中国建设银行
China Construction Bank

Half-Year Report 2014

China Construction Bank Corporation

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

Stock Code: 939

Contents

Definitions

In this half-year report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Bank"	China Construction Bank Corporation
"Baosteel Group"	Baosteel Group Corporation
"Board"	Board of directors
"Basis Point"	Measurement unit of changes in interest rate or exchange rate, equivalent to 1% of one percentage point
"CBRC"	China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Dubai"	China Construction Bank (Dubai) Limited
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Corporation Limited
"CCB Futures"	CCB Futures Co., Ltd.
"CCB International"	CCB International (Holdings) Limited
"CCB Life"	CCB Life Insurance Company Limited
"CCB London"	China Construction Bank (London) Limited
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited Liability Company
"CCB Trust"	CCB Trust Co., Limited
"CIC"	China Investment Corporation
"Company Law"	The Company Law of the People's Republic of China
"Cost Advisory Service"	The professional advisory services, provided by the project cost advisory agency when entrusted, on the investment of construction projects and the determination and control of project cost
"CSRC"	China Securities Regulatory Commission
"Financial Services for Housing Reform"	A general term for credit activities of money collection, financing, etc., in connection with the reform of housing system
"Group", "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd.
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOF"	Ministry of Finance of the People's Republic of China
"PBOC"	People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* promulgated by the MOF on 15 February 2006 and other relevant requirements
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Grid"	State Grid Corporation of China
"Temasek"	Temasek Holdings (Private) Limited
"Yangtze Power"	China Yangtze Power Co., Limited

Financial Highlights

The financial information set forth in this half-year report is prepared on a consolidated basis in accordance with the IFRS, and expressed in RMB unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013	Six months ended 30 June 2012
For the period			
Net interest income	**211,292**	187,660	169,692
Net fee and commission income	**60,180**	55,524	49,243
Operating income	**276,727**	252,307	227,812
Profit before tax	**169,516**	155,189	138,512
Net profit	**130,970**	119,964	106,494
Net profit attributable to equity shareholders of the Bank	**130,662**	119,711	106,283
Per share (in RMB)			
Basic and diluted earnings per share	**0.52**	0.48	0.43
Profitability indicators (%)			
Annualised return on average assets[1]	**1.65**	1.66	1.65
Annualised return on average equity	**22.97**	23.90	24.56
Net interest spread	**2.62**	2.54	2.53
Net interest margin	**2.80**	2.71	2.71
Net fee and commission income to operating income	**21.75**	22.01	21.62
Cost-to-income ratio[2]	**24.18**	24.63	25.28
Loan-to-deposit ratio	**70.93**	66.63	64.54

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then listed in annualised figures.

2. Operating expenses (after deductions of business taxes and surcharges) divided by operating income.

(Expressed in millions of RMB unless otherwise stated)	**As at 30 June 2014**	As at 31 December 2013	As at 31 December 2012
As at the end of the period			
Gross loans and advances to customers	**9,190,601**	8,590,057	7,512,312
Allowances for impairment losses on loans	**(238,090)**	(228,696)	(202,433)
Total assets	**16,399,790**	15,363,210	13,972,828
Deposits from customers	**12,956,956**	12,223,037	11,343,079
Total liabilities	**15,252,778**	14,288,881	13,023,283
Total equity attributable to equity shareholders of the Bank	**1,137,914**	1,065,951	941,668
Qualifying common share capital	**250,011**	250,011	250,011
Total capital after deductions[1]	**1,404,637**	1,316,724	1,093,365
Risk-weighted assets[1]	**10,109,495**	9,872,790	7,637,705
Per share (in RMB)			
Net assets per share	**4.59**	4.30	3.80
Capital adequacy indicators (%)			
Common Equity Tier 1 ratio[1,2]	**11.21**	10.75	11.32
Tier 1 ratio[1]	**11.21**	10.75	N/A
Total capital ratio[1]	**13.89**	13.34	14.32
Total equity to total assets	**6.99**	6.99	6.80
Asset quality indicators (%)			
Non-performing loan ratio	**1.04**	0.99	0.99
Allowances to non-performing loans	**248.87**	268.22	271.29
Allowances to total loans	**2.59**	2.66	2.69

1. In accordance with the regulatory requirements, the advanced measurement approach for capital management has been adopted to calculate the ratios, and the regulations during the transition period have been applicable to the calculation of ratios since the second quarter of 2014. At the end of 2013, the ratios were calculated in accordance with the relevant regulations of the *Measures for Capital Management of Commercial Banks (Trial)*. At the end of 2012, the ratios were calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*.

2. At the end of 2012, Common Equity Tier 1 ratio listed was calculated in accordance with the relevant regulations of the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks* issued by the CBRC.

Corporate Information

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司(abbreviated as "中國建設銀行")
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION(abbreviated as "CCB")
Legal representative	Wang Hongzhang
Authorised representatives Note	Zhang Jianguo
	Cheng Pui Ling, Cathy
Secretary to the Board	Chen Caihong
Representative of securities affairs	Xu Manxia
Company secretary Note	Cheng Pui Ling, Cathy
Qualified accountant	Yuen Yiu Leung
Registered address, office address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Internet website	www.ccb.com
Email address	ir@ccb.com
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Newspapers for information disclosure	*China Securities Journal* and *Shanghai Securities News*
Website of the Shanghai Stock Exchange for publishing the half-year report prepared in accordance with PRC GAAP	www.sse.com.cn
"HKExnews" website of Hong Kong Stock Exchange for publishing the half-year report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this half-year report are kept	Board of Directors Office of the Bank
Contact Information	Address: No. 25, Financial Street, Xicheng District, Beijing Telephone: 86-10-66215533 Facsimile: 86-10-66218888
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939
	H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939
Date and place of initial registration	17 September 2004 State Administration for Industry & Commerce of the People's Republic of China (Please refer to the H-share Global Offering Prospectus issued by the Bank on Hong Kong Stock Exchange on 14 October 2005 and the A-share Prospectus issued by the Bank on the Shanghai Stock Exchange on 11 September 2007 for more information.)

