase of 17.46%. Return on average total assets was 1.25%, basically remained flat with a year-on-year decrease of 0.01 percentage point. Return on weighted average equity was 19.40%, representing a year-on-year decrease of 5.19 percentage points mainly attributable to the significant growth in net assets resulting from the successful issuance of H shares at the end of 2013.

(III) Overall controllable risks

In the face of complex operating environment, the Company placed great emphasis on the review, management and control of risks in key business sectors, ensuring the Company's stable operation and overall control of risks. As at the end of the Reporting Period, the balance of the Group's non-performing loan was RMB13.877 billion, representing an increase of RMB3.848 billion as compared to that at the end of the previous year. Non-performing loan ratio was 1.11%, up by 0.25 percentage point as compared with that at the end of the previous year. Its credit provision coverage ratio was 185.49%, down by 55.53 percentage points as compared with the end of the previous year.

(IV) Effective improvement in capital adequacy

During the reporting period, the Company seized the favorable market opportunity to issue tier-2 capital bonds with a principal amount of RMB16.2 billion in June 2014, and thus effectively replenished its capital. At the end of the reporting period, the Group's capital adequacy ratio reached 10.89%, up by 0.32 percentage point as compared with the end of the previous year, laying a foundation for the sustainable development and strategic transformation of the Company.

II. Income Statement Analysis

(I) Changes in items of Income Statement

Unit: RMB million

Item	January – June, 2014	January – June, 2013	Change
Net interest income	27,838	26,054	1,784
Net fee and commission income	8,632	7,349	1,283
Net trading (losses)/gains	1,227	48	1,179
Dividend income	–	–	–
Net (losses)/gains arising from investment securities	(99)	121	(220)
Net foreign exchange (losses)/gains	(233)	140	(373)
Other operating income	195	126	69
Operating expenses	13,661	12,160	1,501
Impairment losses on assets	3,128	2,250	878
Profit before tax	20,771	19,428	1,343
Income tax	4,899	4,489	410
Net profit	15,872	14,939	933
Net profit attributable to equity shareholders of the Bank	15,845	14,917	928

(II) Operating income

During the reporting period, operation income of the Group was RMB37,560 million, representing a year-on-year increase of RMB3,722 million or 11.00%, mainly due to the increase in net interest income and net fee and commission income. The proportion of net interest income was 74.12%, representing a year-on-year decrease of 2.88 percentage points. The proportion of net fee and commission income was 22.98%, representing a year-on-year increase of 1.26 percentage points.

Unit: %

Item	January – June, 2014	January – June, 2013
Net interest income	74.12	77.00
Net fee and commission income	22.98	21.72
Other income	2.90	1.28
Total operating income	100.00	100.00

(III) Net interest income

During the reporting period, the Group's net interest income was RMB27,838 million, representing a year-on-year increase of RMB1,784 million or 6.85%. Net interest spread was 1.99%, representing a year-on-year decrease of 5 basis points; and net interest margin was 2.25%, representing a year-on-year increase of 2 basis points.

Unit: RMB million, %

	January – June, 2014			January – June, 2013		
	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Average yield/cost
Interest-earning assets						
Loans and advances to customers	1,238,839	39,062	6.31	1,102,439	34,120	6.19
Investments	548,884	13,986	5.10	544,907	13,585	4.99
Deposits with the Central Bank	327,538	2,426	1.48	297,802	2,193	1.47
Placements and deposits with banks and other financial institutions and financial assets held under resale agreements	362,396	10,668	5.89	392,712	8,470	4.31
Total interest-earning assets	2,477,657	66,142	5.34	2,337,860	58,368	4.99
Interest income		66,142			58,368	
Interest-bearing liabilities						
Deposits from customers	1,658,191	22,813	2.75	1,459,533	17,621	2.41
Placements and deposits from banks and other financial institutions and financial assets sold under repurchase agreements	584,933	14,585	4.99	680,752	13,507	3.97
Debt securities issued	42,715	906	4.24	50,512	1,140	4.51
Total interest-bearing liabilities	2,285,839	38,304	3.35	2,190,797	32,268	2.95
Change in fair value of structured deposits		–			46	
Interest expense		38,304			32,314	
Net interest income		27,838			26,054	
Net interest spread			1.99			2.04
Net interest margin			2.25			2.23

Note: 1. Net interest spread is the difference between average yield of total interest-earning assets and average cost of total interest-bearing liabilities;

2. Net interest margin is net interest income divided by the average balance of total interest-earning assets.

(IV) Interest income

During the reporting period, the Group's interest income was RMB66,142 million, representing a year-on-year increase of RMB7,774 million or 13.32%, interest income from loans and advances to customers is the major source of the Group's interest income.

1. Interest income from loans and advances to customers

The Group's interest income from loans and advances to customers was RMB39,062 million, representing a year-on-year increase of RMB4,942 million or 14.48%, mainly due to the year-on-year increase in both average balance and average yield of loans and advances to customers.

Unit: RMB million, %

Item	January – June, 2014			January – June, 2013		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	801,907	25,279	6.30	734,535	23,040	6.27
Retail loans	417,728	13,017	6.23	341,266	10,259	6.01
Discounted bills	19,204	766	7.98	26,638	821	6.16
Total loans and advances to customers	1,238,839	39,062	6.31	1,102,439	34,120	6.19

2. Interest income from investments

The Group's interest income from investments was RMB13,986 million, representing a year-on-year increase of RMB401 million or 2.95%, mainly due to the year-on-year increase in average yield from investments.

3. Interest income from placements and deposits with banks and other financial institutions and financial assets held under resale agreements.

The Group's interest income from placements and deposits with financial institutions and assets held under resale agreements was RMB10,668 million, representing a year-on-year increase of RMB2,198 million or 25.95%, mainly due to the significant increase in average yield of interest income from placements and deposits with financial institutions and assets held under resale agreements.

(V) Interest expense

During the reporting period, the Group's interest expense was RMB38,304 million, representing a year-on-year increase of RMB5,990 million or 18.54%. Interest expense on deposits from customers is a major part of the Group's interest expense.

1. Interest expense on deposits from customers

Interest expense on deposits from customers was RMB22,813 million, representing a year-on-year increase of RMB5,192 million or 29.46%, mainly due to the year-on-year increase in both average balance and average cost of deposits from customers.

Unit: RMB million, %

Item	January – June, 2014			January – June, 2013		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
Corporate deposits	1,256,630	16,375	2.61	1,153,989	13,992	2.42
Including: Demand deposits	430,043	1,531	0.71	422,868	1,465	0.69
Time deposits	826,587	14,844	3.59	731,121	12,527	3.43
Retail deposits	401,561	6,438	3.21	305,544	3,629	2.38
Including: Demand deposits	92,116	222	0.48	83,518	203	0.49
Time deposits	309,445	6,216	4.02	222,026	3,426	3.09
Total deposits from customers	1,658,191	22,813	2.75	1,459,533	17,621	2.41

2. Interest expense on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements

Interest expense on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements of the Group was RMB14,585 million, representing a year-on-year increase of RMB1,078 million or 7.98%, mainly due to the year-on-year increase in average cost of placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements.

3. Interest expense on debt securities issued

The Group's interest expense on debt securities issued was RMB906 million, representing a year-on-year decrease of RMB234 million or 20.53%, mainly due to the year-on-year decrease in both average balance and average cost of debt securities issued.

(VI) Net fee and commission income

During the reporting period, the Group's net fee and commission income was RMB8,632 million, representing a year-on-year increase of RMB1,283 million or 17.46%, mainly due to the significant increase in bank card service fees and settlement and clearing fees, of which, income from bank card service fees increased RMB972 million year-on-year or 30.38%, and income from settlement and clearing fees increased RMB293 million year-on-year or 34.47%.

Unit: RMB million

Item	January – June, 2014	January – June, 2013
Fee and commission income	9,258	7,666
Underwriting and advisory fees	1,054	1,152
Bank card service fees	4,172	3,200
Settlement and clearing fees	1,143	850
Wealth management service fees	974	1,174
Acceptance and guarantee fees	629	432
Agency service fees	352	303
Custody and other fiduciary business fees	554	388
Others	380	167
Fee and commission expense	626	317
Net fee and commission income	8,632	7,349

(VII) Other income

During the reporting period, the Group's other income was RMB1,090 million, representing a year-on-year increase of RMB655 million or 150.57%, mainly due to an increase in net trading gains.

Unit: RMB million

Item	January – June, 2014	January – June, 2013
Net trading (losses)/gains	1,227	48
Dividend income	–	–
Net (losses)/gains arising from investment securities	(99)	121
Net foreign exchange (losses)/gains	(233)	140
Other operating income	195	126
Total	1,090	435

(VIII) Operating expenses

During the reporting period, the Group's operating expenses were RMB13,661 million, a year-on-year increase of RMB1,501 million or 12.34%. Cost-to-income ratio was 28.38%, representing a year-on-year increase of 0.45 percentage point. Staff costs, which were the major component of operating expense, amounted to RMB6,496 million during the reporting period, up by RMB755 million or 13.15% year-on-year, mainly due to the increase in number of employees of newly added outlets and business expansion.

Unit: RMB million

Item	January – June, 2014	January – June, 2013
Staff costs	6,496	5,741
Premises and equipment expenses	1,942	1,606
Others	5,223	4,813
Total operating expense	13,661	12,160

(IX) Impairment losses on assets

During the reporting period, impairment losses on assets were RMB3,128 million, representing a year-on-year increase of RMB878 million or 39.02%, mainly due to the increase in impairment losses on loans and advances.

Unit: RMB million

Item	January – June, 2014	January – June, 2013
Impairment losses on loans and advances to customers	3,280	2,266
Impairment losses on held-to-maturity investments	(253)	(33)
Impairment losses on available-for-sale financial assets	(13)	(1)
Impairment losses on debt securities classified as receivables	37	–
Others	77	18
Total impairment losses on assets	3,128	2,250

(X) Income tax

During the reporting period, the Group's income tax was RMB4,899 million, representing a year-on-year increase of RMB410 million or 9.13%.

III. Balance Sheet Analysis

(I) Assets

At the end of the reporting period, the total assets of the Bank reached RMB2,669,578 million, representing an increase of RMB254,492 million or 10.54% as compared with those at the end of the previous year, mainly due to the increase in loans and advances to customers, investment securities and other financial assets, placements with banks and other financial institutions and financial assets held under resale agreements and etc.

Unit: RMB million, %

Item	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Total loans and advances to customers	1,245,356		1,166,310	
Provision for impairment of loans	(25,740)		(24,172)	
Net loans and advances to customers	1,219,616	45.69	1,142,138	47.29
Deposits with banks and other financial institutions	66,052	2.47	67,153	2.78
Cash and deposits with the Central Bank	340,394	12.75	312,643	12.95
Investment securities and other financial assets	588,410	22.04	494,927	20.49
Placements with banks and other financial institutions, and financial assets held under resale agreements	381,309	14.28	293,473	12.15
Interests receivable	15,540	0.58	13,074	0.54
Fixed assets	12,779	0.48	12,629	0.52
Goodwill	1,281	0.05	1,281	0.05
Deferred tax assets	2,680	0.10	4,015	0.17
Other assets	41,517	1.56	73,753	3.06
Total assets	2,669,578	100.00	2,415,086	100.00

1. Loans and advances

At the end of the reporting period, the Group's total loans and advances to customers were RMB1,245,356 million, representing an increase of RMB79,046 million or 6.78% as compared with those at the end of the previous year. Net loans and advances to customers accounted for 45.69% of total assets, representing a decrease of 1.60 percentage points as compared with that at the end of the previous year. It was mainly due to the rapid increase in investment securities, placements with banks and other financial institutions, and financial assets held under resale agreements, representing a bigger proportion of the Bank's total assets. Internal structure of loans and advances to customers was optimised, and meanwhile, retail loans accounted for an increasing proportion of the total loans.

Unit: RMB million, %

Item	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Corporate loans	798,093	64.08	761,474	65.29
Retail loans	434,588	34.90	391,372	33.56
Discounted bills	12,675	1.02	13,464	1.15
Total loans and advances to customers	1,245,356	100.00	1,166,310	100.00

2. Investments

At the end of the reporting period, the Group's investments in securities and other financial assets were RMB588,410 million, representing an increase of RMB93,483 million as compared with those at the end of the previous year, accounting for 22.04% of total assets, and representing an increase of 1.55 percentage point as compared with that at the end of the previous year.

Unit: RMB million, %

Item	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	9,061	1.54	12,490	2.52
Positive fair value of derivatives	1,188	0.20	1,870	0.38
Available-for-sale financial assets	127,680	21.70	111,948	22.62
Held-to-maturity investments	104,209	17.71	105,920	21.40
Debt securities classified as receivables	346,272	58.85	262,699	53.08
Total investment in securities and other financial assets	588,410	100.00	494,927	100.00

3. Types and amounts of financial bonds held

Unit: RMB million

Type	Amount
Financial assets at fair value through profit or loss	1,475
Available-for-sale financial assets	11,519
Held-to-maturity investments	25,030
Total	38,024

4. Top 10 financial bonds held

Unit: RMB million, %

Name of bonds	Nominal value	Annual interest rate	Maturity date	Provision for impairment Losses
Bond 1	2,412	One-year time deposit interest rate +0.72	2015/4/27	–
Bond 2	1,690	4.89	2016/10/24	–
Bond 3	1,460	5-day average of 3-month Shibor +0.30	2016/6/16	–
Bond 4	1,160	4.23	2021/11/5	–
Bond 5	1,120	5-day average of 3-month Shibor -0.20	2018/6/9	–
Bond 6	1,050	4.04	2019/7/22	–
Bond 7	1,050	One-year time deposit interest rate +0.70	2019/9/23	–
Bond 8	1,040	3.42	2015/8/2	–
Bond 9	1,000	4.09	2015/6/9	–
Bond 10	960	One-year time deposit interest rate +0.65	2015/3/20	–

5. Goodwill

The Group's goodwill cost was RMB6,019 million. At the end of the reporting period, the provision for impairment losses on goodwill was RMB4,738 million, and the carrying value of goodwill was RMB1,281 million, which was the same as that at the end of the previous year.

(II) Liabilities

At the end of the reporting period, the Group's total liabilities reached RMB2,504,347 million, representing an increase of RMB242,313 million or 10.71% as compared with those at the end of the previous year, mainly due to the increase in deposits from customers and etc.

Unit: RMB million, %

Item	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Deposits from customers	1,796,282	71.73	1,605,278	70.97
Deposits from banks and other financial institutions	497,390	19.86	438,604	19.39
Placements from banks and other financial institutions, and financial assets sold under repurchase agreements	86,746	3.46	113,981	5.04
Negative fair value of derivatives	923	0.04	2,465	0.11
Accrued staff costs	8,141	0.33	8,149	0.36
Taxes payable	2,230	0.09	2,605	0.12
Interests payable	27,087	1.08	20,949	0.93
Debt securities issued	57,625	2.30	42,247	1.87
Other liabilities	27,923	1.11	27,756	1.21
Total liabilities	2,504,347	100.00	2,262,034	100.00

Note: Deposits include structured deposits measured at fair value as specified, same hereinafter.

At the end of the reporting period, the balance of the Group' deposits from customers reached RMB1,796,282 million, representing an increase of RMB191,004 million or 11.90% as compared with that at the end of the previous year. The structure of deposits from customers has been further optimized and the percentage of retail deposits increased.

Unit: RMB million, %

Item	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Corporate customers	1,332,135	74.16	1,203,217	74.95
Including: Demand deposits	496,681	27.65	434,902	27.09
Time deposits	835,454	46.51	768,315	47.86
Retail customers	371,569	20.69	310,646	19.35
Including: Demand deposits	132,890	7.40	104,140	6.49
Time deposits	238,679	13.29	206,506	12.86
Other deposits	92,578	5.15	91,415	5.70
Total deposits from customers	1,796,282	100.00	1,605,278	100.00

(III) Equity of shareholders

At the end of the reporting period, the equity attributable to equity shareholders of the Bank was RMB164,961 million, representing an increase of RMB12,122 million as compared with that at the end of the previous year. This change was primarily attributed to: (i) net profit attributable to equity shareholders of the Bank of RMB15,845 million; (ii) increase in fair value of available-for-sale financial assets of RMB3,076 million; (iii) increase in equity of shareholders of RMB1,230 million due to the exercise of over-allotment option for H shares; and (iv) distribution of dividends for 2013, resulting in a decrease in equity of shareholders of RMB8,029 million.

Unit: RMB million

Item	June 30, 2014	December 31, 2013
Share capital	46,679	46,277
Capital reserve	32,611	28,707
Surplus reserve	9,199	9,199
General reserve	29,861	29,861
Retained earnings	46,611	38,795
Total equity attributable to equity shareholders of the Bank	164,961	152,839
Non-controlling interests	270	213
Total equity	165,231	153,052

(IV) Off-balance sheet items

The Group's off-balance sheet items are mainly credit commitments, including loan and credit card commitments, acceptances, letters of guarantee, letters of credit and guarantees. As at the end of the reporting period, the total amount of credit commitments was RMB803,530 million, representing an increase of RMB50,992 million as compared with that as at the end of the previous year, mainly due to an increase in acceptances of RMB28,063 million.

Unit: RMB million

Item	June 30, 2014	December 31, 2013
Loan commitments	112,629	100,846
Acceptances	498,059	469,996
Letters of guarantee	63,014	51,974
Letters of credit	129,643	129,361
Guarantees	185	361
Total	803,530	752,538

IV. Cash Flow Analysis

Total net cash generated from the Group's operating activities was RMB54,587 million, of which cash inflow was RMB363,659 million, representing a year-on-year increase of RMB51,188 million, mainly due to a net increase in deposits from customers; cash outflow was RMB309,072 million, representing a year-on-year increase of RMB72,241 million, mainly due to a net increase in placements with banks and other financial institutions, and assets held under resale agreements, and a net decrease in placements from banks and other financial institutions, and assets held under repurchase agreements

Net cash outflow from investing activities was RMB90,735 million, of which cash inflow was RMB114,706 million, representing a year-on-year decrease of RMB48,736 million, mainly due to a decrease in cash received from investments; cash outflow was RMB 205,441 million, representing a year-on-year decrease of RMB54,661 million, mainly due to a decrease in cash payment in investments.

Net cash inflow from financing activities was RMB14,895 million, mainly due to the cash received from issuing bonds.

V. Analysis of Loan Quality

(I) Distribution of loans by industry

During the reporting period, the Bank proactively adjusted its credit portfolio by industry in response to the economic restructuring and industrial transformation and upgrade in China, with reduced proportion of loans to the manufacturing industry and increased proportion of loans to household- and consumption-related industries.

Unit: RMB million, %

	June 30, 2014		December 31, 2013	
Item	Balance	Percentage	Balance	Percentage
Manufacturing	237,700	29.78	240,618	31.60
Wholesale and retail trade	170,188	21.32	162,310	21.32
Real estate	109,059	13.66	94,243	12.38
Transportation, storage and postal services	65,887	8.26	67,991	8.93
Construction	47,027	5.89	41,159	5.41
Leasing and commercial services	40,679	5.10	38,375	5.04
Mining	29,706	3.72	26,973	3.54
Water, environment and public utility management	27,287	3.42	25,753	3.38
Production and supply of power, gas and water	20,827	2.61	19,498	2.56
Public administration and social organization	13,142	1.65	13,626	1.79
Others	36,591	4.59	30,928	4.05
Subtotal of corporate loans	798,093	100.00	761,474	100.00
Personal loans	434,588		391,372	–
Discounted bills	12,675		13,464	–
Gross loans and advances to customers	1,245,356		1,166,310	–

(II) Distribution of loans by region

The distribution of loans of the Bank by region remained relatively stable. The proportion of loans to Yangtze River Delta decreased while those in the central and western areas increased, leading to a more balanced regional posture.

Unit: RMB million, %

	June 30, 2014		December 31, 2013	
Region	**Balance**	**Percentage**	**Balance**	**Percentage**
Yangtze River Delta	255,003	20.48	250,463	21.47
Pearl River Delta	172,241	13.83	160,803	13.79
Bohai Rim	234,822	18.85	219,134	18.79
Central	188,504	15.14	174,989	15.00
Western	188,747	15.15	175,022	15.01
Northeastern	73,340	5.89	68,881	5.91
Hong Kong	14,680	1.18	12,269	1.05
Head Office	118,019	9.48	104,749	8.98
Gross loans and advances to customers	1,245,356	100.00	1,166,310	100.00

(III) Types of loan guarantee and their proportions

The percentage of guaranteed loans, mortgage loans and pledge loans accounted for 68.97%, and the remaining unsecured loans were mainly offered to customers with relatively high credit ratings.

Unit: RMB million, %

	June 30, 2014		December 31, 2013	
Item	**Balance**	**Percentage**	**Balance**	**Percentage**
Unsecured loans	386,397	31.03	360,232	30.89
Guaranteed loans	271,193	21.78	265,632	22.78
Mortgage loans	467,323	37.53	433,976	37.21
Pledge loans	120,443	9.66	106,470	9.12
Gross loans and advances to customers	1,245,356	100.00	1,166,310	100.00

(IV) Top 10 loan customers

Unit: RMB million, %

Name	Industry	June 30, 2014 Balance of loans	Proportion to total loans	Proportion to net capital
Borrower A	Transportation, storage and postal services	6,631	0.53	3.35
Borrower B	Public administration and social organization	4,795	0.38	2.42
Borrower C	Wholesale and retail trade	3,043	0.24	1.54
Borrower D	Public administration and social organization	2,980	0.24	1.50
Borrower E	Wholesale and retail trade	2,910	0.23	1.47
Borrower F	Real estate	2,850	0.23	1.44
Borrower G	Leasing and commercial services	2,756	0.22	1.39
Borrower H	Transportation, storage and postal services	2,568	0.21	1.30
Borrower I	Real estate	2,550	0.20	1.29
Borrower J	Transportation, storage and postal services	2,500	0.20	1.26
Total amount		33,583	2.68	16.96

Note: The proportion of the balance of loans to net capital is calculated according to the relevant requirements of the CBRC.

(V) Five-category loan classification

During the reporting period, the non-performing loans of the Group increased as a result of the pressures of economic slowdown in China. As at the end of the reporting period, the balance of non-performing loans was RMB13,877 million, representing an increase of RMB3,848 million as compared with that as at the end of the previous year. Non-performing loan ratio was 1.11%, up by 0.25 percentage point as compared with that as at the end of the previous year.

Unit: RMB million, %

	June 30, 2014		December 31, 2013	
Item	Balance	Percentage	Balance	Percentage
Pass	1,206,953	96.92	1,140,392	97.78
Special attention	24,526	1.97	15,889	1.36
Substandard	8,557	0.68	5,768	0.50
Doubtful	3,716	0.30	2,496	0.21
Loss	1,604	0.13	1,765	0.15
Gross loans and advances to customers	1,245,356	100.00	1,166,310	100.00
Performing loans	1,231,479	98.89	1,156,281	99.14
Non-performing loans	13,877	1.11	10,029	0.86

(VI) Loan migration ratio

Please refer to "Summary of Accounting Data and Financial Indicators" for details.

(VII) Restructured loans and overdue loans

Unit: RMB million, %

Item	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Restructured loans and advances	709	0.06	109	0.01
Less: Restructured loans and advances overdue for more than 90 days	0	0.00	15	0.00
Restructured loans and advances overdue for less than 90 days	709	0.06	94	0.01

(VIII) Non-performing loans by business type

Unit: RMB million, %

Item	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Corporate loans	10,971	79.06	7,717	76.95
Retail loans	2,906	20.94	2,312	23.05
Discounted bills	–	–	–	–
Total amount of non-performing loans	13,877	100.00	10,029	100.00

(IX) Distribution of non-performing loans by region

Unit: RMB million, %

Region	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	5,051	36.40	3,435	34.25
Pearl River Delta	1,684	12.13	1,127	11.24
Bohai Rim	2,277	16.41	1,762	17.57
Central	1,580	11.38	1,236	12.32
Western	1,050	7.57	715	7.13
Northeastern	531	3.83	346	3.45
Head Office	1,704	12.28	1,408	14.04
Total amount of non-performing loans	13,877	100.00	10,029	100.00

(X) Distribution of non-performing loans by industry

Unit: RMB million, %

Item	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Manufacturing	4,688	33.78	3,529	35.19
Wholesale and retail trade	4,869	35.09	3,113	31.04
Real estate	533	3.84	229	2.28
Transportation, storage and postal services	420	3.03	429	4.28
Leasing and commercial services	79	0.57	40	0.40
Water, environment and public facilities management	–	–	–	–
Construction	142	1.02	148	1.48
Mining	121	0.87	78	0.78
Production and supply of power, gas and water	–	–	–	–
Public administration and social organization	21	0.15	25	0.25
Others	98	0.71	126	1.25
Total amount of corporate loans and advances	10,971	79.06	7,717	76.95
Personal loans and advances	2,906	20.94	2,312	23.05
Discounted bills	–	–	–	–
Total amount of non-performing loans	13,877	100.00	10,029	100.00

Note: Other industries consist of agriculture, forestry, animal husbandry and fishery; accommodation and catering; financial services; scientific research, technical services and geological prospecting; resident services and other services; health, social security and social welfare; culture, sports and entertainment, etc..

(XI) Distribution of non-performing loans by guarantee type

Unit: RMB million, %

Item	June 30, 2014		December 31, 2013	
	Balance	Percentage	Balance	Percentage
Unsecured loans	2,782	20.05	2,317	23.10
Guaranteed loans	5,047	36.37	2,988	29.79
Mortgage loans	5,248	37.82	4,140	41.29
Pledge loans	800	5.76	584	5.82
Total amount of non-performing loans	13,877	100.00	10,029	100.00

(XII) Repossessed assets and provision for impairment

Unit: RMB million

Item	June 30, 2014	December 31, 2013
Cost of repossessed assets	309.39	335.25
Including: land, buildings and structures	308.49	334.35
Others	0.90	0.90
Less: provision for impairment	4.19	4.19
Net value of repossessed assets	305.20	331.06

(XIII) Provision for loan impairment and write-offs

The Group's impairment losses on assets include provision for loans and advances to customers, placements with banks and other financial institutions, debt securities, interests receivable and other assets. The Group conducted impairment tests on the carrying value of assets on the balance sheet date, and provision for impairment would be recognized through profit or loss for the current period if there was objective evidence indicating that the assets were impaired.

The following table sets out the changes in the provision for impairment of customer loans of the Group:

Unit: RMB million

Item	January – June, 2014	2013
Balance at the beginning of the period	24,172	25,856
Charge for the period	3,463	6,719
Release for the period	(183)	(2,383)
Recoveries	135	207
Unwinding of discount (note)	(260)	(367)
Write-offs during the period	(1,587)	(2,240)
Disposal in the period	–	(3,620)
Balance at the end of the period	25,740	24,172

Note: It refers to cumulative interest income of impaired loans due to the subsequent increase in present value over time.

(XIV) Interests receivable and provision for bad debts

1. Change in on-balance sheet interests receivable

Unit: RMB million

Item	Balance at the beginning of the period	Increase in the period	Decrease in the period	Balance at the end of the period
On-balance sheet interests receivable	13,103	51,746	49,277	15,572

2. Bad debt provision for interests receivable

Unit: RMB million

Item	June 30, 2014	December 31, 2013	Increase
Balance of bad debt provision for interests receivable	32	29	3

(XV) Other receivables and provision for bad debts

1. Change in other receivables

Unit: RMB million

Item	June 30, 2014	December 31, 2013	Increase
Other receivables	2,863	2,627	236

2. Bad debt provision for other receivables

Unit: RMB million

Item	June 30, 2014	December 31, 2013	Increase
Balance of bad debt provision for other receivables	498	448	50

VI. Capital Adequacy Ratio

Please refer to the "Summary of Accounting Data and Financial Indicators" for the details.

VII. Segment Performance

(I) Performance by region

Unit: RMB million

Item	January – June, 2014		January – June, 2013	
	Operating income	Total profit	Operating income	Total profit
Yangtze River Delta	6,345	2,769	6,347	2,299
Pearl River Delta	4,439	2,084	4,094	2,539
Bohai Rim	6,687	4,012	6,513	4,258
Central	5,128	2,840	4,426	2,556
Western	4,630	2,637	4,221	2,492
Northeastern	1,975	1,097	1,879	900
Head Office	8,300	5,341	6,343	4,425
Hong Kong	56	(9)	15	(41)
Total	37,560	20,771	33,838	19,428

(II) Performance by business function

Unit: RMB million

Item	January – June, 2014		January – June, 2013	
	Operating income	Total profit	Operating income	Total profit
Corporate banking business	23,314	13,041	21,283	12,598
Retail banking business	11,420	4,887	9,884	4,430
Treasury business	2,748	2,799	2,615	2,358
Other business	78	44	56	42
Total	37,560	20,771	33,838	19,428

VIII. Changes in Major Financial Indicators and Reasons

Unit: RMB million, %

Item	June 30, 2014	December 31, 2013	Increase or decrease	Major reasons for change
Placements with banks and other financial institutions	196,176	124,291	57.84	Extend the use of deposits from banks based on treasury position
Positive fair value of derivatives	1,188	1,870	–36.47	With market interest rates trending down, interest-related derivative assets and liabilities both decreased on revaluation
Debt securities classified as receivables	346,272	262,699	31.81	Increase in scale of investment based on treasury position and directions of market interest rates
Deferred tax assets	2,680	4,015	–33.25	With market interest rates trending down, fair values of relevant financial assets increased, resulting in a corresponding decrease in deferred income tax assets
Other assets	41,517	73,753	–43.71	Decrease in exposure of on-balance sheet wealth management investments
Negative fair value of derivatives	923	2,465	–62.56	Affected by changes in RMB exchange rate, the forward valuation of some foreign exchange swaps increased
Debt securities issued	57,625	42,247	36.40	Issuance of tier-2 capital bonds and inter-bank negotiable certificate of deposits (NCD)

Item	January – June, 2014	January – June, 2013	Increase or decrease	Main reasons for change
Net (losses)/gains arising from investment securities	(99)	121	–181.82	Adjustments to the bond investment portfolio by disposing of the low yield bonds previously purchased whenever possible
Net trading (losses)/gains	1,227	48	2,456.25	Affected by changes in RMB exchange rate, the forward valuation of some foreign exchange swaps increased. Meanwhile, bond price kept rising, and the valuation of bonds held for trading significantly increased
Net foreign exchange (losses)/gains	(233)	140	–266.43	Affected by changes in RMB exchange rate, the increase in spot settlement losses of some foreign exchange swaps had a negative correlation with items related to net trading gains or losses.
Other operating income	195	126	54.76	Proceeds from loans disposed of increased and the financial leasing company was granted financial subsidy by the local government of its place of registration
Impairment losses on assets	3,128	2,250	39.02	Increase in amount of provisions for impairment loss on loans

IX. Performance of Business Lines

(I) Corporate banking business

1. Corporate deposit and loans

The Company continued to consolidate its customer base to achieve effective growth in the number of customers, deepened the restructuring of assets and liabilities, proactively prevented and controlled credit risks, and enhanced product integration and innovation for setting up an integrated financial services platform, thus rendering a steady rise in profitability. As at the end of the reporting period, the Bank's corporate deposits amounted to RMB1,336,870 million (including those in other deposits), representing an increase of RMB131,343 million or 10.90% from the end of the previous year. Of these deposits, the balance of corporate core deposits was RMB1,092,342 million, up by RMB134,226 million or 14.01% from the end of the previous year, indicating an optimizing deposit composition. The Bank's corporate loans (excluding discounted bills) totaled RMB798,093 million, an increase of RM36,619 million or 4.81% from the end of the previous year.

2. Small and micro banking business

The Company continued to step up its support to small and micro real economies by allocating more credit resources to small and micro enterprises. In line with the clients' demands for short-term, fairly-priced and quickly-approved finance, the Company optimized its small and micro credit review and approval processes to make itself an efficient service provider. Committed to its business strategy of providing "small-amount, decentralized, standardized and convenient" services, the Company launched several innovative products such as "Insurance-backed Loan" (銀保融易貸), "Overdraft-linked Cheque" (支票易) and "Good Taxpayer's Loan" (稅貸易), further enriching its SME product inventory. According to the SME categorization standards jointly issued by the Ministry of Industry and Information Technology and other three ministries in 2011 and the regulatory requirements of CBRC, the balance of the Bank's small and micro lending amounted to RMB229,882 million as at the end of the reporting period, an increase of RMB27,713 million or 13.69% from the end of the previous year, which is well above the bank-wide lending growth rate.

3. Investment banking business

The Bank provided customers with debt financing services, including short-term commercial papers, medium-term notes, super-short-term commercial papers, private placement notes and collective notes of small and micro enterprises. As at the end of the reporting period, the Bank served as a leading underwriter for non-financial corporate debt financing instruments of RMB147,300 million in aggregate, representing a year-on-year increase of 34.58%, ranking second in the same type of joint-stock commercial banks on a comparable basis. As a financial advisor, the Bank designed and provided customers with financial solutions including financial derivatives, debt financing instruments and structured financing.

4. Custody business

In line with market needs, the Company stepped up product innovation, to provide a rich array of custodian products and enhance its service capabilities. At the end of the reporting period, both the asset size of and the income from the Company's custody business hit record high, with the former reaching RMB2,179,230 million, an increase of 27.04% year-on-year, and the latter reaching RMB496 million, up by 46.31% year-on-year. With its enhanced marketing efforts, the Company secured its leading position in providing custodian services for client asset of securities companies, funds of insurance companies, investment funds of securities companies and bank wealth management funds of banks among its peers in terms of scale.

5. Pension business

By leveraging on its corporate annuity account management platform, the Company was the first in the industry to set up the most comprehensive pan-pension account management platform, and launched various products, such as "Enjoyable Welfare Plan" (樂享福利計劃) and "Flexible Welfare Plan" (彈性福利計劃). With its integrated product R&D capability, technology platform and professional services, the Company has developed into a national leading provider of financial solutions for corporate remuneration and welfare management. The Company has been well recognized by its partner institutions and the public, and has established a good brand image and market reputation. During the reporting period, the Company's pension business grew steadily and it also achieved phased results from the R&D and marketing of innovative products, so that various types of custody assets amounted to RMB29,900 million in size.

6. Trade banking business

The Company continued to push forward the development and innovation of international settlement and trade finance business, to strengthen its electronic supporting system, and to enhance compliance implementation and risk prevention. Meanwhile, it continued to step up the business collaborations between CEB branches in mainland China and its Hong Kong branch, proactively prepared to launch its business in the Shanghai Pilot Free Trade Zone, and thus maintained the steady development of the trade banking business. As at the end of the reporting period, its international settlement volume grew 11.92% year-on-year, while the cross-border RMB settlement business grew 90.43% year-on-year.

(II) Retail banking business

1. Personal deposit business

Always regarding deposit as its business foundation, the Company gradually increased the proportion of its core deposits through a smooth restructuring and ensured appropriate growth of its personal deposits. As at the end of the reporting period, the balance of personal deposits of the Bank grew to RMB459,400 million (including those in other deposits), representing an increase of RMB59,600 million as compared with that at the end of the previous year (up by 14.91%), among which the balance of its core deposits accounted for RMB269,200 million, up by RMB32,300 million or 13.63%. Daily average balance of its personal deposits amounted to RMB401,600 million, a year-on-year increase of RMB96,200 million or 31.50%. Through restructuring, the Company's percentage of core deposits was increased while the costs of deposits were reduced.

2. Personal loan business

Based on its "early lending for early return" strategy, the Company proactively adjusted its personal loan portfolio and improved its pricing power in personal lending business. Therefore, the growth rate of its personal loans was higher than that of the Company's total lending book, while both the NPL ratio and NPL balance of its personal loans remained fairly low. At the end of the reporting period, the balance of its personal loans (excluding credit cards) amounted to RMB316,584 million, an increase of RMB29,945 million or 10.45% from the end of the previous year. The average daily balance of its personal loans reached RMB308,600 million, with its NPL balance of RMB1,217 million and NPL ratio of 0.38%.

3. Private banking business

The Company integrated its resources to seek product innovation and launched 21 products based on fund subsidiaries, small master plan for securities firms and corporate and personal banking business collaboration. By introducing customers with these innovative products, the Company's private banking business kept growing. As at the end of the reporting period, the Company had 13,376 private banking customers including 1,672 new customers from the end of the previous year, while the assets under management of its private banking business amounted to RMB134,851 million, up by RMB21,329 million from the end of the previous year. Total accumulated sales of all types of wealth management products reached RMB93,587 million, including a fee-based income of RMB126 million.

4. Bank card business

(1) Debit card business

The Company continued to optimize debit card products and their features. Based on its growing cooperation with players in various industrial sectors, the Company developed and launched financial IC cards with special functions for various industrial sectors including social security, transportation, education, community and business. It expanded and further segmented customer groups and issued specific debit cards with a view to cater for specific customers groups in need of various services including payroll credit, micro financing and offshore financing. As at the end of the reporting period, 47,960,000 debit cards of the Bank were issued in total, including additional 1,070,000 cards from the end of the previous year.

(2) Credit card business

The Company continued to promote its innovative products such as "DIY Credit Card" and "Instant Loan Card", and to expand the channels for credit card issuance. It launched a series of marketing activities such as "Everbright Best Offer at RMB10", and enhanced its customer services in the mobile Internet channels so as to constantly improve the customer experience. As at the end of the reporting period, 1,705,500 new credit cards were issued, bringing the total number of credit cards issued to 21,719,500. The total transaction volume was RMB362,458 million, representing a year-on-year increase of 40.87%. Balance of credit card overdraft was RMB118,003 million, a year-on-year increase of 31.85%. Overdue rate for bills due over 180 days was 0.79%, up by 0.13 percentage point from the end of the previous year. Operating income was RMB6,348 million, up by 34.85%.

(III) Treasury and interbank business

1. Treasury business

Pursuant to the requirements of the Second-generation Payment System of the Central Bank, the Company devised its management model and framework for its treasury business and revised related management rules to improve its internal treasury management. According to the liquidity in the market and of the Company, it stepped up its operations in the money market to improve the efficiency of fund usage and its market influence. On the basis of ensuring its own liquidity safety, the Company optimized the bond accounts portfolio in terms of type and term, allocating more resources to treasury bonds and corporate bonds with relative high safety and profitability. As at the end of the reporting period, the Company's RMB and foreign currency denominated assets reached RMB309,559 million, accounting for 11.68% of its total assets. Among them, the bond portfolio of the Bank valued at RMB237,181 million, which realized interest income of RMB4,962 million, up by 10.4% year-on-year. The settlement volume of its RMB denominated bonds totaled RMB6.05 trillion, ranking No.1 among its peers.

2. Interbank business

Taking risk management and liquidity safety as its first priority, the Bank adjusted its interbank product structure, strengthened its refined management, and maintained an appropriate scale of interbank business. As at the end of the reporting period, the balances of its interbank deposits, placements with banks and discounted notes were RMB499,390 million (including RMB2,000 million of interbank negotiable certificate of deposit), RMB66,052 million, and RMB12,675 million respectively. The Bank continued to advance its collaboration with other banks in asset and liability businesses and to expand its cooperation with non-banking financial institutions, while it maintained a variety of cooperation with securities companies, insurance companies, trust companies, financial leasing companies, asset management companies, auto finance companies and finance companies.

3. Precious metal business

With the membership of the Shanghai Gold Exchange and the Shanghai Futures Exchange and the qualifications for gold imports and price enquiry on the Shanghai Gold Exchange, the Company has become a leading market player possessing one of the most complete sets of qualifications for the precious metals business in the PRC. The Company established an industry-leading comprehensive set of precious metal product lines, including six major product categories, i.e. financing, hedging, trading, physical substance, investment and wealth management products. It launched innovative products such as Sunshine gold, automatic gold investment and "Safe Gold Leasing" (黃金租賃寶). As at the end of the reporting period, the Company had approximately 224,800 precious metal trading customers, with its proprietary trading volume and agent trading volume being approximately RMB21,206 million and RMB10,967 million respectively.

(IV) Asset management business

The Company's asset management business emphasized focusing on both the nature of asset management and the innovation to develop cross-sector products. At the product end, it sought simultaneous development of asset size and funding stability through product upgrade and channel expansion. At the investment end, it worked for improved profitability and liquidity by adopting its "Double F" (Fixed Income + FoF) management approach and "dumbbell-shaped" investment posture. As at the end of the reporting period, the balance of its wealth management products reached RMB578,304 million, up by RMB76,004 million from the end of the previous year. The Company stepped up the innovation in its wealth and asset management business, as marked by the successive launch of various innovative products based on fiduciary asset management, quantitative portfolio management and M&A mezzanine funds.

(V) E-banking business

Aiming at building its e-banking business into a product delivery platform, a trading platform and a client development platform, the Company strived to expand its product sales and trading through electronic channels by following the development of Internet finance. It achieved a steady growth of its E-banking business, by focusing on Internet banking, mobile banking, open-platform banking, channel innovation, customer service and risk prevention. As at the end of the reporting period, the Company's total number of e-banking customers was 42,173,300, up by 24.36% from the end of the previous year. The Company realized transactions amounting to 652 million through electronic channels, up by 46.51% year-on-year, with a total transaction value of RMB15.10 trillion, up by 19.16% year-on-year. The Company delivered an industry leading counter replacement rate as high as 91.19%.

X. Information Technology

During the reporting period, the Company's operations remained safe and sound, when all of its production systems were running smoothly and its system availability was rising steadily.

The Company continued to optimize some key projects. The integration of its open-platform for banking services with the third-party partners such as Baifubao (a C2C payment system launched by baidu.com) realized the collaborations of the Company's banking system and the online and offline systems of its cooperative institutions. Based on its system integration with the three major Chinese mobile telecommunication operators, the Company launched the mobile payment card, an industry leading product, which combined E-cash payment applications and industry applications. In response to the gradual interest liberalization, the Company successfully fielded its online pricing management system, which laid a foundation for its improved pricing power and better satisfaction for differentiated customer demands. With its growing capabilities for technological innovation and R&D, the Company developed the cross-border payment system based on its own R&D platform. Meanwhile, it launched the industry's first platform for the custody of second-hand housing transaction funds.

XI. Investment Analysis

(I) Equity investment

1. The amount of the Bank's equity investment was RMB993,719.8 thousand, representing an increase of RMB70 million or 7.58% as compared with that at the end of the previous year due to the increase in its capital injection into Shaoshan Everbright Village Bank Co., Ltd. during the reporting period.

The Bank intended to make additional capital contribution of RMB1.98 billion to its subsidiary Everbright Financial Leasing Co., Ltd., of which the Bank is the controlling shareholder. The relevant proposal was considered and approved at the 16th meeting of the Sixth Session of the Board of Directors in January 2014. The capital increase proposal is subject to approval by the CBRC.

2. Holding of shares of other listed companies

Unit: share, %, RMB ten thousand

Stock Code	Stock name	Number of shares held	Shareholding proportion	Closing book value
V	Visa Inc	4,061	0.0027	110.85
000719	CCLM	700,954	0.16	830.63

Note: The shares held by the Bank in CCLM were repossessed assets.

3. Holding of shares of unlisted financial enterprises

Unit: RMB ten thousand, ten thousand shares, %

Invested entity	Investment Amount	Number of Shares held	Shareholding Percentage: Beginning of the reporting period	Shareholding Percentage: End of the reporting period	Closing book value	Profit or loss in the reporting period	Change in owner's equity in the reporting period	Accounting item	Source of shares
Everbright Financial Leasing Co., Ltd.	72,000	72,000	90	90	72,000	24,095.65	24,095.65	Long-term equity investments	Initial stock
Shaoshan Everbright Village Bank Co., Ltd.	10,500	10,500	70	70	10,500	831.85	10,831.85	Long-term equity investments	Initial stock
Jiangsu Huai'an Everbright Village Bank Co., Ltd.	7,000	7,000	70	70	7,000	84.17	71.48	Long-term equity investments	Initial stock
China Unionpay Co., Ltd.	9,750	7,500	2.56	2.56	9,750	–	–	Available-for-sale financial assets	Investments

4. During the reporting period, the Bank had not engaged in trading of shares of other listed companies.

(II) Use of proceeds during the reporting period

On December 20, 2013, the Bank was listed on the main board of HKSE. On January 12, 2014, the Bank partially exercised the over-allotment option and issued 402,305,000 H shares with proceeds of HKD1,601 million. The proceeds, together with the proceeds from the initial public offering, were all used to replenish core capital after deducting relevant issuing expenses so as to improve the capital adequacy ratio and support business development.

(III) Major uses of non-raised funds

The Bank did not conduct any major investment using non-raised funds.

XII. Special Purpose Entities Controlled by the Bank and Structured Products

1. There were no special purpose entities controlled by the Bank.

2. The structured products in which the Group has interest but not carried in the consolidated financial statements mainly include special asset management plans. Please refer to the notes to the financial statements for details.

XIII. Risk Management

(I) Credit risk management

The Company prevented substantial concentrated credit risks by dynamically adjusting the credit approval power delegation and enhancing the differentiated power delegation arrangement and management. The Company also strengthened the re-inspection on credit approvals to improve the quality of review and approval.

By re-inspecting and revising its rules and regulations governing credit management of group customers, the Company reinforced the control on concentrated credit risk and prevented risks of excessive credit approval and unreasonable allocation of credit limit. The Company streamlined the process of reviewing and approving corporate credit for better efficiency. To comprehensively implement the risk warning policy of comprehensive warning, timely reporting and rapid response, the Company strengthened the all-course credit management and the control over key elements and nodes in credit approval.

Along with the emphasis on systemic risk prevention and early warnings, the Company paid particular attention to the monitoring of loans to local government financing vehicles (LGFVs), real estate projects, industries with overcapacity as well as commodities financing. A list of customers requiring intensive credit extension surveillance was formulated to dynamically monitor the customers with potential risks. The loss of assets was minimized through strengthening the recovery of non-performing loans and overdue loans and taking vigorous measures to resolve risks.

Please refer to the notes to the financial statements for more details on credit risk management.

(II) Liquidity risk management

The Bank adhered to prudent and stable liquidity risk management policy and its liquidity remained stable and healthy. The major measures include: publishing liquidity risk management guidelines; determining and adjusting internal fund transfer pricing in a reasonable and flexible manner; strengthening the dynamic monitoring of market businesses such as wealth management and interbank products; setting liquidity exposure limit prudently; reviewing policies on liquidity risks to ensure compliance with BASEL III liquidity indicators; adjusting and reducing liquidity risks by adjusting on-balance sheet items such as diversified liabilities and using derivative financial instruments such as currency swaps to adjust the liquidity gap.

Please refer to notes to the financial statements for further details on liquidity risk management of the Bank.

(III) Market risk management

In line with its risk preference and business transformation, the Company optimized the indicator structure of market risk exposure limit and set a reasonable exposure limit level to ensure proper control over market risks. The Company strengthened the research and analysis of market and the proactive management of market risks, and conducted independent review and exposure limit management for risks on new products. The Company also pressed ahead the development of management system on market risks, conducted comprehensive monitoring in treasury, wealth management and precious metal businesses, and, on this basis, implemented management on sensitivity indicator calculation, stress testing, measurement of value at risk and risk asset calculation, etc., achieving further improvement in market risk measurement, monitoring and management.

Please refer to the notes to the financial statements for further details on market risk management of the Bank.

(IV) Operating risk management

The Company continued to optimize the operational risk management framework and management system, promote the integration of operational risk management and internal control, and reinforce the management of key operational risks including credit risk mitigation, counter business, information technology and shadow banking. The operational risk management of grassroots operation institutions and community banks was strengthened through the distribution of operational risk manual for community banks. The Company highlighted the duty of managing operational risk at multiple levels with a particular focus on the management and supervision of the front office, timely released risk warnings and organized qualification examinations for employees in key posts. By improving its system development, the Company reinforced hard control over the operational risk system and proactively identified and intercepted external frauds and risks. Moral risks were prevented with the further reinforcement of employee behavior management.

Please refer to notes to the financial statements for further details on operational risk management of the Bank.

(V) Compliance risk management

The internal control and compliance management project was smoothly concluded, with the "Internal Control Manual of China Everbright Bank" revised and improved and systems development basically completed. The daily surveillance and management of internal control and compliance risks were further strengthened throughout the entire bank. To carry on the annual re-inspection of rules and regulations and to effectively integrate and condense the existing rules and regulations, the management departments of 26 business lines released the revised version of regulations manuals during the reporting period. Attributable to the effectiveness of the early warning system for internal control and compliance risks and thorough discussion on risk signals, the Company remained alert of internal control and compliance risks in its daily operations and was able to give early warnings and resolve risks in time. The Company proactively promoted the audits and compliance assessments of branches and strengthened the guidance and surveillance on the audit teams of branches.

(VI) Reputation risk management

By improving the response mechanism to public opinions, the Company further enhanced its capability of reputation risk prevention and maintained a good reputation and image. Addressing the ever-changing development of information flow across the Internet, the Company strengthened its reputation risk management, reinforced the early warning and assessment system for reputation risks and conducted regular inspections and exercises on potential reputation risks. Staff training on the enhanced awareness of reputation risk prevention and identification was conducted to improve the capabilities of risk prevention and control.

(VII) Anti-money laundering management

The Company integrated and revised the "Regulations on Anti-money Laundering Management" to further clarify the management structure and duties of the anti-money laundering team, and studied and formulated reform plan for the concentrated processing mechanism of anti-money laundering. The Company carried out the categorization of customer risks and the development of real time blacklist monitoring system and functions through the active promotion of optimization and restructuring of anti-money laundering system. By analyzing different money laundering categories, the Company strengthened its anti-money laundering monitoring and analysis regarding innovative businesses and high risk businesses covering cash, internet banking and e-banking. Intensive training and publicity were conducted to raise the awareness of anti-money laundering throughout the Bank.

XIV.Outlook

(I) Progress of business target delivery

As at the end of the reporting period, total assets of the Bank increased by 10.54%, loans and advances to customers increased by 6.78% and deposits from customers increased by 11.90%. The progress of completing the annual business target is steady and sound.

(II) Potential risks and corresponding measures

1. Potential risks

Since the beginning of the year, financial risks emerged in certain regions and sectors due to the complex and volatile global economic conditions and the increasing downward pressure on the domestic economy. In the second half of the year, facilitated by a series of effective micro-stimulus and the reaping of benefits from the reform, China's economy is expected to stabilize and the occurrence of frequent financial crisis is less likely. Commercial banks are facing two major headwinds. On one hand, the asset quality of banks will likely be affected by the accumulation of systematic risks and credit risks of the industry attributable to the slowdown of economy in the first half of the year, the emerging regional risks and the excess capacity of certain industries. On the other hand, banks may find it increasingly difficult to satisfy the capital adequacy ratio required by regulatory authorities, as the expansion model generally adopted by the banking industry and the heavy reliance on traditional credit business may bring difficulties to support the sustainable development of the banking industry.

2. Corresponding measures

(1) Further strengthening of risk management. The Bank should strictly control customer access to facilities, understand promptly the changes of customers who are granted facilities, and establish a mechanism for dynamic exit of low-quality customers. We should also pay attention to the market changes in key areas, strive to achieve early warning, early disposal and early resolution of potential risks, and strictly control credit risks to prevent increase in non-performing loans.

(2) Driven by a "more meaningful development" approach, the transformation of development model will be promoted. The capital-saving development model will be gradually established to replace the simple and extensive scale expansion model; and improvement in operational efficiency and return on equity will be achieved through the promotion of differentiated competition.

(3) Further strengthening of capital fundamentals. The Bank should establish a multi-channel external capital supplement mechanism, and reinforce endogenous capital supplement, monitoring on capital adequacy ratio and emergency management.

XV. Implementation of Profit Distribution Plan

The 2013 Profit Distribution Plan of the Bank was to distribute a cash dividend of RMB0.172 (before tax) per share to all shareholders, amounting to RMB8,028,804,300 in total, and approximately HKD0.21662087 (tax inclusive) per share would be distributed to holders of H shares. On June 27, 2014, the Bank convened the Annual General Meeting of Shareholders, at which the Profit Distribution Plan was approved. The record date for holders of A shares was July 16, the ex-dividend date was July 17, and the date of distribution of the cash dividend was July 17. The record date for holders of H shares was July 16, and the date of distribution of the cash dividend was August 8. Before the release of this report, the Profit Distribution Plan of the Bank has been implemented successfully.

Chapter V Significant Events

I. Purchase, Sale or Repurchase of the Bank's Listed Securities

During the reporting period, the Bank and its subsidiaries did not purchase, sell or repurchase any listed securities of the Bank.

II. Material Litigation, Arbitration and Negative Media Reports

During the reporting period, the Bank was not involved in any material litigation, arbitration or any event relating to negative media reports.

III. Use of Capital by the Controlling Shareholders and their Related Parties for Non-operating Purposes

There was no capital of the Bank which was used by the controlling shareholders and their related parties for non-operating purposes.

IV. Matters Concerning Bankruptcy Reorganization

During the reporting period, no bankruptcy reorganization took place in the Bank.

V. Material Acquisitions, Sales or Disposals of Assets and Mergers

During the reporting period, the Bank was not involved in any material acquisitions, sales or disposals of assets or mergers.

VI. Share Incentive Scheme

During the reporting period, the Bank has not implemented any share incentive scheme.

VII. Connected Transactions of the Bank under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules")

In accordance with the Hong Kong Listing Rules, the transactions between the Bank and its connected persons constitute connected transactions of the Bank. The Bank monitors and manages these connected transactions in accordance with the Hong Kong Listing Rules. During the reporting period, a series of connected transactions were entered into between the Bank and its connected persons in the ordinary course of business of the Bank. Pursuant to Chapter 14A of the Hong Kong Listing Rules, such connected transactions were exempted from reporting, annual review, announcement and independent shareholders' approval requirements.

VIII. Material Contracts and Their Performance

(I) Significant events in respect of entrusting, contracting or leasing assets of or to other companies

During the reporting period, the Bank had not entered into any material contracts in relation to entrusting, contracting or leasing assets of or to other companies.

(II) Significant Guarantees

The provision of external guarantee is one of the routine operations of the Bank. During the reporting period, the Bank did not have any material guarantees which were required to be disclosed save for the financial guarantees within its business scope as approved by the People's Bank of China and CBRC.

(III) Other material contracts

During the reporting period, the Bank had no other material contracts and all contracts regarding daily operations were duly performed.

IX. Important Undertakings of the Bank or Shareholders Holding More than 5% of Its Shares and Their Performance

Central Huijin Investment Ltd. (hereinafter referred to as "CHI"), a substantial shareholder of the Bank, has undertaken that it will not engage or participate in any competing business with the Bank as long as it is deemed to be a controlling shareholder or de facto controller of the Bank. Notwithstanding the above undertaking, the subsidiaries of CHI (as a state-owned investment holding company established by the PRC government to invest in financial and banking industries) are not subject to the above undertaking. Such undertaking is valid for a permanent period and there had been no breach of such undertaking as at the end of the reporting period.

Please refer to the prospectus for public offering of H shares of the Bank for details regarding the lock-up undertaking in relation to the H shares held by CHI and the China Everbright (Group) Corporation, the substantial shareholders of the Bank and other relevant undertakings. For more details, please see the websites of the HKSE and the Bank. As at the end of the reporting period, there had been no breach of such undertakings.

The Bank had undertaken that no further shares or securities convertible into equity securities would be issued within 6 months from December 20, 2013 (being the listing date of the Bank's H shares), nor would any agreement be entered into in respect of such issue during the same period. Such undertaking is valid from December 20, 2013 to June 20, 2014. As of the end of such undertaking period, there had been no breach of such undertaking.

For details about important undertakings of the Bank or shareholders holding more than 5% of its shares and their performance, please refer to the *Announcement on the Fulfillment of Undertakings of de facto Controller, Shareholders, Related Parties, Buyers and Listed Company* (the "Announcement"). The Announcement has been published on the websites of the SSE, the HKSE (in the form of overseas regulatory announcement) and the Bank.

X. Investigation and Administrative Penalty by Regulatory Authorities

During the reporting period, none of the Bank, its Directors, Supervisors, Senior Management, shareholders holding more than 5% of its shares was subject to any investigation, administrative penalty or public censure by the CSRC, or public censure by any stock exchange, or any penalty with significant impact on the Bank's operation imposed by any regulatory body.

XI. Other Significant Events

(I) Exercise of over-allotment option ("greenshoe option")

The Bank was listed on the main board of HKSE on December 20 2013 and partially exercised the over-allotment option on January 12, 2014 to issue 402,305,000 new H shares at HKD3.98 each. Regarding the IPO for H shares, the Bank had issued a total of 6,244,305,000 H shares (including shares from exercise of the over-allotment option), with proceeds of HKD24.852 billion and the total number of the shares of the Bank reaching 46,679,095,000 shares. For details, please refer to the Bank's Announcement on Partial Exercise of Over-allotment Option, Stabilizing Actions and End of Stabilization Period.

(II) Issuance of Tier-2 Capital Bonds

The Bank successfully issued 10-year Tier-2 capital bonds with a fixed coupon of 6.20% in an aggregate amount of RMB16.2 billion in China's inter-bank bond market on June 9, 2014. For details, please refer to the Bank's Announcement on the Completion of Issuance of Tier-2 Capital Bonds.

(III) Approval for Proposal in relation to the Restructuring of the Everbright Group

The Proposal for Restructuring of China Everbright (Group) Corporation, a substantial shareholder of the Bank, has been approved by the State Council, pursuant to which China Everbright (Group) Corporation will be transformed from a wholly state-owned enterprise into a joint stock company and will be renamed as "China Everbright Group Corporation". The new joint stock company will be jointly promoted and established by the Ministry of Finance and Central Huijin Investment Ltd. For relevant information, please refer to the Indicative Announcement on the Approval for Proposal for Restructuring of China Everbright (Group) Corporation of the Bank dated 1 August 2014.

XII. Review of Interim Results

The Bank's external auditors KPMG Huazhen (Special General Partnership) and KPMG respectively reviewed the Bank's financial statements which were prepared in accordance with the PRC GAAP and IFRSs. The Audit Committee of the Board of Directors and the Board of Directors of the Bank have reviewed and approved the interim results and financial reports of the Bank for the six months ended June 30, 2014.

XIII. Publication of Interim Report

The Interim Report, in both Chinese and English, prepared by the Bank in accordance with the IFRSs and Hong Kong Listing Rules, is available at the websites of the HKSE and the Bank. In case of any discrepancy, the Chinese version shall prevail.

The Interim Report in Chinese prepared by the Bank in accordance with the PRC GAAP and the relevant rules of the CSRC is available at the websites of the SSE and the Bank.

Chapter VI Changes in Share Capital and Shareholders

I. Changes in Share Capital

Unit: share, %

	Before change		Increase or decrease after change			After change	
	Number	Percentage	New share issuance	Others	Sub-total	Number	Percentage
I. Shares subject to trading moratorium							
1. Shares held by the State	–	–	–	–	–	–	–
2. Shares held by state-owned legal persons	–	–	–	–	–	–	–
3. Shares held by other domestic shareholders	–	–	–	–	–	–	–
Including: Shares held by domestic non state-owned legal persons	–	–	–	–	–	–	–
Shares held by domestic natural persons	–	–	–	–	–	–	–
4. Shares held by overseas shareholders	3,397,848,000	7.34	–	-3,397,848,000	-3,397,848,000	–	–
Including: Shares held by overseas legal persons	3,397,848,000	7.34	–	-3,397,848,000	-3,397,848,000	–	–
Shares held by overseas natural persons	–	–	–	–	–	–	–
II. Shares not subject to trading moratorium							
1. Renminbi ordinary shares	39,850,590,000	86.11	–	-40,230,500	-40,230,500	39,810,359,500	85.29
2. Domestic listed foreign shares	–	–	–	–	–	–	–
3. Overseas listed foreign shares	3,028,352,000	6.55	402,305,000	3,438,078,500	3,840,383,500	6,868,735,500	14.71
4. Others	–	–	–	–	–	–	–
III. Total shares	46,276,790,000	100.00	402,305,000	–	402,305,000	46,679,095,000	100.00

II. Number of Shareholders

Unit: Shareholder

	A shares	H shares
Total number of shareholders as at the end of the reporting period	216,939	1,320

III. Confirmation on the Bank's compliance with requirement of sufficiency of public float under the Hong Kong Listing Rules

Based on publicly available information and the knowledge of the Directors, as at June 30, 2014, the Bank has maintained the minimum public float as required by the Hong Kong Listing Rules and the waiver granted by the HKSE upon the listing of the Bank.

IV. Shareholding of Top 10 Shareholders

Unit: share, %

Name of shareholder	Nature	Change in the period	Shareholding percentage	Shareholding Number		Shares pledged or frozen
				Shares not subject to trading moratorium	Shares subject to trading moratorium	
CHI	State-owned shares	-26,304,189	41.24	19,250,916,094	–	–
Hong Kong Securities Clearing Company Nominees Limited	/	444,281,500	14.70	6,860,838,500	–	Unknown
China Everbright (Group) Corporation	Domestic legal person shares	4,183,775	4.41	2,057,280,034	–	–
Ocean Fortune Investment Limited	Overseas legal person shares	14,647,000	3.37	1,573,059,000	–	–
China Everbright Limited	Overseas legal person shares	-114,520,045	3.37	1,572,735,868	–	–
China Life Reinsurance Company Ltd.	Domestic legal person shares	–	2.23	1,041,260,000	–	–
China Reinsurance (Group) Corporation	Domestic legal person shares	-1,311,547	2.05	954,836,367	–	–
Shenergy (Group) Co., Ltd.	Domestic legal person shares	-1,052,168	1.64	766,002,403	–	–
Hongta Tobacco (Group) Co., Ltd.	Domestic legal person shares	-739,561	1.15	538,417,850	–	–
Shanghai Chengtou Holding Co., Ltd.	Domestic legal person shares	-484,167	0.76	352,485,083	–	–
The connecting relationship or concerted actions among the above shareholders: China Reinsurance (Group) Corporation is a subsidiary of CHI; China Life Reinsurance Company Limited is a subsidiary of China Reinsurance (Group) Corporation; China Everbright Limited is a subsidiary of China Everbright Holdings Company Limited. Everbright Group, China Everbright Holdings Company Limited and China Everbright Limited have the same Chairman, and some members of their Senior Management are overlapping. Save for these, the Bank is not aware of any connecting relationship or concerted action among the above shareholders.						

Note:
1. Shareholding of the top 10 shareholders not subject to trading moratorium is consistent with that of the top 10 shareholders.
2. During the reporting period, some shareholders, including CHI, reduced holding of state-owned shares, which resulted in the reduction in amount of shares held.
3. The total number of H shares of the Bank held by the Hong Kong Securities Clearing Company Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it as at the end of the reporting period was 6,860,838,500 shares, of which Ocean Fortune Investment Limited and China Life Reinsurance Company Limited held 1,573,059,000 and 1,041,260,000 H shares of the Bank respectively, all of which were held under the name of Hong Kong Securities Clearing Company Nominees Limited. Excluding the H shares of the Bank held by Ocean Fortune Investment Limited and China Life Reinsurance Company Limited, the number of remaining H shares of the Bank held under the name of Hong Kong Securities Clearing Company Nominees Limited was 4,246,519,500 H shares.

V. Table of Changes in Number of Shares Subject to Trading Moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the period	Number of shares released from trading moratorium in the reporting period	Increase in number of shares subject to trading moratorium in the reporting period	Total number of shares subject to trading moratorium at the end of the period	Reason for trading moratorium	Date of release from trading moratorium
Hong Kong Securities Clearing Company Nominees Limited	3,397,848,000	3,397,848,000	–	–	Lock-up period for H shares	2014.06.21

VI. There has been no change in the Bank's substantial shareholders during the reporting period.

VII. Substantial shareholders' and other persons' interests or short positions in shares and underlying shares of the Bank under Hong Kong laws and regulations

As at June 30, 2014, so far as was known to Directors and Supervisors of the Bank, the following persons or corporations (other than Directors, Supervisors or Chief Executives of the Bank) had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance ("SFO") of Hong Kong or which were required to be notified to the Bank:

Name of substantial shareholder	Note	Class of shares	Type of interest	Long/Short position	Number of shares	Percentage of the relevant shares in issue (%)[7, 8]	Percentage of the total issued shares (%)[7, 8]
China Shipping (Group) Company	1	H shares	Interest of controlled corporation	Long	1,558,412,000	22.68	3.33
China Shipping (Hong Kong) Holdings Co. Ltd.	1	H shares	Interest of controlled corporation	Long	1,558,412,000	22.68	3.33
Ocean Fortune Investment Limited	1	H shares	Beneficial owner	Long	1,558,412,000	22.68	3.33
CHI	2	H shares	Interest of controlled corporation	Long	1,041,260,000	15.15	2.23
China Reinsurance (Group) Corporation	2	H shares	Interest of controlled corporation	Long	1,041,260,000	15.15	2.23
China Life Reinsurance Company Ltd.	2	H shares	Beneficial owner	Long	1,041,260,000	15.15	2.23
UBS AG	3	H shares	Beneficial owner	Long	422,412,361	6.14	0.90
			Person having a security interest		196,721,000	2.86	0.42
			Interest of controlled corporation		1,411,000	0.02	0.003
			Beneficial owner	Short	411,169,885	5.98	0.88
National Council for Social Security Fund		H shares	Beneficial owner	Long	584,200,000	8.50	1.25
Jingwei Textile Machinery Co., Ltd.	4	H shares	Interest of controlled corporation	Long	389,603,000	5.67	0.83
Zhongrong International Trust Co., Ltd.	4	H shares	Beneficial owner	Long	389,603,000	5.67	0.83
CHI	5	A shares	Beneficial owner	Long	19,277,220,283	48.42	41.29
			Interest of controlled corporation		956,147,914	2.40	2.04
Everbright Group	6	A shares	Beneficial owner	Long	2,053,096,259	5.15	4.39
			Interest of controlled corporation		180,647,779	0.45	0.38

Note:

1. Ocean Fortune Investment Limited held a long position in 1,558,412,000 H shares of the Bank directly. As far as the Bank is aware, Ocean Fortune Investment Limited was wholly-owned by China Shipping (Hong Kong) Holdings Co. Ltd., while China Shipping (Hong Kong) Holdings Co. Ltd. was wholly-owned by China Shipping (Group) Company. In accordance with the SFO of Hong Kong, China Shipping (Hong Kong) Holdings Co. Ltd. and China Shipping (Group) Company were deemed to be interested in the 1,558,412,000 H shares held by Ocean Fortune Investment Limited.

2. China Life Reinsurance Company Ltd. held a long position in 1,041,260,000 H shares of the Bank directly. As far as the Bank is aware, China Life Reinsurance Company Ltd. was wholly-owned by China Reinsurance (Group) Corporation, while 84.91% of the equity of China Reinsurance (Group) Corporation was held by CHI. In accordance with the SFO of Hong Kong, China Reinsurance (Group) Corporation and CHI were deemed to be interested in the 1,041,260,000 H shares held by China Life Reinsurance Company Ltd.

Chapter VI Changes in Share Capital and Shareholders

3. UBS AG was deemed to be interested in 1,411,000 H shares of the Bank through the following shareholding of its wholly-owned subsidiaries:

   (a) UBS Fund Management (Switzerland) AG held 870,000 H shares of the Bank.

   (b) UBS Global Asset Management (Australia) Ltd held 78,000 H shares of the Bank.

   (c) UBS Global Asset Management (Deutschland) GmbH held 194,000 H shares of the Bank.

   (d) UBS Global Asset Management (UK) Ltd held 269,000 H shares of the Bank.

   In addition, the long position in 90,132 H shares and the short position in 411,002,885 H shares involved derivatives, among which, the long position in 90,131 H shares was physically settled (on exchange), the long position in 1 H share was cash settled (off-exchange) and the short position in 411,002,885 H shares was cash settled (off exchange).

4. Zhongrong International Trust Co., Ltd. held a long position in 389,603,000 H shares of the Bank directly. As far as the Bank is aware, 36.80% of the equity of Zhongrong International Trust Co., Ltd. was held by Jingwei Textile Machinery Co., Ltd. In accordance with the SFO of Hong Kong, Jingwei Textile Machinery Co., Ltd. was deemed to be interested in the long position in 389,603,000 H shares held by Zhongrong International Trust Co., Ltd.

5. CHI held a long position in 19,277,220,283 A shares of the Bank directly, while China Reinsurance (Group) Corporation held a long position in 956,147,914 A shares of the Bank directly. As 84.91% of the equity of China Reinsurance (Group) Corporation was owned by CHI, CHI was deemed to be interested in the long position in 956,147,914 A shares of the Bank held by China Reinsurance (Group) Corporation in accordance with the SFO of Hong Kong. Therefore, CHI had a long position in 20,233,368,197 A shares in total.

6. Everbright Group held a long position in 2,053,096,259 A shares of the Bank directly. Everbright Financial Holding Asset Management Co., Ltd. and Everbright Securities Co., Ltd. directly held a long position in 150,289,800 A shares and 30,357,979 A shares of the Bank respectively. As Everbright Financial Holding Asset Management Co., Ltd. was wholly-owned by Everbright Group and 33.92% of the equity of Everbright Securities Co., Ltd. was owned by Everbright Group, Everbright Group was deemed to be interested in the long position in 180,647,779 A shares in aggregate held by Everbright Financial Holding Asset Management Co., Ltd. and Everbright Securities Co., Ltd. in accordance with the SFO of Hong Kong. Therefore, Everbright Group had a long position in 2,233,744,038 A shares in total.

7. As at June 30, 2014, the total issued share capital of the Bank was 46,679,095,000 shares, including 39,810,359,500 A shares and 6,868,735,500 H shares.

8. The percentage shareholdings are calculated by rounding to two decimal places.

Save as disclosed above, as at June 30, 2014, the Bank had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO of Hong Kong, or which were recorded in the register required to be kept by the Bank under section 336 of the SFO of Hong Kong.

VIII. Interests and short positions of Directors, Supervisors and Chief Executives in shares, underlying shares and debentures of the Bank under the Hong Kong laws and regulations

As at June 30, 2014, as far as the Directors and Supervisors of the Bank are aware, none of the Directors, Supervisors nor the Chief Executives of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in the SFO of Hong Kong) which were required to be recorded in the register required to be kept under section 352 of the SFO of Hong Kong, or which were required to be notified to the Bank and the HKSE under Divisions 7 and 8 of Part XV of the SFO of Hong Kong or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Hong Kong Listing Rules, nor had they been granted the right to acquire any interests in shares or debentures of the Bank or any of its associated corporations.

Chapter VII Directors, Supervisors, Senior Management, Staff and Branch Outlets

I. None of the Directors, Supervisors and Senior Management of the Bank held any shares, share options of the Bank's shares or had been granted any restrictive shares during the reporting period.

II. List of Directors, Supervisors and Senior Management

As at the end of the reporting period, the Board of Directors of the Bank had 15 Directors in total, including 2 Executive Directors, namely Mr. Zhao Huan and Mr. Wu Qing; 8 Non-executive Directors, namely Mr. Tang Shuangning, Mr. Luo Zhefu, Mr. Wu Jian, Ms. Narentuya, Mr. Wu Gang, Ms. Wang Shumin, Mr. Wang Zhongxin and Mr. Wu Gaolian; and 5 Independent Non-executive Directors, namely Mr. Zhou Daojiong, Mr. Zhang Xinze, Mr. Qiao Zhimin, Mr. Xie Rong and Ms. Fok Oi Ling Catherine.

As at the end of the reporting period, the Board of Supervisors of the Bank had 10 Supervisors in total, including 4 Equity Supervisors, namely Mr. Cai Haoyi, Mr. Chen Shuang, Mr. Wang Pingsheng and Mr. Wu Junhao; 4 Employee Supervisors, namely Mr. Mu Huijun, Ms. Chen Yu, Mr. Ye Donghai and Mr. Ma Ning; and 2 External Supervisors, namely Mr. Yu Erniu and Mr. James Parks Stent.

As at the end of the reporting period, the Senior Management of the Bank comprised 12 persons in total, namely Mr. Zhao Huan, Mr. Shan Jianbao, Ms. Li Jie, Mr. Zhang Huayu, Mr. Ma Teng, Mr. Liu Jun, Mr. Lu Hong, Mr. Qiu Huofa, Mr. Wu Jian, Mr. Wu Chongkuan, Mr. Yao Zhongyou and Mr. Cai Yunge.

III. Appointment or Resignation of Directors, Supervisors and Senior Management

(I) Appointment or Resignation of Directors

1. At the 2014 first extraordinary general meeting of the Bank on March 28, 2014, Mr. Zhao Huan was elected as Executive Director of the Bank, and his appointment qualification as Executive Director was approved by the CBRC in April 2014.

2. On May 9, 2014, the 20th meeting of the Sixth Session of the Board of Directors of the Bank approved the resignation of Mr. Zhou Daojiong from the position of Independent Non-executive Director of the Sixth Session of the Board of Directors of the Bank. Since the resignation of Mr. Zhou Daojiong would result in the number of Independent Non-executive Directors on the Board of Directors of the Bank falling below the statutory minimum provided by law, Mr. Zhou Daojiong will continue to perform his duties as Independent Non-executive Director of the Sixth Session of the Board of Directors of the Bank till the appointment qualification of the newly appointed Independent Non-executive Director is approved by the CBRC.

3. On June 3, 2014, the 21st meeting of the Sixth Session of the Board of Directors of the Bank agreed to nominate Mr. Qiu Dong as the candidate for Independent Non-executive Director of the Sixth Session of the Board of Directors of the Bank. On June 27, at the 2013 Annual General Meeting of the Bank, Mr. Qiu Dong was elected as an Independent Non-executive Director of the Sixth Session of the Board of Directors of the Bank, and his appointment qualification as an Independent Non-executive Director is subject to approval by the CBRC.

4. Mr. Luo Zhefu tendered resignation to the Board of Directors of the Bank from his positions of Vice Chairman, Non-executive Director and chairman of the Strategy Committee of the Board of Directors of the Bank due to change of work on July 14, 2014.

(II) Appointment or Resignation of Supervisors

Ms. Zhang Chuanju resigned from the position of Supervisor of the Bank due to work reasons on April 1, 2014.

(III) Appointment or Resignation of Senior Management

1. Mr. Guo You resigned from the position of President of the Bank due to change of job assignments in January 2014.

2. On January 23, 2014, the 16th meeting of the Sixth Session of the Board of Directors of the Bank appointed Mr. Zhao Huan as President of the Bank. In March 2014, the CBRC approved his appointment qualification as the President of the Bank.

3. Mr. Lin Li resigned from the position of Executive Vice President of the Bank due to change of job assignment in January 2014.

4. In January 2014, the CPC Committee of the Everbright Group appointed Mr. Wu Jian as a member of CPC Committee of the Bank and Secretary of Disciplinary Committee of the Bank (Executive Vice President level).

5. In April 2014, the CPC Committee of the Everbright Group appointed Mr. Wu Chongkuan as a member of CPC Committee of the Bank (Executive Vice President level).

6. In May 2014, the CPC Committee of the Everbright Group appointed Mr. Yao Zhongyou as a member of CPC Committee of the Bank. On June 27, 2014, the 22nd meeting of the Sixth Session of the Board of Directors of the Bank appointed him as Executive Vice President of the Bank. In August 2014, the CBRC approved his appointment qualification as the Executive Vice President of the Bank.

7. In May 2014, the CPC Committee of the Everbright Group appointed Mr. Cai Yunge as a member of CPC Committee of the Bank (Executive Vice President level). On June 27, 2014, at the 22nd meeting of the Sixth Session of the Board of Directors of the Bank, he was appointed as Secretary to the Board of Directors, Company Secretary and Authorised Representative of the Bank. In August 2014, the CBRC approved his appointment qualification as the Secretary to the Board of Directors.

8. In May 2014, Mr. Wu Qing was removed from the position of Deputy Secretary of CPC Committee of the Bank by the CPC Committee of the Everbright Group.

9. Mr. Liu Jun resigned from the position of Executive Vice President of the Bank on July 30, 2014 due to change of job assignment.

IV. Changes in Information of Directors and Supervisors during the Reporting Period

Mr. Wu Qing, Executive Director of the Bank, ceased to be Deputy Secretary of CPC Committee of the Bank since May 2014.

V. Directors' and Supervisors' Interests in Contracts and Service Contracts

None of the Directors and Supervisors of the Bank had any material interest in the material contracts to which the Bank or any of its subsidiaries was a party during the reporting period. None of the Directors and Supervisors of the Bank has entered into any service contract with the Bank which is not determinable by the Bank within one year without payment of compensation (excluding statutory compensation).

VI. Information on Employees and Branch Outlets

As at the end of the reporting period, the Bank had 37,527 incumbent employees, representing an increase of 1,237 employees as compared to the number at the end of the previous year.

During the reporting period, the Bank opened 3 new tier-2 branches and 39 outlets, and the total number of branch outlets increased by 42 as compared to the number at the end of the previous year. As at the end of the reporting period, the Bank had opened 895 branch outlets in 94 economically developed cities in 29 provinces, autonomous regions and municipalities and Hong Kong, specifically, 37 tier-1 branches (including Hong Kong Branch), 50 tier-2 branches and 808 outlets (including sub-branches in different cities, county-level sub-branches, sub-branches in the same city and banking department of branches).

Details of the employees and branch outlets of the Bank are as follows:

Name of Branch	Number of Outlets	Number of employees	Total assets (RMB million)
Head Office	1	6,723	994,663
Beijing Branch	62	2,542	395,644
Tianjin Branch	30	1,042	66,711
Shanghai Branch	51	1,842	165,621
Chongqing Branch	21	890	70,892
Shijiazhuang Branch	29	865	72,397
Taiyuan Branch	26	949	51,724
Hohhot Branch	12	425	26,134
Dalian Branch	20	627	29,073
Shenyang Branch	26	930	64,637
Changchun Branch	23	710	44,202
Heilongjiang Branch	33	978	41,130
Nanjing Branch	27	1,046	97,416
Suzhou Branch	20	773	68,741
Wuxi Branch	5	252	51,139
Hangzhou Branch	33	1,236	72,374
Ningbo Branch	19	770	56,343
Hefei Branch	31	1,014	71,211
Fuzhou Branch	26	952	49,261
Xiamen Branch	12	399	36,631
Nanchang Branch	11	353	32,476
Jinan Branch	22	699	40,609
Qingdao Branch	22	765	51,178
Yantai Branch	11	391	21,758
Zhengzhou Branch	36	1,134	64,328
Wuhan Branch	26	886	48,044
Changsha Branch	36	948	59,770
Guangzhou Branch	65	2,057	117,894
Shenzhen Branch	42	1,270	131,399
Nanning Branch	21	685	44,759
Haikou Branch	19	615	28,022
Chengdu Branch	22	787	57,571
Kunming Branch	19	618	39,760
Xi'an Branch	26	833	70,183
Urumqi Branch	4	140	8,449
Guiyang Branch	3	168	12,230
Lanzhou Branch	3	137	4,756
Hong Kong Branch	1	76	21,686
Adjustment on consolidation			(711,238)
Total	896	37,527	2,669,578

Note: 1. Employees of the Head Office included 3,776 employees in the Credit Card Center and 1,658 employees working as 95595 Customer Service Center.

2. The number of outlets, number of employees and the total assets in the above table excluded those of the subsidiaries of the Bank.

Chapter VIII Corporate Governance

I. Overview of the Corporate Governance of the Bank

The corporate governance practice of the Bank had no deviation from the related requirements of the *Company Law*, the CSRC, the CBRC and the HKSE.

During the reporting period, the Board of Directors of the Bank continued to improve rules and regulations, and proceeded to amend the *Articles of Association* of the Bank, *Rules of Procedures of the General Meeting* and *Rules of Procedures of the Board of Directors*, among which the *Articles of Association (2014 Amendments)* of the Bank were considered and approved by the shareholders' meeting of the Bank and submitted to the CBRC for approval. The Board of Directors has attached great importance to capital replenishment, and considered and passed the *Annual Report on Capital Management Policy Revision for 2014* and *Report on Capital Management and Capital Planning* of the Bank, and oversaw the management to successfully issue RMB16.2 billion of Tier-2 capital bonds in early June, 2014.

The Board of Supervisors conducted the 2013 annual evaluation on the performance of duties by the Board of Directors and its members as well as the senior management, and reported the results of the evaluation to the shareholders' meeting and the CBRC in a timely manner. The Board of Supervisors also considered the 2013 annual financial statement and the 2014 first quarterly financial statement in performing its function of overseeing the Bank's financials. The Board of Supervisors received reports on risks and internal control aspects of the Bank for a number of times and gave advice and recommendations on risk management; participated in the amendment of the *Articles of Association* of the Bank and *Rules of Procedures of the General Meeting* to enhance the corporate governance system of the Bank; amended *the Rules of Procedures of the Board of Supervisors* to enhance the system of rules and regulations of the Board of Supervisors.

II. Shareholders' General Meetings

The Bank convenes shareholders' general meetings in strict compliance with the *Articles of Association* of the Bank and *Rules of Procedures of the General Meeting* to ensure that decisions on important matters are made in accordance with the law, and to safeguard the legitimate interests of shareholders. During the reporting period, the Bank convened two general meetings in total, considered and passed 11 resolutions and received 3 reports, the details of which are as follows:

(I) On March 28, 2014, the Bank convened the 2014 First Extraordinary General Meeting and considered and passed the Resolution on Election of Mr. Zhao Huan as an Executive Director of the Bank.

(II) On June 27, 2014, the Bank convened the 2013 Annual General Meeting and considered and approved 10 resolutions including the resolutions in respect of the work report of the Board of Directors, work report of the Board of Supervisors, audited accounts, financial budget plan and profit distribution plan.

The procedures for issuing the notice, convening and holding of and voting at the above meetings are in compliance with the Company Law, the listing rules of the places where the Bank was listed and the Articles of Association of the Bank. The legal advisor engaged by the Board of Directors attested the above general meetings of the Bank. The PRC legal advisor of the Bank issued a legal opinion.

III. Convening Meetings of the Board of Directors and its Special Committees

During the reporting period, the Board of Directors convened 7 meetings, including 3 on-site meetings, the sixteenth, eighteenth and twenty-second meeting of the Sixth Session of Board of Directors respectively; and 4 meetings by written resolution, i.e. the seventeenth, nineteenth, twentieth and twenty-first meetings of the Sixth Session of Board of Directors respectively. The Board of Directors considered 44 proposals and received 13 reports, effectively playing the role of the Board of Directors in making decisions in a scientific manner.

The Board Committees of the Board of Directors convened 17 meetings in total, including 1 meeting of the Strategy Committee, 4 meetings of the Audit Committee, 4 meetings of the Risk Management Committee, 4 meetings of the Nomination Committee, 2 meetings of the Remuneration Committee and 2 meetings of the Related Party Transaction Control Committee. The Board Committees of the Board of Directors considered 43 proposals in total and received 16 special research reports.

IV. Policy on Diversity of Members of the Board of Directors

In accordance with the relevant requirements of the Hong Kong Listing Rules, the Bank formulated the Policy on Diversity of Members of the Board of Directors, clearly specifying that in determining the composition of the Board of Directors, consideration will be given to various aspects of diversity of members of the Board of Directors, including gender, age, cultural and educational background, professional experience, skills, knowledge and tenure of office. The details of the composition of the Board of Directors will be disclosed in the annual report.

V. Convening of Meetings of the Board of Supervisors and its Special Committees

During the reporting period, the Board of Supervisors convened 4 meetings, including 3 on-site meetings, i.e. the eighth, ninth and eleventh meetings of the Sixth Session of Board of Supervisors respectively; and 1 meeting by written resolutions, i.e. the tenth meeting of the Sixth Session of Board of Supervisors. During the reporting period, the Board of Supervisors considered 12 proposals and received 6 reports, effectively performing the supervisory functions of the Board of Supervisors.

The Special Committees of the Board of Supervisors convened 5 meetings in total, including 3 meetings of the Supervision Committee for considering 4 proposals, and 2 meetings of the Nomination Committee for considering 2 proposals.

VI. Implementation of Information Disclosure

As a company listed in both SSE and HKSE, the Bank conscientiously studied and implemented various regulatory requirements in preparing regular reports in compliance with the rules of the two markets, and published the 2013 Annual Report and 2014 First Quarterly Report as scheduled to disclose the operations of the Bank to domestic and foreign investors. In compliance with the regulatory rules for disclosure, 30 provisional announcements were published on the SSE, and 72 provisional announcements (including overseas regulatory announcements) were published on the HKSE, so as to ensure timely and synchronised disclosure of information in the markets of the two places. The special requirements of regulatory authorities on management of inside information serve as a guide for the Bank to continue strengthening the management of insiders to prevent leakage of price-sensitive information, so as to ensure the rights of investors to have fair access to the information of the Bank.

VII. Investor Relations

The Bank has strictly abided by the relevant provisions of domestic and foreign laws and regulations as well as the relevant requirements of the regulatory authorities in carrying out investor relations management through various ways to continuously raise the standards of investor services. The Bank held its press conference for results announcement (A+H shares) in Hong Kong for the first time, as well as investor meetings, and communicated and exchanged views with more than 70 analysts from renowned investment banks at home and abroad. The Bank met investors, as well as analysts from investment banks at home and abroad, for visits and field research with 47 attendees and answered more than 180 enquiry calls from investors and made replies to over 120 enquiry emails. The Bank has paid close attention to the development of the domestic and international capital markets and kept itself abreast of the performance of banks at home and abroad. The Bank also launched an English website for investor relations management, the contents of which will be updated continuously to allow foreign investors to have access to the required information.

VIII. Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the standards set out in the Model Code in Appendix 10 of the Hong Kong Listing Rules as the code of practice for conduct of securities transactions by Directors and Supervisors of the Bank. Upon enquiry, all Directors and Supervisors have confirmed that they have complied with the above Model Code during the six months ended June 30, 2014. The Bank has also set up guidelines on trading of securities of the Bank by relevant employees, which are no less exacting than the *Model Code*. It had not come to the attention of the Bank that any relevant employee was in breach of the guidelines.

IX. Statement on Compliance with the Corporate Governance Code of the Hong Kong Listing Rules

During the six months ended June 30, 2014, the Bank has applied the principles set out in the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules and has complied with all the code provisions.

Independent Auditor's Report

Report on Review of Interim Financial Information

To the Board of Directors of China Everbright Bank Company Limited

Introduction

We have reviewed the accompanying interim financial information set out on pages 58 to 148, which comprises the condensed consolidated statement of financial position of China Everbright Bank Company Limited (the "Bank") and its subsidiaries (collectively the "Group") as at 30 June 2014 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of interim financial information in accordance with IAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial information 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 enquiries, 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 accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

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

29 August 2014

Unaudited condensed 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	2013
Interest income		66,142	58,368
Interest expense		(38,304)	(32,314)
Net interest income	3	27,838	26,054
Fee and commission income		9,258	7,666
Fee and commission expense		(626)	(317)
Net fee and commission income	4	8,632	7,349
Net trading gains	5	1,227	48
Net (losses)/gains arising from investment securities	6	(99)	121
Foreign exchange (losses)/gains		(233)	140
Other operating income		195	126
Operating income		37,560	33,838
Operating expenses	7	(13,661)	(12,160)
Operating profit before impairment		23,899	21,678
Impairment losses on assets	8	(3,128)	(2,250)
Profit before tax		20,771	19,428
Income tax	9	(4,899)	(4,489)
Net profit		15,872	14,939
Other comprehensive income for period:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
– Change in fair value recognised in the Capital Reserve		3,623	80
– Reclassified to the profit or loss upon disposal		479	80
– Related income tax effect		(1,026)	(40)
Other comprehensive income, net of tax		3,076	120
Total comprehensive income		18,948	15,059
Net profit attributable to:			
Equity shareholders of the Bank		15,845	14,917
Non-controlling interests		27	22
		15,872	14,939
Total comprehensive income attributable to:			
Equity shareholders of the Bank		18,921	15,037
Non-controlling interests		27	22
		18,948	15,059
Basic and diluted earnings per share (in RMB)	10	0.34	0.37

The notes on pages 64 to 148 form part of these financial statements.

Unaudited Condensed Consolidated Statement of Financial Position

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

	Note	30 June 2014	31 December 2013
Assets			
Cash and deposits with the central bank	11	340,394	312,643
Deposits with banks and other financial institutions	12	66,052	67,153
Placements with banks and other financial institutions	13	196,176	124,291
Financial assets at fair value through profit or loss	14	9,061	12,490
Positive fair value of derivatives	15	1,188	1,870
Financial assets held under resale agreements	16	185,133	169,182
Interests receivable	17	15,540	13,074
Loans and advances to customers	18	1,219,616	1,142,138
Available-for-sale financial assets	19	127,680	111,948
Held-to-maturity investments	20	104,209	105,920
Debt securities classified as receivables	21	346,272	262,699
Fixed assets	22	12,779	12,629
Goodwill	23	1,281	1,281
Deferred tax assets	24	2,680	4,015
Other assets	25	41,517	73,753
Total assets		2,669,578	2,415,086
Liabilities and equity			
Liabilities			
Deposits from banks and other financial institutions	27	497,390	438,604
Placements from banks and other financial institutions	28	40,368	50,817
Negative fair value of derivatives	15	923	2,465
Financial assets sold under repurchase agreements	29	46,378	63,164
Deposits from customers	30	1,796,282	1,605,278
Accrued staff costs	31	8,141	8,149
Taxes payable	32	2,230	2,605
Interests payable	33	27,087	20,949
Debt securities issued	34	57,625	42,247
Other liabilities	35	27,923	27,756
Total liabilities		2,504,347	2,262,034

The notes on pages 64 to 148 form part of these financial statements.

Unaudited Condensed Consolidated Statement of Financial Position

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

	Note	30 June 2014	31 December 2013
Equity			
Share capital	36	46,679	46,277
Capital reserve	37	32,611	28,707
Surplus reserve	38	9,199	9,199
General reserve	38	29,861	29,861
Retained earnings	39	46,611	38,795
Total equity attributable to equity shareholders of the Bank		164,961	152,839
Non-controlling interests		270	213
Total equity		165,231	153,052
Total liabilities and equity		2,669,578	2,415,086

Approved and authorised for issue by the board of directors on 29 August 2014.

Tang Shuangning Chairman of the Board of Directors, Non-executive Director	Zhao Huan President, Executive Director	Xie Rong Independent Non-executive Director

The notes on pages 64 to 148 form part of these financial statements..

Unaudited Condensed Consolidated Statement of Changes in Equity

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

	Note	Attributable to equity shareholders of the Bank						Non-controlling interests	Total
		Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2014		46,277	28,707	9,199	29,861	38,795	152,839	213	153,052
Changes in equity for the period:									
Total comprehensive income		–	3,076	–	–	15,845	18,921	27	18,948
Changes in share capital:									
– Issue of H-shares	36,37	402	828	–	–	–	1,230	–	1,230
– Change in non-controlling interests of subsidiaries		–	–	–	–	–	–	30	30
Appropriation of profit:	39								
– Cash dividends		–	–	–	–	(8,029)	(8,029)	–	(8,029)
Balance at 30 June 2014		46,679	32,611	9,199	29,861	46,611	164,961	270	165,231
Balance at 1 January 2013		40,435	20,258	6,560	28,063	18,862	114,178	144	114,322
Changes in equity for the period:									
Total comprehensive income		–	120	–	–	14,917	15,037	22	15,059
Changes in share capital:									
– Non-controlling interests of new subsidiaries		–	–	–	–	–	–	30	30
Appropriation of profit:									
– Cash dividends	39	–	–	–	–	(2,345)	(2,345)	–	(2,345)
Balance at 30 June 2013		40,435	20,378	6,560	28,063	31,434	126,870	196	127,066
Balance at 1 January 2013		40,435	20,258	6,560	28,063	18,862	114,178	144	114,322
Changes in equity for the year:									
Total comprehensive income		–	(3,535)	–	–	26,715	23,180	39	23,219
Changes in share capital:									
– Issue of H-shares	36,37	5,842	11,984	–	–	–	17,826	–	17,826
– Non-controlling interests of new subsidiaries		–	–	–	–	–	–	30	30
Appropriation of profit:	38,39								
– Appropriation to surplus reserve		–	–	2,639	–	(2,639)	–	–	–
– Appropriation to general reserve		–	–	–	1,798	(1,798)	–	–	–
– Cash dividends		–	–	–	–	(2,345)	(2,345)	–	(2,345)
Balance at 31 December 2013		46,277	28,707	9,199	29,861	38,795	152,839	213	153,052

The notes on pages 64 to 148 form part of these financial statements.

Unaudited Condensed 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	2013
Cash flows from operating activities		
Net profit	15,872	14,939
Adjustments for:		
Impairment losses on assets	3,128	2,250
Depreciation and amortisation	932	794
Unwinding of discount	(260)	(171)
Unrealised foreign exchange (gains)/losses	(348)	29
Net losses/(gains) on disposal of investment securities	99	(121)
Net losses on disposal of trading securities	15	129
Revaluation gains on financial instruments at fair value through profit or loss	(1,242)	(177)
Interest expense on debt securities issued	906	1,140
Net losses on disposal of fixed assets	2	2
Income tax	4,899	4,489
	24,003	23,303
Changes in operating assets		
Net increase in deposits with the central bank, banks and other financial institutions	(38,099)	(54,434)
Net increase in placements with banks and other financial institutions	(81,338)	(33,435)
Net increase in loans and advances to customers	(80,802)	(83,644)
Net (increase)/decrease in financial assets held under resale agreements	(15,641)	50,230
Net decrease/(increase) in other operating assets	29,767	(10,064)
	(186,113)	(131,347)
Changes in operating liabilities		
Net increase in deposits from banks and other financial institutions	58,786	36,561
Net (decrease)/increase in placements from banks and other financial institutions	(10,449)	17,017
Net decrease in financial assets sold under repurchase agreements	(16,805)	(2,281)
Net increase in deposits from customers	191,004	127,750
Income tax paid	(4,948)	(5,365)
Net (decrease)/increase in other operating liabilities	(891)	10,002
	216,697	183,684
Net cash flows from operating activities	54,587	75,640

The notes on pages 64 to 148 form part of these financial statements.

	Note	Six months ended 30 June 2014	2013
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		114,681	163,421
Proceeds from disposal of fixed assets and other assets		25	21
Payments on acquisition of investments		(204,314)	(259,309)
Payments on acquisition of fixed assets, intangible assets and other assets		(1,127)	(793)
Net cash flows used in investing activities		(90,735)	(96,660)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		1,230	–
Capital contribution by non-controlling interests		30	30
Proceeds from issue of new debt securities		18,378	–
Cash paid on debts securities redeemed		(3,000)	(8,000)
Interest paid on debts securities issued		(1,743)	(2,208)
Dividends paid		–	(2,256)
Net cash flows from/(used in) financing activities		14,895	(12,434)
Effect of foreign exchange rate changes on cash and cash equivalents		353	(257)
Net decrease in cash and cash equivalents	42(a)	(20,900)	(33,711)
Cash and cash equivalents as at 1 January		116,821	137,913
Cash and cash equivalents as at 30 June	42(b)	95,921	104,202
Interest received		63,232	53,793
Interest paid (excluding interest expense on debts securities issued)		(30,405)	(29,738)

The notes on pages 64 to 148 form part of these financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

1 Background information

China Everbright Bank Company Limited (the "Bank") commenced its operations in Beijing, the People's Republic of China ("the PRC") on 18 August 1992. The A-shares and H-shares of the Bank were listed on the Shanghai Stock Exchange in August 2010 and The Stock Exchange of Hong Kong Limited in December 2013 respectively.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and retail deposits, loans and advances, settlement, treasury business and other financial services as approved by the China Banking Regulatory Commission (the "CBRC"). The Bank mainly operated in mainland China, which, for the purpose of the report, excludes the Hong Kong Special Administration Region of the PRC ("Hong Kong"), the Macau Special Administration Region of the PRC and Taiwan.

The Bank has branches in 28 provinces, autonomous regions, municipalities in mainland China and Hong Kong as at 30 June 2014.

2 Basis of preparation

(1) Compliance with International Financial Reporting Standards ("IFRSs")

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

These condensed consolidated interim financial statements do not include all the information required for a full set of financial statements prepared in accordance with IFRSs. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

The interim financial statements is unaudited, but has been reviewed by 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 HKICPA. KPMG's independent review report to the Board of Directors is issued on 29 August 2014.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

(2) Use of estimates and assumptions

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

2 Basis of preparation (continued)

(3) Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements 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 International Accounting Standards ("IASs")) as of 1 January 2014. The principal effects of adopting these revised IFRSs are as follows:

Amendments to IFRS 10 – Consolidated financial statement, IFRS 12 – Disclosure of interests in other entities and IAS 27 – Consolidated and 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 statements.

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 adoption does not have any material impact on the Group's interim financial statements.

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 adoption does not have any material impact on the Group's interim financial statements.

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 adoption does not have any material impact on the Group's interim financial statements.

IFRIC 21 – Levies –Accounting for levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The interpretation does not have significant impact on the Group's interim financial statements.

The Group has not adopted any new standard, interpretation or amendment that was issued but is not yet effective for the current accounting period.

(Expressed in millions of Renminbi, unless otherwise stated)

3 Net interest income

		Six months ended 30 June	
	Note	2014	2013
Interest income arising from			
Deposits with the central bank		2,426	2,193
Deposits with banks and other financial institutions		1,216	431
Placements with banks and other financial institutions		4,242	2,889
Loans and advances to customers	3(a)		
– Corporate loans and advances		25,279	23,040
– Personal loans and advances		13,017	10,259
– Discounted bills		687	462
Financial assets held under resale agreements		5,210	5,150
Investments in debt securities		13,986	13,585
Re-discounted bills		79	359
Sub-total		66,142	58,368
Interest expenses arising from			
Deposits from banks and other financial institutions		13,100	11,744
Placements from banks and other financial institutions		717	629
Deposits from customers			
– Corporate customers		15,259	13,223
– Individual customers		2,534	2,606
– Structured deposits from corporate customers		1,116	649
– Structured deposits from individual customers		3,904	1,189
Financial assets sold under repurchase agreements		768	1,134
Debts securities issued	3(b)	906	1,140
Sub-total		38,304	32,314
Net interest income		27,838	26,054

Note:

(a) *The interest income arising from impaired financial assets for the period ended 30 June 2014 amounted to RMB260 million (Six months ended 30 June 2013: RMB171 million).*

(b) *Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debts securities issued.*

4 Net fee and commission income

	Six months ended 30 June	
	2014	2013
Fee and commission income		
Bank card service fees	4,172	3,200
Settlement and clearing fees	1,143	850
Underwriting and advisory fees	1,054	1,152
Wealth management service fees	974	1,174
Acceptance and guarantee fees	629	432
Custody and other fiduciary business fees	554	388
Agency services fees	352	303
Others	380	167
Sub-total	9,258	7,666
Fee and commission expense		
Bank card transaction fees	511	253
Settlement and clearing fees	47	33
Others	68	31
Sub-total	626	317
Net fee and commission income	8,632	7,349

5 Net trading gains

		Six months ended 30 June	
	Note	2014	2013
Trading financial instruments			
– Derivatives		860	28
– Debt securities		310	(151)
Sub-total		1,170	(123)
Financial instruments designated at fair value through profit or loss	5(a)	57	171
Total		1,227	48

(a) The net change in fair value of the structured deposits is disclosed in interest expense (Note 3), including the net losses in fair value of the structured deposits from corporate customers and individual customers of RMB474 million and RMB1,759 million respectively. (Six months ended 30 June 2013: net loss of RMB121 million and gain of RMB167 million respectively)

(Expressed in millions of Renminbi, unless otherwise stated)

6 Net (losses)/gains arising from investment securities

	Six months ended 30 June	
	2014	2013
Net gains on disposal of available-for-sale financial assets	376	175
Net revaluation losses reclassified from other comprehensive income on disposal	(479)	(80)
Net losses on disposal of held-to-maturity investments	–	(1)
Net gains on disposal of debt securities classified as receivables	4	27
Total	(99)	121

7 Operating expenses

	Six months ended 30 June	
	2014	2013
Staff costs		
– Salaries and bonuses	5,159	4,566
– Staff welfares	106	93
– Pension and annuity	471	422
– Housing allowances	257	217
– Supplementary retirement benefits	2	4
– Others	501	439
Sub-total	6,496	5,741
Premises and equipment expenses		
– Depreciation of fixed assets	653	566
– Amortisation of intangible assets	99	82
– Amortisation of long-term assets	180	146
– Rental and property management expenses	1,010	812
Sub-total	1,942	1,606
Business tax and surcharges	3,002	2,709
Other general and administrative expenses	2,221	2,104
Total	13,661	12,160

8 Impairment losses on assets

	Six months ended 30 June	
	2014	2013
Loans and advances to customers	3,280	2,266
Held-to-maturity investments	(253)	(33)
Available-for-sale financial assets	(13)	(1)
Debt securities classified as receivables	37	–
Others	77	18
Total	3,128	2,250

9 Income tax

(a) Income tax:

		Six months ended 30 June	
	Note	2014	2013
Current tax		4,672	4,854
Deferred tax	24(b)	309	(82)
Adjustments for prior year	9(b)	(82)	(283)
Total		4,899	4,489

(b) Reconciliations between income tax and accounting profit are as follows:

	Six months ended 30 June	
	2014	2013
Profit before tax	20,771	19,428
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	5,193	4,857
Non-deductible expenses		
– Staff costs	26	25
– Impairment losses on assets	164	178
– Others	29	90
	219	293
Non-taxable income		
– Interest income from the PRC government bonds	(431)	(378)
Sub-total	4,981	4,772
Adjustments for prior year	(82)	(283)
Income tax	4,899	4,489

10 Basic and diluted earnings per share

		Six months ended 30 June	
	Note	2014	2013
Weighted average number of ordinary shares (in millions)	10(a)	46,612	40,435
Net profit attributable to equity shareholders of the Bank		15,845	14,917
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.34	0.37

There is no difference between basic and diluted earnings per share as there was no potentially dilutive shares outstanding during the period.

(a) Weighted average number of ordinary shares (in millions)

	Six months ended 30 June	
	2014	2013
Number of ordinary shares as at 1 January	46,277	40,435
Newly added weighted average number of ordinary shares	335	–
Weighted average number of ordinary shares	46,612	40,435

The Bank issued 5,842 million shares at HKD3.98 per share in its initial public offering on the The Stock Exchange of Hong Kong Limited in December 2013, accordingly the share capital of the Bank increased from RMB40,434.79 million to RMB46,276.79 million, the total number of shares in issue increased from 40,434.79 million to 46,276.79 million

In January 12, 2014, the Bank partially exercised the over-allotment option, and issued additional 402.31 million H shares. After the exercise of the over-allotment option, the total number of the shares of the Bank further increased to 46,679.10 million. (Note 36).

11 Cash and deposits with the central bank

	Note	30 June 2014	31 December 2013
Cash on hand		7,440	7,708
Deposits with the central bank			
– Statutory deposit reserves	11(a)	312,248	280,171
– Surplus deposit reserves	11(b)	16,960	19,691
– Fiscal deposits		3,746	5,073
Sub-total		332,954	304,935
Total		340,394	312,643

(a) The Group places statutory deposit reserves with the People's Bank of China (the "PBOC") in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2014	31 December 2013
Reserve ratio for RMB deposits	18.0%	18.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business.

(b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

12 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2014	31 December 2013
Deposits in mainland China		
– Banks	60,408	49,851
– Other financial institutions	164	124
Sub-total	60,572	49,975
Deposits outside mainland China		
– Banks	5,508	17,205
Sub-total	5,508	17,205
Total	66,080	67,180
Less: Provision for impairment losses	(28)	(27)
Net balances	66,052	67,153

(Expressed in millions of Renminbi, unless otherwise stated)

13 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2014	31 December 2013
Placements in mainland China		
– Banks	169,886	104,145
– Other financial institutions	23,623	16,226
Sub-total	193,509	120,371
Placements outside mainland China		
– Banks	2,668	3,922
Sub-total	2,668	3,922
Total	196,177	124,293
Less: Provision for impairment losses	(1)	(2)
Net balances	196,176	124,291

As at 30 June 2014, the placements with banks and other financial institutions including a short term funding provided to the Group's non-principal guaranteed wealth management products amounted to RMB28.00 billion (31 December 2013: RMB18.00 billion). These transactions are priced at normal commercial terms and conditions.

14 Financial assets at fair value through profit or loss

	Note	30 June 2014	31 December 2013
Debt securities held for trading	14(a)	8,503	12,256
Financial assets designated at fair value through profit or loss	14(b)	558	234
Total		9,061	12,490

(a) Debt securities held for trading

	Note	30 June 2014	31 December 2013
Issued by the following governments or institutions			
In mainland China			
– Government		287	430
– The PBOC		30	–
– Banks and other financial institutions		1,475	6,315
– Other institutions	(i)	6,711	5,511
Total	(ii)	8,503	12,256
Unlisted		8,503	12,256
Total		8,503	12,256

Note:

(i) Debt securities issued by other institutions in mainland China mainly represented debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.

(ii) No investments were subject to material restrictions on realisation.

(b) Financial assets designated at fair value through profit or loss

	30 June 2014	31 December 2013
Precious metal	358	–
Fixed interest rate personal mortgage loans	200	234
Total	558	234

Financial assets designated at fair value through profit or loss represented fixed interest rate personal mortgage loans and precious metal.

For fixed interest rate personal mortgage loans, the Group used interest rate swap to manage the associated interest rate risk. The changes in fair value during the period and the accumulated changes attributable to credit risk were immaterial.

(Expressed in millions of Renminbi, unless otherwise stated)

15 Derivatives

Derivative financial instruments include forward and swap contracts undertaken by the Group in foreign currency and interest rate markets. The Group acts as an intermediary between a wide range of customers for structuring deals to provide risk management solutions to meet customer needs. These positions are actively managed through entering into back-to-back deals with external parties to ensure the Group's net exposures are within acceptable risk level. The Group also uses derivative financial instruments to manage its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and their corresponding fair values at the end of the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent amounts at risk.

(a) Analysed by nature of contract

	30 June 2014		
		Fair value	
	Notional amount	Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	70,745	326	(289)
Currency derivatives			
– Foreign exchange forward	21,477	151	(208)
– Foreign exchange swap	124,264	711	(426)
Total	216,486	1,188	(923)

	31 December 2013		
		Fair value	
	Notional amount	Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	73,792	955	(895)
Currency derivatives			
– Foreign exchange forward	19,411	164	(205)
– Foreign exchange swap	132,704	751	(1,365)
Total	225,907	1,870	(2,465)

(b) Analysed by credit risk-weighted amounts

	30 June 2014	31 December 2013
Counterparty default risk-weighted assets		
– Interest rate derivatives	116	313
– Currency derivatives	988	1,005
Credit value adjustment	1,489	1,485
Total	2,593	2,803

16 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	30 June 2014	31 December 2013
In mainland China		
– Banks	144,779	160,075
– Other financial institutions	40,354	9,079
– Other enterprises	–	28
Total	185,133	169,182
Net balances	185,133	169,182

(b) Analysed by type of security held

	30 June 2014	31 December 2013
Bonds		
– Government bonds	10,203	12,324
– Other debt securities	60,762	23,645
– Others	–	28
Sub-total	70,965	35,997
Bank acceptances	107,020	119,638
Others	7,148	13,547
Total	185,133	169,182
Net balances	185,133	169,182

(Expressed in millions of Renminbi, unless otherwise stated)

17 Interests receivable

	30 June 2014	31 December 2013
Interest receivable from investments	9,196	7,773
Interest receivable from loans and advances to customers	4,351	3,679
Interest receivable from deposits and placements with banks and other financial institutions	1,822	1,446
Other interest receivable	203	205
Total	15,572	13,103
Less: Provision for impairment losses	(32)	(29)
Net balances	15,540	13,074

18 Loans and advances to customers

(a) Analysed by nature

	30 June 2014	31 December 2013
Corporate loans and advances	798,093	761,474
Personal loans and advances		
– Residential and commercial mortgage loans	192,836	176,979
– Credit cards	118,004	104,733
– Personal business loans	92,746	73,132
– Micro-enterprise equipment loans	24,374	29,911
– Others	6,628	6,617
Sub-total	434,588	391,372
Discounted bills	12,675	13,464
Gross loans and advances to customers	1,245,356	1,166,310
Less: Provision for impairment losses		
– Individually assessed	(4,412)	(3,357)
– Collectively assessed	(21,328)	(20,815)
Total provision for impairment losses	(25,740)	(24,172)
Net loans and advances to customers	1,219,616	1,142,138

Part of the above loans and advances to customers was pledged for repurchase agreements, see Note 26(a).

18 Loans and advances to customers (continued)

(b) Analysed by economic sector

	30 June 2014		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	237,700	19.09%	52,669
Wholesale and retail trade	170,188	13.67%	56,503
Real estate	109,059	8.76%	91,732
Transportation, storage and postal services	65,887	5.29%	20,423
Construction	47,027	3.78%	11,395
Leasing and commercial services	40,679	3.26%	15,269
Mining	29,706	2.38%	3,722
Water, environment and public utility management	27,287	2.19%	8,216
Others	70,560	5.66%	24,833
Sub-total of corporate loans and advances	798,093	64.08%	284,762
Personal loans and advances	434,588	34.90%	292,134
Discounted bills	12,675	1.02%	10,870
Gross loans and advances to customers	1,245,356	100.00%	587,766
Less: Provision for impairment losses			
– Individually assessed	(4,412)		
– Collectively assessed	(21,328)		
Total provision for impairment losses	(25,740)		
Net loans and advances to customers	1,219,616		

(Expressed in millions of Renminbi, unless otherwise stated)

18 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

	31 December 2013		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	240,618	20.63%	52,075
Wholesale and retail trade	162,310	13.92%	54,569
Real estate	94,243	8.08%	80,563
Transportation, storage and postal services	67,991	5.83%	20,058
Construction	41,159	3.53%	10,232
Leasing and commercial services	38,375	3.29%	12,307
Mining	26,973	2.31%	3,953
Water, environment and public utility management	25,753	2.21%	8,437
Others	64,052	5.49%	21,919
Sub-total of corporate loans and advances	761,474	65.29%	264,113
Personal loans and advances	391,372	33.56%	263,949
Discounted bills	13,464	1.15%	12,384
Gross loans and advances to customers	1,166,310	100.00%	540,446
Less: Provision for impairment losses			
– Individually assessed	(3,357)		
– Collectively assessed	(20,815)		
Total provision for impairment losses	(24,172)		
Net loans and advances to customers	1,142,138		

As at the end of the reporting period and during the period, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each economic sector which constitute 10% or more of gross loans and advances to customers are as follows:

	30 June 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Manufacturing	4,688	(1,655)	(4,945)	531	154
Wholesale and retail trade	4,869	(1,988)	(3,437)	1,424	427

18 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

	31 December 2013				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	3,529	(1,350)	(4,980)	273	471
Wholesale and retail trade	3,113	(1,376)	(3,163)	3,399	429

(c) Overdue loans analysed by overdue period

	30 June 2014				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	5,586	2,121	531	27	8,265
Guaranteed loans	4,995	4,735	995	277	11,002
Secured loans					
– By tangible assets other than monetary assets	9,367	3,412	1,301	357	14,437
– By monetary assets	358	386	330	84	1,158
Total	20,306	10,654	3,157	745	34,862
As a percentage of gross loans and advances to customers	1.63%	0.86%	0.25%	0.06%	2.80%

(Expressed in millions of Renminbi, unless otherwise stated)

18 Loans and advances to customers (continued)

(c) Overdue loans analysed by overdue period (continued)

	31 December 2013				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	3,679	2,051	107	29	5,866
Guaranteed loans	1,816	1,502	647	316	4,281
Secured loans					
– By tangible assets other than monetary assets	7,161	1,746	981	560	10,448
– By monetary assets	393	303	193	71	960
Total	13,049	5,602	1,928	976	21,555
As a percentage of gross loans and advances to customers	1.12%	0.48%	0.17%	0.08%	1.85%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

(d) Loans and advances and provision for impairment losses

	30 June 2014				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	1,231,479	2,906	10,971	1,245,356	1.11%
Less: Provision for impairment losses	(19,417)	(1,911)	(4,412)	(25,740)	
Net loans and advances to customers	1,212,062	995	6,559	1,219,616	

18 Loans and advances to customers (continued)

(d) Loans and advances and provision for impairment losses (continued)

	31 December 2013				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	1,156,281	2,312	7,717	1,166,310	0.86%
Less: Provision for impairment losses	(19,252)	(1,563)	(3,357)	(24,172)	
Net loans and advances to customers	1,137,029	749	4,360	1,142,138	

Note:

(i) *Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.*

(ii) *Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the following methods:*

- *Individually (including corporate loans and advances which are graded substandard, doubtful or loss); or*
- *Collectively, representing portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).*

(Expressed in millions of Renminbi, unless otherwise stated)

18 Loans and advances to customers (continued)

(e) Movements of provision for impairment losses

	Six months ended 30 June 2014			
	Provision for loans and advances	Provision for impaired loans and advances		
	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January	(19,252)	(1,563)	(3,357)	(24,172)
Charge for the period	(165)	(1,158)	(2,140)	(3,463)
Release for the period	–	–	183	183
Recoveries	–	(116)	(19)	(135)
Unwinding of discount	–	–	260	260
Write-offs	–	926	661	1,587
As at 30 June	(19,417)	(1,911)	(4,412)	(25,740)

	2013			
	Provision for loans and advances	Provision for impaired loans and advances		
	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January	(21,237)	(1,132)	(3,487)	(25,856)
Charge for the year	–	(1,476)	(5,243)	(6,719)
Release for the year	1,985	–	398	2,383
Recoveries	–	(167)	(40)	(207)
Unwinding of discount	–	–	367	367
Disposal	–	–	3,620	3,620
Write-offs	–	1,212	1,028	2,240
As at 31 December	(19,252)	(1,563)	(3,357)	(24,172)

18 Loans and advances to customers (continued)

(f) Analysed by geographical sector

	30 June 2014		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	255,003	20.48%	139,274
Bohai Rim	234,822	18.85%	98,710
Western	188,747	15.15%	110,024
Central	188,504	15.14%	91,621
Pearl River Delta	172,241	13.83%	98,855
Northeastern	73,340	5.89%	41,819
Overseas	14,680	1.18%	7,463
Head Office	118,019	9.48%	–
Gross loans and advances to customers	1,245,356	100.00%	587,766

	31 December 2013		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	250,463	21.47%	136,564
Bohai Rim	219,134	18.79%	88,631
Western	175,022	15.01%	98,822
Central	174,989	15.00%	80,078
Pearl River Delta	160,803	13.79%	90,493
Northeastern	68,881	5.91%	39,659
Overseas	12,269	1.05%	6,198
Head Office	104,749	8.98%	–
Gross loans and advances to customers	1,166,310	100.00%	540,445

(Expressed in millions of Renminbi, unless otherwise stated)

18 Loans and advances to customers (continued)

(f) Analysed by geographical sector (continued)

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

	30 June 2014		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	5,051	(1,849)	(4,919)
Bohai Rim	2,277	(872)	(3,704)
Pearl River Delta	1,684	(503)	(3,221)
Central	1,580	(596)	(3,103)
Western	1,050	(433)	(3,138)

	31 December 2013		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	3,435	(1,212)	(4,956)
Bohai Rim	1,762	(775)	(3,739)
Central	1,236	(436)	(3,006)
Pearl River Delta	1,127	(453)	(3,035)
Western	715	(349)	(3,018)

The definitions of the regional distributions are set out in Note 44(b).

(g) Rescheduled loans and advances to customers

	30 June 2014	31 December 2013
Rescheduled loans and advances to customers	709	109
Less: Rescheduled loans and advances to customers overdue more than 90 days	–	(15)
Rescheduled loans and advances to customers overdue not more than 90 days	709	94

19 Available-for-sale financial assets

	Note	30 June 2014	31 December 2013
Available-for-sale debt investments	19(a)	127,581	111,849
Available-for-sale equity investments	19(b)	99	99
Total		127,680	111,948
Listed		1,401	1,064
– of which in Hong Kong		1,000	643
Unlisted		126,279	110,884
Total		127,680	111,948

(a) Available-for-sale debt investments

All available-for-sale debt investments were stated at fair value and issued by the following governments and institutions:

	Note	30 June 2014	31 December 2013
In mainland China			
– Government		42,111	36,522
– Banks and other financial institutions		10,593	6,794
– Other institutions	(i)	73,381	67,497
Sub-total		126,085	110,813
Outside mainland China			
– Banks and other financial institutions		926	774
– Other institutions		570	262
Sub-total		1,496	1,036
Total	(ii)	127,581	111,849

Note:

(i) Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.

(ii) As at the end of the reporting period, part of the available-for-sale financial assets were pledged for repurchase agreements and time deposits (see Note 26(a)).

(b) Available-for-sale equity investments

	30 June 2014	31 December 2013
Cost of investments	100	100
Less: Provision for impairment losses	(1)	(1)
Net balances	99	99

(Expressed in millions of Renminbi, unless otherwise stated)

20 Held-to-maturity investments

Analysed by type and location of issuer

	Note	30 June 2014	31 December 2013
In mainland China			
– Government		59,114	53,931
– Banks and other financial institutions		24,710	27,481
– Other institutions	20(a)	19,763	23,786
Sub-total		103,587	105,198
Outside mainland China			
– Banks and other financial institutions		320	373
– Other institutions		307	607
Sub-total		627	980
Total	20(b)	104,214	106,178
Less: Provision for impairment losses		(5)	(258)
Net balances		104,209	105,920

	30 June 2014	31 December 2013
Listed	747	1,097
– of which in Hong Kong	747	1,039
Unlisted	103,462	104,823
Net balances	104,209	105,920
Fair value	102,893	101,804

Note:

(a) *Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.*

(b) *As at the end of the reporting period, part of the held-to-maturity investments were pledged as securities for certain transactions (see Note 26(a)).*

(c) *The Group disposed of the held-to-maturity debt investments with a notional amount of RMB315 million prior to their maturity dates for the six months ended 30 June 2014 (2013: RMB1,557 million), which account for 0.29% (2013: 1.62%) of the portfolio before the disposal.*

21 Debt securities classified as receivables

	Note	30 June 2014	31 December 2013
Wealth management products issued by other financial institution	21(a)	92,552	37,746
Beneficial interest transfer plans	21(b)/(c)	253,757	224,953
Total		346,309	262,699
Less: Provision for impairment losses		(37)	–
Net balances		346,272	262,699

Note:

(a) *Wealth management products issued by other financial institutions are fixed-term products.*

(b) *Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies. Out of which, the Group bears the associated risk of the underlying assets amounted to RMB23,289 million (31 December 2013: RMB7,372 million) and the Group use 100% risk weighing in calculating capital adequacy ratio.*

(c) *As at 30 June 2014, part of investments in the beneficial interest transfer plans held by the Bank were under forward sale contracts with other financial institutions in mainland China, the notional amount of which was RMB117,756 million (31 December 2013: RMB134,715 million). The fair values of the above mentioned investments approximate to their carrying amount.*

(Expressed in millions of Renminbi, unless otherwise stated)

22 Fixed assets

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2014	9,585	415	1,408	4,184	2,729	18,321
Additions	146	–	199	294	191	830
Transfers in/(out) of construction in progress	209	–	(209)	–	–	–
Transfers (out)/in of investment properties	(5)	5	–	–	–	–
Transfer out to others	–	–	(10)	–	–	(10)
Disposals	–	–	–	(53)	(16)	(69)
As at 30 June 2014	9,935	420	1,388	4,425	2,904	19,072
Accumulated depreciation						
As at 1 January 2014	(1,935)	(132)	–	(2,430)	(1,036)	(5,533)
Charge for the period	(153)	(6)	–	(282)	(212)	(653)
Transfers out/(in) of investment properties	1	(1)	–	–	–	–
Disposals	–	–	–	48	4	52
As at 30 June 2014	(2,087)	(139)	–	(2,664)	(1,244)	(6,134)
Provision for impairment						
As at 1 January 2014	(128)	(31)	–	–	–	(159)
Transfers in/(out)	1	(1)	–	–	–	–
As at 30 June 2014	(127)	(32)	–	–	–	(159)
Net book value						
As at 30 June 2014	7,721	249	1,388	1,761	1,660	12,779

22 Fixed assets (continued)

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2013	9,219	445	1,129	3,552	2,245	16,590
Additions	124	–	506	796	520	1,946
Transfers in/(out) of construction in progress	212	–	(227)	4	11	–
Transfers in/(out) of investment properties	30	(30)	–	–	–	–
Transfer out to others	–	–	–	–	(8)	(8)
Disposals	–	–	–	(168)	(39)	(207)
As at 31 December 2013	9,585	415	1,408	4,184	2,729	18,321
Accumulated depreciation						
As at 1 January 2013	(1,657)	(121)	–	(2,067)	(717)	(4,562)
Charge for the year	(277)	(12)	–	(518)	(354)	(1,161)
Transfers (in)/out of investment properties	(1)	1	–	–	–	–
Disposals	–	–	–	155	35	190
As at 31 December 2013	(1,935)	(132)	–	(2,430)	(1,036)	(5,533)
Provision for impairment						
As at 1 January 2013	(128)	(31)	–	–	–	(159)
As at 31 December 2013	(128)	(31)	–	–	–	(159)
Net book value						
As at 31 December 2013	7,522	252	1,408	1,754	1,693	12,629

As at 30 June 2014, title deeds were not yet finalised for the premises with a carrying amount of RMB167 million (31 December 2013: RMB170 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	30 June 2014	31 December 2013
Held in mainland China		
– Long term leases (over 50 years)	18	119
– Medium term leases (10 – 50 years)	7,692	7,391
– Short term leases (less than 10 years)	11	12
Total	7,721	7,522

(Expressed in millions of Renminbi, unless otherwise stated)

22 Fixed assets (continued)

The net book values of investment properties at the end of the reporting period are analysed by the remaining terms of the leases is as follows:

	30 June 2014	31 December 2013
Held in mainland China		
– Medium term leases (10 – 50 years)	249	252
Total	249	252

23 Goodwill

	30 June 2014	31 December 2013
Gross amount	6,019	6,019
Less: Provision for impairment losses	(4,738)	(4,738)
Net balances	1,281	1,281

As approved by the PBOC, the Bank and China Development Bank ("CDB") jointly signed an "Agreement between China Development Bank and China Everbright Bank for the transfer of assets, liabilities and banking premises of China Investment Bank" (the "Agreement") on 18 March 1999. According to the Agreement, CDB transferred the assets, liabilities, equity and 137 outlets of 29 branches of the former China Investment Bank ("CIB") to the Bank. The Agreement became effective on 18 March 1999. The Bank assessed the fair value of the transferred assets and liabilities, and recognised the excess of the purchase cost over the sum of the fair value of the net assets transferred and deferred tax assets as goodwill.

24 Deferred tax assets and liabilities

(a) Analysed by nature

	30 June 2014	31 December 2013
Deferred tax assets	2,680	4,015
Deferred tax liabilities	–	–
Net balances	2,680	4,015

24 Deferred tax assets and liabilities (continued)

(b) Movements of deferred tax

	Provision for impairment losses Note(i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2014	1,071	1,394	1,550	4,015
Recognised in profit or loss	39	(37)	(311)	(309)
Recognised in other comprehensive income	–	–	(1,026)	(1,026)
30 June 2014	1,110	1,357	213	2,680

	Provision for impairment losses Note(i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2013	1,001	1,232	221	2,454
Recognised in profit or loss	70	162	131	363
Recognised in other comprehensive income	–	–	1,198	1,198
31 December 2013	1,071	1,394	1,550	4,015

Note:

(i) *The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses were determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.*

(ii) *Net gains on fair value changes of financial instruments are subject to tax when realised.*

(iii) *Unrecognised deferred tax assets*

As at 30 June 2014, the Group has not recognised deferred tax assets of RMB2,210 million (31 December 2013: RMB2,046 million) for provision of impairment losses amounting to RMB8,838 million (31 December 2013: RMB8,182 million). This was mainly because it was uncertain whether the losses from write-offs of the impaired assets could be approved by the relevant tax authorities in the foreseeable future.

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25 Other assets

	Note	30 June 2014	31 December 2013
Financial lease receivables		20,501	15,336
Assets from wealth management business	25(a)	14,554	51,274
Other receivables		2,365	2,179
Precious metal		1,528	1,370
Long-term deferred expense		1,220	1,199
Intangible assets		640	639
Repossessed assets		305	331
Fixed assets purchase prepayment		283	1,301
Land use rights		121	124
Total		41,517	73,753

(a) Assets from wealth management business

The assets held for wealth management business represent the trust investments purchased by the Group, acting as an agent for wealth management investors, and using the funds collected from investors. The credit risk, interest risk, liquidity risk and investment risk of the underlying trust investments are assumed by the investors who purchase the wealth management products. However, the Group has certain risk exposures in respect of those wealth management assets for which the amounts and maturities do not exactly match the underlying trust funds. Accordingly, the Group accounts for such wealth management assets under other assets and the corresponding trust funds under other liabilities (see Note 35).

26 Pledged assets

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities include discounted bills and debt securities. They are mainly pledged for repurchase agreements, time deposits and swap transactions. The carrying amount of the financial assets pledged as securities as at 30 June 2014 is RMB59,767 million (31 December 2013: RMB73,102 million).

(b) Collaterals received

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of the reporting period, the Group did not hold any resale agreement that collaterals were permitted to be sold or repledged in the absence of the counterparty's default on the agreements.

27 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2014	31 December 2013
Deposits in mainland China		
– Banks	327,591	281,199
– Other financial institutions	137,773	140,176
Sub-total	465,364	421,375
Deposits outside mainland China		
– Banks	32,026	17,229
Sub-total	32,026	17,229
Total	497,390	438,604

28 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2014	31 December 2013
Placements in mainland China		
– Banks	28,651	40,567
– Other financial institutions	–	265
Sub-total	28,651	40,832
Placements outside mainland China		
– Banks	11,717	9,985
Sub-total	11,717	9,985
Total	40,368	50,817

29 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	30 June 2014	31 December 2013
In mainland China		
– Banks	46,375	63,161
– Other financial institutions	3	3
Total	46,378	63,164

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(Expressed in millions of Renminbi, unless otherwise stated)

29 Financial assets sold under repurchase agreements (continued)

(b) Analysed by collateral

	30 June 2014	31 December 2013
Bank acceptances	4,841	4,926
Debt securities	41,537	58,238
Total	46,378	63,164

30 Deposits from customers

	30 June 2014	31 December 2013
At amortised cost		
Demand deposits		
– Corporate customers	453,314	394,437
– Individual customers	132,030	103,148
Sub-total	585,344	497,585
Time deposits		
– Corporate customers	568,042	511,327
– Individual customers	135,993	126,347
Sub-total	704,035	637,674
Pledged deposits		
– Acceptances	227,731	207,803
– Letters of credit	24,996	23,180
– Letters of guarantees	11,623	11,326
– Others	9,116	10,021
Sub-total	273,466	252,330
Other deposits	92,578	91,415
Total deposits from customers at amortised cost	1,655,423	1,479,004
At fair value		
Structured deposits		
– Corporate customers	39,311	47,356
– Individual customers	101,548	78,918
Total deposits from customers at fair value	140,859	126,274
Total	1,796,282	1,605,278

31 Accrued staff costs

	Note	30 June 2014	31 December 2013
Salary and welfare payable		7,796	7,835
Pension payable	31(a)	99	68
Supplementary retirement benefits payable	31(b)	246	246
Total		8,141	8,149

(a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages in prior year, which are expensed to profit or loss when the contributions are made.

(b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were accessed using projected unit credit method.

32 Taxes payable

	30 June 2014	31 December 2013
Business tax and surcharges payable	1,580	1,601
Income tax payable	540	898
Others	110	106
Total	2,230	2,605

(Expressed in millions of Renminbi, unless otherwise stated)

33 Interests payable

	30 June 2014	31 December 2013
Deposits from customers	23,296	17,565
Debt securities issued	398	1,235
Others	3,393	2,149
Total	27,087	20,949

34 Debt securities issued

	Note	30 June 2014	31 December 2013
Subordinated debts	34(a)	6,700	9,700
Financial bonds	34(b)	30,000	30,000
Tier 2 capital bonds	34(c)	16,200	–
Interbank deposits	34(d)	2,000	–
Certificates of deposits	34(e)	2,725	2,547
Total		57,625	42,247

(a) Subordinated debts

	Note	30 June 2014	31 December 2013
Subordinated fixed rate debts maturing in March 2019	(i)	–	3,000
Subordinated fixed rate debts maturing in June 2027	(ii)	6,700	6,700
Total		6,700	9,700

Note:

(i) Fixed rate subordinated debts of RMB3 billion with a term of ten years were issued on 13 March 2009. The coupon rate for the first five years is 3.75% per annum. The group redeemed the debts on 17 March 2014.

(ii) Fixed rate subordinated debts of RMB6.7 billion with a term of fifteen years were issued on 7 June 2012. The coupon rate is 5.25% per annum. The Group has an option to redeem the debts on 8 June 2022 at the nominal amount.

(iii) As at 30 June 2014, the fair value of the total subordinated debt securities issued amounts to RMB6,255 million (31 December 2013: RMB8,821 million).

34 Debt securities issued (continued)

(b) Financial bonds

	Note	30 June 2014	31 December 2013
Financial fixed rate bonds maturing in March 2017	(i)	20,000	20,000
Financial floating rate bonds maturing in March 2017	(ii)	10,000	10,000
Total		30,000	30,000

Note:

(i) *Fixed rate financial bonds of RMB20 billion with a term of five years were issued on 28 March 2012. The coupon rate is 4.20% per annum.*

(ii) *Floating rate financial bonds of RMB10 billion with a term of five years were issued on 28 March 2012. The bonds bear interest at a floating rate based on the PBOC's one-year time deposits rate plus a margin of 0.95%.*

(iii) *As at 30 June 2014, the fair value of the total financial bond securities issued amounts to RMB29,341 million (31 December 2013: RMB28,385 million)*

(c) Tier 2 capital bonds

(i) Fixed rate tier 2 capital bonds of RMB16.2 billion with a term of ten years were issued on 9 June 2014. The coupon rate is 6.20% per annum. The Group has an option to redeem the debts on 10 June 2019 at the nominal amount.

(ii) As at 30 June 2014, the fair value of the total tier 2 capital bonds issued amounts to RMB16,425 million.

(d) Interbank deposits

(i) The fixed rate interbank deposits of RMB2 billion with a term of three months were issued on 24 June 2014. The coupon rate is 4.60% per annum.

(ii) As at 30 June 2014, the interbank deposits were measured by amortised cost. The fair value of the interbank deposits issued mentioned above approximates to their carrying amount.

(e) Certificates of deposits

The certificates of deposits were issued by the Bank's Hong Kong branch and measured at amortised cost. The fair value of the certificates of deposits issued mentioned above approximates to their carrying amount.

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35 Other liabilities

	Note	30 June 2014	31 December 2013
Dividend payable		8,056	27
Wealth management fund payables	35(a)	7,463	19,196
Payment and collection clearance accounts		3,476	1,314
Deferred income		3,029	2,384
Finance leases payable		2,654	2,299
Provisions	35(b)	352	326
Dormant accounts		307	295
Others		2,586	1,915
Total		27,923	27,756

(a) Wealth management fund payables

The amounts and maturities of the wealth management assets do not exactly match the underlying trust funds. Accordingly, the Group accounts for such wealth management assets under other assets (Note 25(a)) and the corresponding trust funds under other liabilities.

(b) Provisions

As at 30 June 2014, the accruals for litigation losses estimated by the Group based on the status of outstanding litigation cases and the probability of losses amounted to RMB17 million (31 December 2013: RMB17 million).

36 Share capital

The Bank's shareholding structure as at the end of the reporting period is as follows:

	30 June 2014 Amount	31 December 2013 Amount
Ordinary shares listed in Mainland China (A share)	39,810	39,851
Ordinary shares listed in Hong Kong (H share)	6,869	6,426
Total	46,679	46,277

On 15 January 2014, The Bank partially exercised the over-allotment option and issued 402,305,000 H shares with a nominal value of RMB1.00 at HKD3.98 per share. The total fund raised amounted to RMB1,248 million. RMB402 million and RMB828 million were credited to share capital and share premium under capital reserve, net of offering expenses of RMB18 million, respectively.

The H-shares rank pari passu in all respects with the existing A-shares including the right to receive all dividends and distributions declared or made.

37 Capital reserve

	30 June 2014	31 December 2013
Fair value changes on available-for-sale financial assets	(810)	(3,886)
Share premium	33,365	32,537
Remeasurement of defined benefit plan	56	56
Total	32,611	28,707

38 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund. The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the Ministry of Finance of the PRC ("MOF") in March 2012, the Bank is required, in principle, to set aside a general reserve, through appropriation of profit after tax, with an amount of not lower than 1.5% of the ending balance of its gross risk-bearing assets.

39 Appropriation of profits

(a) At the Annual General Meeting of shareholders held on 27 June 2014, the shareholders approved the following profit appropriations for the year ended 31 December 2013:

- Appropriated RMB2,639 million (10% of the net profit of the bank) to surplus reserve;
- Appropriated RMB1,798 million to general reserve; and
- Declared cash dividends to all shareholders of RMB8,029 million representing RMB1.72 per 10 shares before tax.

(Expressed in millions of Renminbi, unless otherwise stated)

39 Appropriation of profits (continued)

(b) At the Annual General Meeting of shareholders held on 17 May 2013, the shareholders approved the following profit appropriations for the year ended 31 December 2012:

– Appropriated RMB2,334 million (10% of the net profit of the bank) to surplus reserve;

– Appropriated RMB7,248 million to general reserve; and

– Declared cash dividend to all shareholders of RMB2,345 million representing RMB0.58 per 10 shares before tax

The shareholders approved the appropriation to general reserve of RMB6,938 million during the Extraordinary General Meeting held on 19 November 2012.

As a result of the above profit appropriation, the total amount of appropriation to general reserve was RMB14,186 million.

40 Involvement with unconsolidated structured entities

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

The types of structured entities that the Group does not consolidate but in which it holds an interest include entities set up for wealth management products issued by other financial institutions and beneficial interest transfer plans ("Asset management plans"). The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in unconsolidated structured entities as at 30 June 2014:

	30 June 2014		31 December 2013	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Debt securities classified as receivables	290,612	290,612	211,549	211,549

40 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 units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2014, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

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 RMB338,032 million (31 December 2013: RMB266,682 million).

(c) Unconsolidated structure entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2014.

During the six months ended 30 June 2014, the amount of fee and commission income received from the above mentioned structured entities by the Group amounted to RMB177 million (Six months ended 30 June 2013: RMB141 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 RMB143,206 million (Six months ended 30 June 2013: RMB102,796 million).

41 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier one capital, other core tier one capital and tier two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to its own business environment and conditions.

41 Capital management (continued)

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly.

With effective from 1 January 2013, the Group started computing its capital adequacy ratios in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with “Regulation Governing Capital of Commercial Banks (provisional)”. For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of at least 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their respective local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for over-the-counter (OTC) derivatives are the summation of default risk-weighted assets and credit value adjustment (CVA). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group’s statutory financial statements prepared in accordance with PRC GAAP. During the period, the Group has complied in full with all its externally imposed capital requirements.

41 Capital management (continued)

The Group calculates the capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements promulgated by the CBRC.

	30 June 2014	31 December 2013
Total core tier-one capital		
Share capital	46,679	46,277
Qualifying portion of capital reserve	32,611	28,707
Surplus reserve	9,199	9,199
General reserve	29,861	29,861
Retained earnings	46,611	38,795
Qualifying portions of non-controlling interests	250	198
Core tier-one capital deductions		
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use right	(640)	(639)
Net core tier-one capital	163,290	151,117
Other tier one capital	5	4
Tier-one capital, net	163,295	151,121
Tier two capital		
Qualifying portions of tier-two capital instruments issued and share premium	22,900	9,700
Surplus provision for loan impairment	11,864	14,505
Qualifying portions of non-controlling interests	28	25
Net capital base	198,087	175,351
Total risk weighted assets	1,819,547	1,658,861
Core tier one capital adequacy ratio	8.97%	9.11%
Tier one capital adequacy ratio	8.97%	9.11%
Capital adequacy ratio	10.89%	10.57%

42 Notes to condensed consolidated cash flow statements

(a) Net decrease in cash and cash equivalents

	Six months ended 30 June	
	2014	2013
Cash and cash equivalents as at 30 June	95,921	104,202
Less: Cash and cash equivalents as at 1 January	116,821	137,913
Net decrease in cash and cash equivalents	(20,900)	(33,711)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Notes to condensed consolidated cash flow statements (continued)

(b) Cash and cash equivalents

	30 June 2014	30 June 2013
Cash on hand	7,440	8,359
Deposits with the central bank	16,960	22,500
Deposits with banks and other financial institutions	23,532	41,390
Placements with banks and other financial institutions	47,989	31,953
Total	95,921	104,202

43 Related party relationships and transactions

(a) China Investment Corporation

Approved by the State Council of the PRC, China Investment Corporation ("CIC") was established on 29 September 2007 with a registered capital of USD 200 billion. Central Huijin Investment Ltd. ("Huijin") is a wholly owned subsidiary of CIC and exercises its rights and obligations as an investor on behalf of CIC.

(b) Huijin and its affiliates

Huijin was incorporated as a wholly state-owned investment company on 16 December 2003. It was registered in Beijing with a registered capital of RMB828,209 million. Apart from equity investments as authorised by the State Council of the PRC, it does not engage in any other commercial operations.

The Group's transactions with Huijin and its affiliates mainly include deposit taking, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts, financial bonds and certificates of deposits which are bearer bonds tradable in the secondary market. Accordingly, the Group has no information in respect of the amount of the debts held by these banks and other financial institutions as at the end of the reporting period.

43 Related party relationships and transactions (continued)

(b) Huijin and its affiliates (continued)

The Group's material transactions and balances with Huijin and its affiliates during the reporting period are summarised as follows:

	Six months ended 30 June	
	2014	2013
Interest income	2,721	837
Interest expense	(3,033)	(3,702)
Deposits with banks and other financial institutions	5,364	15,530
Placements with banks and other financial institutions	25,435	21,235
Financial assets held for trading	1,477	5,372
Financial assets held under resale agreements	13,014	2,431
Interest receivable	2,090	1,611
Debt securities classified as receivables	66,991	38,728
Loans and advances to customers	1,715	1,215
Available-for-sale financial assets	7,641	5,750
Held-to-maturity investments	17,981	21,611
Other assets	5,000	1,737
Deposits from banks and other financial institutions	129,153	107,395
Placements from banks and other financial institutions	13,289	8,766
Financial assets sold under repurchase agreements	18,799	21,527
Deposits from customers	24,189	18,654
Interest payable	1,697	1,051
Other liabilities	1	396

RMB8 million was paid to Huijin's affiliates as underwriting commission for the H share over-allotment and tier 2 capital bonds issuance during the six months ended 30 June 2014.

(c) China Everbright (Group) Corporation ("China Everbright (Group)")

The transactions and balances with China Everbright (Group) and its affiliates are summarised in Note 43(d).

43 Related party relationships and transactions (continued)

(d) Transactions between the Group and other related parties

(i) Other related parties information

Other related parties having transactions with the Group:

Related party	Relationship with the Group
Affiliated companies	
– China Everbright Group Co.,Ltd.	Same chairman of the board of directors with China Everbright (Group)
– China Everbright Limited	Shareholder, affiliate of China Everbright Holdings
– Everbright Securities Co., Ltd. ("Everbright Securities")	Affiliate of China Everbright (Group)
– Everbright Pramerica Fund Management Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Futures Co., Ltd.	Affiliate of China Everbright (Group)
– Dacheng Fund Management Co., Ltd.	Affiliate of China Everbright (Group)
– Shanghai Everbright Convention and Exhibition Centre Limited	Affiliate of China Everbright (Group)
– China Everbright Investment Management Corporation	Affiliate of China Everbright (Group)
– Everbright International Hotel and Property Management Company Limited	Affiliate of China Everbright (Group)
– Everbright Real Estate Co., Ltd.	Affiliate of China Everbright (Group)
– China Everbright International Trust and Investment Company Limited	Affiliate of China Everbright (Group)
– China Everbright Travel, Inc	Affiliate of China Everbright (Group)
– China Everbright Petroleum Exploitation & Investment Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Financial Holding Asset Management Co., Ltd.	Affiliate of China Everbright (Group)
– Sun Life Everbright Asset Management Co., Ltd.	Affiliate of China Everbright (Group)
– Sun Life Everbright Life Insurance Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Fortune Investment Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Capital Investment Management Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Securities Financial Holdings Limited	Affiliate of China Everbright (Group)
– China Everbright International Ltd.	Affiliate of China Everbright (Group)
– Everbright Securities Asset Management Co., Ltd.	Affiliate of China Everbright (Group)

43 Related party relationships and transactions (continued)

(d) Transactions between the Group and other related parties (continued)

(i) Other related parties information (continued)

Related party	Relationship with the Group
Other related parties	
– First-trust Fund Management Co., Ltd.	Common key management
– Lifan Industry (Group) Co., Ltd	Common key management
– Shanghai Chengtou Holding Co., Ltd.	Common key management
– China UnionPay Co., Ltd.	Common key management
– China Power Finance Co., Ltd.	Common key management
– Orient Securities Company Limited	Common key management
– Happy Life Insurance Co., Ltd.	Common key management
– Tianjin Capital Environmental Protection Group Company Limited	Common key management
– Sinopharm Group Co., Ltd.	Common key management
– SAIC Motor Corporation, Ltd.	Common key management
– China Traditional Chinese Medicine Co. Limited	Common key management
– China Pacific Property Insurance Co., Ltd.	Common key management
– China Pacific Life Insurance Co., Ltd.	Common key management
– TMB Bank Public Company Limited	Common key management
– China International Fund Management Co., Ltd.	Common key management

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party relationships and transactions (continued)

(d) Transactions between the Group and other related parties (continued)

(ii) Related party transactions

The Group's material transactions and balances with China Everbright (Group) and the above related parties during the reporting period are summarised as follows:

	China Everbright (Group) (Note 43(c))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the six months ended 30 June 2014:					
Interest income	–	–	8	85	93
Interest expense	(10)	(4)	(94)	(462)	(570)
Balances with related parties as at 30 June 2014:					
Financial assets held under resale agreements	–	–	–	300	300
Loans and advances to customers	–	–	214	–	214
Held-to-maturity investments	–	–	–	900	900
Interest receivable	–	–	–	40	40
Debt securities classified as receivables	–	–	43,777	–	43,777
Other assets	–	–	–	2,920	2,920
	–	–	43,991	4,160	48,151
Deposits from banks and other financial institutions	–	–	3,982	198	4,180
Deposits from customers	–	91	9,159	17,950	27,200
Interest payable	–	–	32	297	329
Other liabilities	–	–	3	25	28
	–	91	13,176	18,470	31,737
Significant off-balance sheet items with related parties as at 30 June 2014:					
Guarantee granted (Note)	180	–	–	–	180

RMB3 million was paid to China Everbright (Group)'s affiliates as underwriting commission for the H share over-allotment and tier 2 capital bonds issuance the six months ended 30 June 2014.

43 Related party relationships and transactions (continued)

(d) Transactions between the Group and other related parties (continued)

(ii) Related party transactions (continued)

	China Everbright (Group) (Note 43(c))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the six months ended 30 June 2013:					
Interest income	–	–	1	96	97
Interest expense	–	–	(103)	(399)	(502)
Balances with related parties as at 31 December 2013:					
Financial assets held under resale agreements	–	–	–	205	205
Loans and advances to customers	–	–	222	166	388
Held-to-maturity investments	–	–	–	900	900
Interest receivable	–	–	–	21	21
Other assets	–	–	4,912	–	4,912
	–	–	5,134	1,292	6,426
Deposits from banks and other financial institutions	–	–	4,303	346	4,649
Deposits from customers	–	1	8,420	18,296	26,717
Interest payable	1	1	24	411	437
Other liabilities	–	–	570	–	570
	1	2	13,317	19,053	32,373
Significant off-balance sheet items with related parties as at 31 December 2013:					
Guarantee granted (Note)	180	–	–	–	180

Note: As at 30 June 2014, the Bank has guarantee obligations relating to the China Everbright (Group)'s outstanding interest obligation of RMB180 million due to one of the state-owned commercial banks.

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party relationships and transactions (continued)

(e) Transactions with other PRC state-owned entities

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 organisations ("state-owned entities"). Transactions with other state-owned entities include but are not limited to: 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's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether or not the customers are state-owned entities. Having considered the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(f) Key management personnel

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Remuneration	10,232	8,415
Retirement benefits	554	464
– Basic social pension insurance	301	257

(g) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 of the Hong Kong Companies Ordinance are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Aggregate amount of relevant loans outstanding as at the period/year end	3,551	8,055
Maximum aggregate amount of relevant loans outstanding during the period/year	7,849	17,873

44 Segment reporting

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, cash management services, financial consulting and advisory services, remittance and settlement services, custody services, and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services, remittance services, and securities agency services.

Treasury business

This segment covers the Group's treasury operations. The treasury business enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities, derivatives and foreign currency trading for its own accounts. The treasury segment also covers customer-driven derivatives and foreign currency trading, as well as management of the Group's overall liquidity position, including the issuance of subordinated debts.

Others

These represent equity investments and related income.

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

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. 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 cost incurred to acquire fixed assets, intangible assets and other long-term assets.

(Expressed in millions of Renminbi, unless otherwise stated)

44 Segment reporting (continued)

(a) Segment results, assets and liabilities

	Six months ended 30 June 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	12,558	7,626	7,654	–	27,838
Internal net interest income/ (expense)	7,350	(1,785)	(5,565)	–	–
Net interest income	19,908	5,841	2,089	–	27,838
Net fee and commission income	3,255	5,290	87	–	8,632
Net trading gains	–	228	999	–	1,227
Net gains/(losses) arising from investment securities	4	–	(103)	–	(99)
Foreign exchange gains/(losses)	55	36	(324)	–	(233)
Other operating income	92	25	–	78	195
Operating income	23,314	11,420	2,748	78	37,560
Operating expenses	(8,228)	(5,184)	(215)	(34)	(13,661)
Operating profit before impairment	15,086	6,236	2,533	44	23,899
Impairment losses on assets	(2,045)	(1,349)	266	–	(3,128)
Profit before tax	13,041	4,887	2,799	44	20,771
Other segment information					
– Depreciation and amortisation	(556)	(365)	(11)	–	(932)
– Capital expenditure	676	445	13	–	1,134

	30 June 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	1,744,134	563,736	357,646	101	2,665,617
Segment liabilities	1,913,879	478,581	103,766	65	2,496,291

44 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	Six months ended 30 June 2013				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	12,367	7,677	6,010	–	26,054
Internal net interest income/ (expense)	6,060	(2,453)	(3,607)	–	–
Net interest income	18,427	5,224	2,403	–	26,054
Net fee and commission income	2,660	4,613	76	–	7,349
Net trading (losses)/gains	–	(7)	55	–	48
Net gains arising from investment securities	26	–	95	–	121
Foreign exchange gains/(losses)	124	30	(14)	–	140
Other operating income	46	24	–	56	126
Operating income	21,283	9,884	2,615	56	33,838
Operating expenses	(7,361)	(4,494)	(291)	(14)	(12,160)
Operating profit before impairment	13,922	5,390	2,324	42	21,678
Impairment losses on assets	(1,324)	(960)	34	–	(2,250)
Profit before tax	12,598	4,430	2,358	42	19,428
Other segment information					
– Depreciation and amortisation	(474)	(311)	(9)	–	(794)
– Capital expenditure	474	311	9	–	794

	31 December 2013				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	1,568,595	505,438	335,658	99	2,409,790
Segment liabilities	1,711,960	422,881	127,111	55	2,262,007

(Expressed in millions of Renminbi, unless otherwise stated)

44 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note	30 June 2014	31 December 2013
Segment assets		2,665,617	2,409,790
Goodwill	23	1,281	1,281
Deferred tax assets	24	2,680	4,015
Total assets		2,669,578	2,415,086
Segment liabilities		2,496,291	2,262,007
Dividend payables	35	8,056	27
Total liabilities		2,504,347	2,262,034

(b) Geographical information

The Group operates principally in mainland China with branches located in 28 provinces, autonomous regions and municipalities directly under the central government, with subsidiaries located in Wuhan city of Hubei Province, Shaoshan city of Hunan Province and Huai'an city of Jiangsu Province.

Non-current assets include fixed assets, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

– "Yangtze River Delta" refers to the following areas serviced by subsidiary and branches of the Bank: Huai'an Evergright, Shanghai, Nanjing, Hangzhou, Suzhou, Ningbo and Wuxi;

– "Pearl River Delta" refers to the following areas serviced by branches of the Bank: Guangzhou, Shenzhen, Fuzhou, Xiamen and Haikou;

– "Bohai Rim" refers to the following areas serviced by branches of the Bank: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai;

– "Central" refers to the following areas serviced by subsidiaries and branches of the Bank: Everbright Financial Leasing and Shaoshan Evergright, Zhengzhou, Taiyuan, Changsha, Wuhan, Hefei and Nanchang;

44 Segment reporting (continued)

(b) Geographical information (continued)

– "Western" refers to the following areas serviced by branches of the Bank: Xi'an, Chengdu, Chongqing, Kunming, Nanning, Hohhot, Urumchi; Guiyang and Lanzhou;

– "Northeastern" refers to the following areas serviced by branches of the Bank: Heilongjiang, Changchun, Shenyang and Dalian;

– "Hong Kong" refers to the Hong Kong Special Administrative Region serviced by branch of the Bank; and

– "Head Office" refers to the headquarter of the Group.

	Operating Income								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Hong Kong	Total
Six months ended 30 June 2014	6,345	6,687	8,300	5,128	4,439	4,630	1,975	56	37,560
Six months ended 30 June 2013	6,347	6,513	6,343	4,426	4,094	4,221	1,879	15	33,838

	Non-current Asset (i)								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Hong Kong	Total
30 June 2014	2,964	1,012	4,941	1,247	1,238	1,089	1,025	24	13,540
31 December 2013	3,037	912	4,941	1,173	1,230	1,095	988	26	13,402

(i) Including fixed assets and intangible assets.

45 Risk Management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible department for credit risk management include the Risk Management Department, Credit Approval Department, Special Assets Resolution Department and Legal and Compliance Department, and the Group deployed Credit Officer to Retail Banking Department of Head office, the business line of medium-sized and small enterprises, credit card business, treasury business and the first tier branches. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front line departments such as the Corporate Banking Department and the Retail Banking Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

45 Risk Management (continued)

(a) Credit risk (continued)

Credit business (continued)

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place dynamic monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. The Group has further enhanced the parallel operating mechanism. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collaterals and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process in accordance with its standardised loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

45 Risk Management (continued)

(a) Credit risk (continued)

Credit business (continued)

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury Business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic and real-time basis, and credit limits are reviewed and revised regularly.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets, including derivative financial instruments. The maximum exposure to credit risk in respect of these off-balance sheet items as at the end of the reporting period is disclosed in Note 48(a).

45 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(ii) Financial assets analysed by credit quality are summarised as follows:

	30 June 2014				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (*)	Others (**)
Impaired					
Individually assessed					
Gross amount	10,971	16	–	1	1,168
Provision for impairment losses	(4,412)	(16)	–	(1)	(212)
Sub-total	6,559	–	–	–	956
Collectively assessed					
Gross amount	2,906	–	–	–	443
Provision for impairment losses	(1,911)	–	–	–	(39)
Sub-total	995	–	–	–	404
Overdue but not impaired					
Gross amount – Less than 3 months (inclusive)	19,844	–	–	–	–
Gross amount – Between 3 months and 6 months (inclusive)	770	–	–	–	–
Gross amount – Between 6 months and 1 year (inclusive)	398	–	–	–	–
Gross amount	21,012	–	–	–	–
Provision for impairment losses	(2,256)	–	–	–	–
Sub-total	18,756	–	–	–	–
Neither overdue nor impaired					
Gross amount	1,210,467	262,241	185,133	587,165	53,755
Provision for impairment losses	(17,161)	(13)	–	(42)	(684)
Sub-total	1,193,306	262,228	185,133	587,123	53,071
Total	1,219,616	262,228	185,133	587,123	54,431

Notes to the Unaudited Condensed Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

45 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(ii) Financial assets analysed by credit quality are summarised as follows: (continued)

	31 December 2013				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (*)	Others (**)
Impaired					
Individually assessed					
Gross amount	7,717	16	–	1	1,492
Provision for impairment losses	(3,357)	(16)	–	(1)	(215)
Sub-total	4,360	–	–	–	1,277
Collectively assessed Gross amount	2,312	–	–	–	363
Provision for impairment losses	(1,563)	–	–	–	(31)
Sub-total	749	–	–	–	332
Overdue but not impaired					
Gross amount – Less than 3 months (inclusive)	12,316	–	–	–	–
Gross amount	12,316	–	–	–	–
Provision for impairment losses	(1,163)	–	–	–	–
Sub-total	11,153	–	–	–	–
Neither overdue nor impaired					
Gross amount	1,143,965	191,457	169,182	493,228	84,069
Provision for impairment losses	(18,089)	(13)	–	(270)	(644)
Sub-total	1,125,876	191,444	169,182	492,958	83,425
Total	1,142,138	191,444	169,182	492,958	85,034

* *Investments comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.*

** *Others comprise positive fair value of derivatives, interests receivable, assets from wealth management business recorded in other assets, and other receivables.*

45 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(iii) Credit rating

The distribution according to the credit quality of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2014	31 December 2013
Carrying value		
Individually assessed and impaired		
Gross amount	16	16
Provision for impairment losses	(16)	(16)
Sub-total	–	–
Neither overdue nor impaired		
– grade A to AAA	279,625	225,615
– grade B to BBB	36,068	23,602
– unrated (Note)	131,668	111,409
Sub-total	447,361	360,626
Total	447,361	360,626

Note: Mainly represent placements with other financial institutions and debt securities held under resale agreements with other financial institutions.

(Expressed in millions of Renminbi, unless otherwise stated)

45 Risk Management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(iii) Credit rating (continued)

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2014	31 December 2013
Carrying value		
Individually assessed and impaired		
Gross amount	1	1
Provision for impairment losses	(1)	(1)
Sub-total	–	–
Neither overdue nor impaired		
Bloomberg Composite		
– grade AAA	43	42
– grade AA- to AA+	799	677
– grade A- to A+	1,214	1,241
– grade lower than A–	507	482
Sub-total	2,563	2,442
Other agency ratings		
– grade AAA	60,192	60,200
– grade AA- to AA+	41,060	41,102
– grade A- to A+	107,808	99,128
– grade lower than A–	1,930	2,378
– unrated	26,740	24,775
Sub-total	237,730	227,583
Total	240,293	230,025

45 Risk Management (continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures as well as the market risk tolerance level recommended by senior management. The Group is primarily exposed to market risk in its treasury business. The Treasury Department is responsible for the Group's investments and proprietary trading business. The Planning and Finance Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Market Risk Management Division in the Treasury Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the main tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the main tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

45 Risk Management (continued)

(b) Market risk (continued)

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Planning and Finance Department of the Group is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

45 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

		30 June 2014					
	Effective interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.48%	340,394	14,502	325,892	–	–	–
Deposits with banks and other financial institutions	4.52%	66,052	–	65,652	400	–	–
Placements with banks and other financial institutions	5.87%	196,176	–	98,818	83,162	14,196	–
Financial assets held under resale agreements	6.35%	185,133	–	166,132	19,001	–	–
Loans and advances to customers (Note (ii))	6.31%	1,219,616	–	416,031	783,012	17,654	2,919
Investments (Note (iii))	5.10%	587,222	134	95,803	203,141	222,439	65,705
Others	–	74,985	38,742	28,922	5,517	1,804	–
Total assets	5.34%	2,669,578	53,378	1,197,250	1,094,233	256,093	68,624

(Expressed in millions of Renminbi, unless otherwise stated)

45 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) ***The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:*** (continued)

		30 June 2014					
	Effective interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities							
Deposits from banks and other financial institutions	5.32%	497,390	–	495,926	1,464	–	–
Placements from banks and other financial institutions	3.03%	40,368	21	25,146	15,201	–	–
Financial assets sold under repurchase agreements	3.38%	46,378	3	45,819	556	–	–
Deposits from customers	2.75%	1,796,282	5,064	1,154,174	419,886	217,039	119
Debt securities issued	4.24%	57,625	–	2,716	12,009	36,200	6,700
Others	–	66,304	57,918	4,390	3,852	144	–
Total liabilities	3.35%	2,504,347	63,006	1,728,171	452,968	253,383	6,819
Asset-liability gap	1.99%	165,231	(9,628)	(530,921)	641,265	2,710	61,805

45 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) ***The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:*** (continued)

		31 December 2013					
	Effective interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.49%	312,643	15,929	296,714	–	–	–
Deposits with banks and other financial institutions	3.40%	67,153	–	65,146	2,007	–	–
Placements with banks and other financial institutions	4.79%	124,291	–	57,444	61,253	5,594	–
Financial assets held under resale agreements	4.98%	169,182	–	149,983	19,199	–	–
Loans and advances to customers (Note (ii))	6.26%	1,142,138	–	743,882	372,231	22,667	3,358
Investments (Note (iii))	4.98%	493,057	159	35,236	151,929	227,050	78,683
Others	–	106,622	37,172	33,528	17,792	18,130	–
Total assets	5.10%	2,415,086	53,260	1,381,933	624,411	273,441	82,041

(Expressed in millions of Renminbi, unless otherwise stated)

45 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier: (continued)

		31 December 2013					
	Effective interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities							
Deposits from banks and other financial institutions	4.74%	438,604	–	435,125	3,479	–	–
Placements from banks and other financial institutions	2.47%	50,817	21	36,976	13,820	–	–
Financial assets sold under repurchase agreements	4.00%	63,164	3	56,257	6,904	–	–
Deposits from customers	2.51%	1,605,278	2,673	1,035,635	360,563	203,898	2,509
Debt securities issued	4.38%	42,247	–	–	5,547	30,000	6,700
Others	–	61,924	40,263	19,115	1,571	975	–
Total liabilities	3.14%	2,262,034	42,960	1,583,108	391,884	234,873	9,209
Asset-liability gap	1.96%	153,052	10,300	(201,175)	232,527	38,568	72,832

Note:

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB26,370 million as at 30 June 2014 (31 December 2013: RMB15,689 million). Overdue amounts represent loans for which the principal or interest is overdue one day or more.

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

45 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 30 June 2014, assuming other variables remain unchanged, an increase in estimated interest rate of one hundred basis points will cause the Group's net profit to decrease by RMB4,203 million (31 December 2013: RMB2,483 million), and equity to decrease by RMB7,176 million (31 December 2013: RMB5,253 million); a decrease in estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB4,211 million (31 December 2013: RMB2,488 million), and equity to increase by RMB7,359 million (31 December 2013: RMB5,428 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

– Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;

– At the end of the reporting period, an interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

(Expressed in millions of Renminbi, unless otherwise stated)

45 Risk Management (continued)

(b) Market risk (continued)

Foreign currency risk

The Group's foreign currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages foreign currency risk by spot and forward foreign exchange transactions, swap transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	30 June 2014			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	336,005	3,858	531	340,394
Deposits with banks and other financial institutions	58,130	5,890	2,032	66,052
Placements with banks and other financial institutions	190,769	5,383	24	196,176
Financial assets held under resale agreements	185,133	–	–	185,133
Loans and advances to customers	1,160,762	55,701	3,153	1,219,616
Investments (Note (i))	584,534	2,561	127	587,222
Others	72,914	1,210	861	74,985
Total assets	2,588,247	74,603	6,728	2,669,578
Liabilities				
Deposits from banks and other financial institutions	495,811	1,554	25	497,390
Placements from banks and other financial institutions	16,412	22,615	1,341	40,368
Financial assets sold under repurchase agreements	46,378	–	–	46,378
Deposits from customers	1,726,234	58,110	11,938	1,796,282
Debt securities issued	55,705	1,484	436	57,625
Others	62,951	3,220	133	66,304
Total liabilities	2,403,491	86,983	13,873	2,504,347
Net position	184,756	(12,380)	(7,145)	165,231
Off-balance sheet credit commitments	762,306	36,453	4,771	803,530
Derivative financial instruments (Note (ii))	(23,112)	15,493	7,668	49

45 Risk Management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

	31 December 2013			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	308,533	3,558	552	312,643
Deposits with banks and other financial institutions	48,978	16,322	1,853	67,153
Placements with banks and other financial institutions	119,547	2,398	2,346	124,291
Financial assets held under resale agreements	169,154	–	28	169,182
Loans and advances to customers	1,086,469	52,816	2,853	1,142,138
Investments (Note (i))	490,615	2,317	125	493,057
Others	97,555	392	8,675	106,622
Total assets	2,320,851	77,803	16,432	2,415,086
Liabilities				
Deposits from banks and other financial institutions	436,488	2,093	23	438,604
Placements from banks and other financial institutions	29,402	20,676	739	50,817
Financial assets sold under repurchase agreements	63,164	–	–	63,164
Deposits from customers	1,538,031	58,043	9,204	1,605,278
Debt securities issued	40,551	1,271	425	42,247
Others	54,285	7,639	–	61,924
Total liabilities	2,161,921	89,722	10,391	2,262,034
Net position	158,930	(11,919)	6,041	153,052
Off-balance sheet credit commitments	707,751	41,819	2,968	752,538
Derivative financial instruments (Note (ii))	(31,277)	21,862	8,490	(925)

Note:

(i) *Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.*

(ii) *Derivative financial instruments reflect the net notional amounts of derivatives.*

45 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 30 June 2014, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase both the Group's net profit and equity by RMB4 million (31 December 2013: RMB30 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease both the Group's net profit and equity by RMB4 million (31 December 2013: RMB30 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

– The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;

– The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;

– The exchange rates against RMB for the US dollars and HK dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;

– The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

– Other variables (including interest rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

45 Risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC, chaired by the President of the Bank, is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

– Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and

– Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Planning and Finance Department is responsible for executing liquidity risk management policies. It is also responsible for identifying, measuring, monitoring and managing medium- and long-term working capital on a regular basis, and for formulating liquidity management strategies. The Treasury Department is responsible for monitoring working capital on a daily basis and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies outlined above. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

(Expressed in millions of Renminbi, unless otherwise stated)

45 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	30 June 2014							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Asset								
Cash and deposits with the central bank	315,994	24,400	–	–	–	–	–	340,394
Deposit with banks and other financial institutions	–	18,674	1,436	21,855	23,380	707	–	66,052
Placement with banks and other financial institutions	–	100	59,968	38,750	83,162	14,196	–	196,176
Financial asset held under resale agreements	–	–	129,580	36,552	19,001	–	–	185,133
Loans and advances to customers	17,952	121,374	65,970	126,698	430,891	260,945	195,786	1,219,616
Investments (*)	6,257	–	6,188	74,893	202,795	157,014	140,075	587,222
Others	20,554	24	7,255	13,750	17,443	15,807	152	74,985
Total assets	360,757	164,572	270,397	312,498	776,672	448,669	336,013	2,669,578
Liabilities								
Deposits from banks and other financial institutions	–	127,803	185,058	115,405	53,793	15,331	–	497,390
Placements from banks and other financial institutions	–	21	11,705	13,441	15,201	–	–	40,368
Financial assets sold under repurchase agreements	–	3	44,840	979	556	–	–	46,378
Deposits from customers	–	722,182	206,090	209,012	420,387	238,492	119	1,796,282
Debt securities issued	–	–	214	2,502	2,009	46,200	6,700	57,625
Others	–	24,916	16,831	5,617	11,811	7,086	43	66,304
Total liabilities	–	874,925	464,738	346,956	503,757	307,109	6,862	2,504,347
Long/(Short) position	360,757	(710,353)	(194,341)	(34,458)	272,915	141,560	329,151	165,231
Notional amount of derivative financial instruments	–	–	39,192	96,589	37,633	42,229	843	216,486

45 Risk management (continued)

(c) Liquidity risk (continued)

	31 December 2013							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Asset								
Cash and deposits with the central bank	285,244	27,399	–	–	–	–	–	312,643
Deposit with banks and other financial institutions	–	17,647	13,217	23,855	5,807	6,627	–	67,153
Placement with banks and other financial institutions	–	–	32,944	24,500	61,253	5,594	–	124,291
Financial asset held under resale agreements	–	–	66,831	83,152	19,199	–	–	169,182
Loans and advances to customers	10,841	105,621	68,032	122,312	419,768	226,560	189,004	1,142,138
Investments (*)	99	–	4,211	23,616	146,801	237,363	80,967	493,057
Others	21,588	31	5,254	22,022	28,150	29,509	68	106,622
Total assets	317,772	150,698	190,489	299,457	680,978	505,653	270,039	2,415,086
Liabilities								
Deposits from banks and other financial institutions	–	92,554	172,259	74,867	91,034	7,890	–	438,604
Placements from banks and other financial institutions	–	21	24,995	11,981	13,820	–	–	50,817
Financial assets sold under repurchase agreements	–	3	3,523	52,734	6,904	–	–	63,164
Deposit from customers	–	630,456	187,239	194,660	360,563	229,351	3,009	1,605,278
Debt securities issued	–	–	–	3,000	2,547	30,000	6,700	42,247
Others	–	9,207	22,552	12,658	9,256	8,100	151	61,924
Total liabilities	–	732,241	410,568	349,900	484,124	275,341	9,860	2,262,034
Long/(Short) position	317,772	(581,543)	(220,079)	(50,443)	196,854	230,312	260,179	153,052
Notional amount of derivative financial instruments	–	–	55,588	38,945	79,310	49,857	2,207	225,907

* *Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.*

Notes to the Unaudited Condensed Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

45 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments at the end of the reporting period:

	30 June 2014							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	497,390	505,994	128,015	186,559	117,547	56,524	17,349	–
Placements from banks and other financial institutions	40,368	41,326	21	11,841	13,620	15,844	–	–
Financial assets sold under repurchase agreements	46,378	46,401	3	44,851	986	561	–	–
Deposits from customers	1,796,282	1,830,464	722,557	206,283	210,124	425,957	265,413	130
Debt securities issued	57,625	69,223	–	215	2,529	4,629	54,095	7,755
Other financial liabilities	38,294	38,672	20,491	12,079	1,860	4,084	158	–
Total non-derivative financial liabilities	2,476,337	2,532,080	871,087	461,828	346,666	507,599	337,015	7,885
Loan card commitments and credit card commitments		112,629	94,199	2,217	3,974	6,734	3,760	1,745

	31 December 2013							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	438,604	447,004	92,608	173,367	76,138	95,996	8,895	–
Placements from banks and other financial institutions	50,817	51,620	21	25,039	12,102	14,458	–	–
Financial assets sold under repurchase agreements	63,164	64,294	3	3,654	53,411	7,226	–	–
Deposits from customers	1,605,278	1,656,286	630,859	187,681	195,777	382,786	255,291	3,892
Debt securities issued	42,247	50,465	–	–	4,347	2,899	35,112	8,107
Other financial liabilities	38,510	38,925	8,599	18,141	9,460	1,650	1,075	–
Total non-derivative financial liabilities	2,238,620	2,308,594	732,090	407,882	351,235	505,015	300,373	11,999
Loan card commitments and credit card commitments		111,796	90,547	3,390	5,372	8,055	3,142	1,290

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

45 Risk management (continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

– A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;

– A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;

– A set of standard operational procedures covering all products and services, which is practical, traceable and can be re-performed, investigated and remedied;

– A series of operational risk management tools, including Risk Control Self-Assessment (RCSA), Key Risk Index (KRI), Loss Event Collection and IT system monitoring;

– An operational risk management culture, the core values of the culture is that effective risk management could create value. It is supported with a team of operational risk management professionals across all branches, businesses and functions;

– An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;

– An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and

– An independent risk assessment framework based on the internal audit and the compliance review.

46 Fair value

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. The fair values of unlisted equity investments are estimated using the applicable price/earning ratios of comparable listed companies, after adjustment for the specific circumstances of the issuers.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts is determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

46 Fair value (continued)

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers and debt securities classified as receivables are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale investments and held for trading investments are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Note 20, 21.

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, financial liabilities at fair value through profit or loss, deposits from customers and subordinated debts issued.

Financial liabilities at fair value through profit or loss are stated at fair value in the statements of financial position. The carrying amount and fair value of debts securities issued are disclosed in Note 34. The carrying amounts of other financial liabilities approximate their fair values.

46 Fair value (continued)

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes bonds and a majority of OTC derivative contracts. Input parameters like ChinaBond interbank yield curves or LIBOR yield curves are sourced from ChinaBond, Bloomberg and Shanghai Clearing House.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes complicated derivative contracts and structured deposits with one or more than one significant unobservable component.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

46 Fair value (continued)

(c) Fair value hierarchy (continued)

	30 June 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
– debt instruments	–	8,503	–	8,503
Financial assets designated at fair value through profit or loss	–	358	200	558
Positive fair value of derivatives				
– foreign currency derivatives	–	862	–	862
– interest rate derivatives	–	285	41	326
Available-for-sale financial assets				
– debt instruments	–	127,581	–	127,581
Total	–	137,589	241	137,830
Liabilities				
Deposits from customers				
Structured deposits designated at fair value through profit or loss	–	–	140,859	140,859
Negative fair value of derivatives				
– foreign currency derivatives	–	634	–	634
– interest rate derivatives	–	235	54	289
Total	–	869	140,913	141,782

(Expressed in millions of Renminbi, unless otherwise stated)

46 Fair value (continued)

(c) Fair value hierarchy (continued)

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
– debt instruments	–	12,256	–	12,256
Financial assets designated at fair value through profit or loss	–	–	234	234
Positive fair value of derivatives				
– foreign currency derivatives	–	915	–	915
– interest rate derivatives	–	879	76	955
Available-for-sale financial assets				
– debt instruments	–	111,849	–	111,849
Total	–	125,899	310	126,209
Liabilities				
Deposits from customers				
Structured deposits designated at fair value through profit or loss	–	–	126,274	126,274
Negative fair value of derivatives				
– foreign currency derivatives	–	1,570	–	1,570
– interest rate derivatives	–	809	86	895
Total	–	2,379	126,360	128,739

During the period/year ended 30 June 2014 and 31 December 2013, there were no significant transfers between instruments in Level 1 and Level 2.

46 Fair value (continued)

(c) Fair value hierarchy (continued)

The movement during the six months ended 30 June 2014 in the balance of Level 3 fair value measurements is as follows:

	Financial assets Designated at fair Value through Profit or loss	Derivative Financial Assets	Total	Non-derivative Financial Liabilities	Derivative Financial Liabilities	Total
1 January 2014	234	76	310	(126,274)	(86)	(126,360)
Total gains or losses:						
In profit or loss for the current period	4	(3)	1	53	(2)	51
Purchases	2	–	2	(93,692)	–	(93,692)
Settlements	(40)	(32)	(72)	79,054	34	79,088
30 June 2014	200	41	241	(140,859)	(54)	(140,913)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	3	(3)	–	47	(2)	45

(Expressed in millions of Renminbi, unless otherwise stated)

46 Fair value (continued)

(c) Fair value hierarchy (continued)

The movement during the year ended 31 December 2013 in the balance of Level 3 fair value measurements is as follows:

	Financial assets Designated at fair Value through Profit or loss	Derivative Financial Assets	Total	Non-derivative Financial Liabilities	Derivative Financial Liabilities	Total
1 January 2013	369	474	843	(42,617)	(569)	(43,186)
Total gains or losses:						
In profit or loss for the current year	(20)	(339)	(359)	(1,053)	449	(604)
Purchases	3	3	6	(124,509)	–	(124,509)
Settlements	(118)	(62)	(180)	41,905	34	41,939
31 December 2013	234	76	310	(126,274)	(86)	(126,360)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year	(19)	(336)	(355)	(1,748)	449	(1,299)

During the period/year 30 June 2014 and 31 December 2013, there were no significant transfers into or out of Level 3.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2014, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

47 Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustors and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position.

	30 June 2014	31 December 2013
Entrusted loans	64,522	61,690
Entrusted funds	64,522	61,690

48 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card limits, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertaking's 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.

	30 June 2014	31 December 2013
Loan commitments		
– Original contractual maturity within one year	9,037	9,994
– Original contractual maturity more than one year (inclusive)	31,001	27,721
Credit card commitments	72,591	63,131
Sub-total	112,629	100,846
Acceptances	498,059	469,996
Letters of guarantees	63,014	51,974
Letters of credit	129,643	129,361
Guarantees	185	361
Total	803,530	752,538

The Group may be exposed to credit risk in all the above credit businesses. Group management periodically assesses the credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(Expressed in millions of Renminbi, unless otherwise stated)

48 Commitments and contingent liabilities (continued)

(b) Credit risk-weighted amount

	30 June 2014	31 December 2013
Credit risk-weighted amount of credit commitments	329,643	319,225

The credit risk weighted amount represent to the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 150% for credit commitments.

(c) Operating lease commitments

As at the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	30 June 2014	31 December 2013
Within one year (inclusive)	1,770	1,712
After one year but within two years (inclusive)	1,703	1,571
After two years but within three years (inclusive)	1,635	1,510
After three years but within five years (inclusive)	2,787	2,776
After five years	3,285	3,126
Total	11,180	10,695

(d) Capital commitments

As at the balance sheet dates, the Group's authorised capital commitments are as follows:

	30 June 2014	31 December 2013
Contracted for		
– Purchase of property and equipment	393	1,194
Approved but not contracted for		
– Purchase of property and equipment	626	614
Total	1,019	1,808

48 Commitments and contingent liabilities (continued)

(e) Underwriting and redemption commitments

The Group has no unexpired commitments for underwriting bonds as at 30 June 2014.

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

The Group's redemption commitments are as follows:

	30 June 2014	31 December 2013
Redemption commitments	9,769	8,245

(f) Forward assets purchase and sale commitments

The Group has unexpired forward purchase and sale commitments as follows:

	30 June 2014	31 December 2013
Forward assets purchase and sale commitments	2,550	3,850

(g) Outstanding litigations and disputes

As at 30 June 2014, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB368 million (31 December 2013: RMB402 million). Provisions have been made for the estimated losses of such litigation based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

49 Subsequent Events

The Bank received a letter from China Everbright (Group) informing the Bank that its proposed restructuring (the "Restructuring Proposal") had been approved by the State Council of the PRC. According to the Restructuring Proposal, China Everbright (Group) will be transformed from a wholly state-owned enterprise to a joint stock company and will be renamed as "China Everbright Group Corporation". The new joint stock company will be jointly promoted and established by MOF and Huijin.

50 Comparative figures

Certain comparative figures have been adjusted to conform with changes in presentations in current period.

51 Immediate and ultimate parent

As at 30 June, 2014, the directors consider the immediate and ultimate parents of the Group are Huijin and CIC.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

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

1 Liquidity ratios

	As at 30 June 2014	Average for the period ended 30 June 2014	As at 30 June 2013	Average for the year ended 31 December 2013
RMB current assets to RMB current liabilities	45.23%	39.95%	33.12%	29.52%
Foreign currency current assets to foreign currency current liabilities	42.39%	31.87%	59.65%	43.82%

The above liquidity ratios were calculated in accordance with the formulas promulgated by the China Banking Regulatory Commission (the "CBRC").

2 Currency concentrations

	30 June 2014			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	74,603	3,782	2,946	81,331
Spot liabilities	(86,983)	(9,803)	(4,070)	(100,856)
Forward purchases	79,816	8,114	8,174	96,104
Forward sales	(64,323)	(93)	(8,527)	(72,943)
Net long position	3,113	2,000	(1,477)	3,636
Net structural position	11	13	–	24

	31 December 2013			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	77,803	12,186	4,246	94,235
Spot liabilities	(89,722)	(5,863)	(4,528)	(100,113)
Forward purchases	85,971	6,209	3,481	95,661
Forward sales	(64,327)	(219)	(982)	(65,528)
Net long position	9,725	12,313	2,217	24,255
Net structural position	11	15	–	26

The net structural position of the Group includes the structural positions, denominated in foreign currency, of the Bank's Hong Kong branch. Structural assets mainly include fixed assets.

(Expressed in millions of Renminbi, unless otherwise stated)

3 Cross-border claims

The group is principally engaged in business operations within mainland China. All claims to third parties outside mainland China are considered cross-border claims.

For the purpose of this unaudited supplementary finance 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 to customers, deposits and placements with banks and other finance institutions, and holdings of trade bills, 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.

"Others" includes transactions with sovereign counterparties.

	30 June 2014			
	Banks and other finance institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	3,493	–	5,503	8,996
– of which attributed to Hong Kong	3,189	–	5,027	8,216
Europe	1,187	–	1,618	2,805
North and South America	2,070	–	148	2,218
	6,750	–	7,269	14,019

	31 December 2013			
	Banks and other finance institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	5,081	–	3,982	9,063
– of which attributed to Hong Kong	4,772	–	3,222	7,994
Europe	1,101	–	1,546	2,647
North and South America	1,608	–	322	1,930
	7,790	–	5,850	13,640

4 Gross amount of overdue loans and advances

(a) By geographical segments

	30 June 2014	31 December 2013
Yangtze River Delta	5,213	3,314
Central	2,406	1,038
Bohai Rim	2,248	988
Head Office	1,704	1,408
Pearl River Delta	1,512	984
Western	944	527
Northeastern	529	247
Total	14,556	8,506

(b) By overdue days

	30 June 2014	31 December 2013
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	5,769	2,166
– between 6 months and 1 year (inclusive)	4,885	3,436
– over 1 year	3,902	2,904
Total	14,556	8,506
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.46%	0.19%
– between 6 months and 1 year (inclusive)	0.40%	0.29%
– over 1 year	0.31%	0.25%
Total	1.17%	0.73%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

4 Gross amount of overdue loans and advances (continued)

As at 30 June 2014, the amounts of RMB 11,702 million (31 December 2013: RMB 6,220 million) and RMB 2,854 million (31 December 2013: RMB 2,286 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 and advances were RMB 2,835 million and RMB 8,867 million respectively (31 December 2013: RMB 1,555 million and RMB4,665million respectively). The fair value of collateral held against these individually assessed loans and advances was RMB 2,835 million (31 December 2013: RMB 1,555 million). The fair value of collateral 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. The impairment allowances made against these individually assessed loans and advances were RMB 4,461 million (31 December 2013: RMB 2,912 million).

5 Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. As at 30 June 2014, substantial amounts of the Group's exposures arose from businesses with mainland China entities or individuals.

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