Note: Mr. Ma Chan-Chi has been appointed as the company secretary and authorised representative of the Bank with effect from 29 August 2014; from and on the even date, Ms. Cathy Pui Ling Cheng no longer performed her duty as the company secretary and authorised representative of the Bank. For details, please refer to the Bank's announcement on the resolutions of the meeting of the board of directors and announcement on change of company secretary, authorised representative and agent for the service of process in Hong Kong dated 29 August 2014.

Date and place of registration change	8 May 2013 State Administration for Industry & Commerce of the People's Republic of China
Registration number of the corporate legal person business licence	100000000039122
Organisation code	10000444-7
Financial licence institution number	B0004H111000001
Taxation registration number	京税證字 110102100004447
Certified public accountants	PricewaterhouseCoopers Zhong Tian LLP Address: 11/F, PricewaterhouseCoopers Centre, 202 Hu Bin Road, Shanghai Signing accountants: Zhu Yu and Wang Wei PricewaterhouseCoopers Address: 22/F, Prince's Building, Central, Hong Kong
Legal advisor as to PRC laws	Haiwen & Partners Address: 20/F, Fortune Financial Centre, 5 Dong San Huan Central Road, Chaoyang District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Chairman's Statement

Dear shareholders,

Faced with a complex external situation and fierce competition, the Group continued to serve the real economy, focusing on deepening reform, reinforcing fundamental management and promoting business transformation and development, and achieved favourable operating results: In the first half of 2014, the Group's total assets exceeded RMB16 trillion. Net profit amounted to RMB130,970 million, an increase of 9.17% over the same period last year. The annualised return on average assets and the annualised return on average equity were 1.65% and 22.97%, respectively. Net interest margin (NIM) was 2.80%. Total capital ratio and common equity tier one ratio grew respectively to 13.89% and 11.21% after the implementation of the advanced measurement approach for capital management. Our key financial indicators continued to be in the leading position among peers.

We actively supported the real economy and strengthened credit structural adjustment. The Group allocated resources to promote economic development and industrial upgrading. Loans were primarily granted to support key areas and major projects for the national economic development. The loan increase in infrastructure sectors accounted for 47.26% of the increase of corporate loans. The Group actively supported the development of small and micro businesses, "agriculture, farmers and rural areas" and people's livelihood sectors. In this regard, a total of RMB494,277 million was granted to 96.5 thousand small and micro businesses. Agriculture-related loans rose by RMB80,740 million. Loan balance in people's livelihood sectors reached RMB238,776 million due to the promotion of the comprehensive financial services scheme branded as "Minben Tongda", and loan balance for indemnificatory housing projects amounted to RMB81,161 million due to the expansion of financing channels. Meanwhile, the Group seized the opportunity of economic restructuring to promote the credit structural adjustment. The increase of domestic retail loans accounted for 53.88% of total incremental domestic loans. Of this amount, residential mortgages increased by RMB202,164 million to RMB2,082,383 million, ranking first among peers in terms of both the increase and balance of loans. Loans to the five industries with severe excess capacity, including iron and steel, cement, electrolytic aluminium, plate glass as well as shipbuilding sector, dropped by RMB6,126 million, and loans to local government financing vehicles fell by RMB9,274 million over the end of last year, contributing to the further optimisation of customer mix.

We achieved success in the risk and credit system reform, and maintained stable asset quality. After completing the reform and transformation in risk management system, credit mechanisms and approval processes last year, the credit processes were separated in accordance with different loan granting stages of pre-lending investigation, credit approval and post-lending management, contributing to clear segregation of duties and overall risk prevention and control. Credit approval capability was intensified through group credit granting, comprehensive credit granting and global credit granting to meet comprehensive financial needs of customers. As a result, the Group's loan approval process is functioning efficiently, risk management has become more responsive to the market, and integrated credit approval cycle is greatly shortened, effectively improving customer experience. Confronted with many uncertainties in economic restructuring, the Group began a "Year of Credit Risk Prevention and Control", to strengthen risk investigation and potential risk elimination in advance. The Group mitigated significant risks under the direct leadership of senior management and enhanced the disposal of NPLs. As a result, credit asset quality remained stable. As at 30 June 2014, the Group's NPL ratio was 1.04%, and the ratio of allowances for impairment losses to NPLs was 248.87%.

We continuously reinforced business foundation with enhanced operating capability and development potential. Customer base was further consolidated. In the first half of the year, effective corporate customers and those with their basic settlement accounts in the bank increased by 71.8 thousand and 259.6 thousand, respectively; personal customers rose by 9.21 million. Focusing on management and services of customer's total funds, the Group established working mechanism of circulating customer's funds within the Bank to raise the fund receipt rate. The Group implemented effective product innovation, achieved faster response to customer needs, and completed 357 product innovation projects. The development of our "New Generation Core Banking System" further advanced. Phase I Projects were successfully accomplished, and Phase II projects were carried forward in batches. With further implementation of "three integrations" at outlets, integrated outlets totalled 13.1 thousand, the proportion of integrated tellers reached 73%, and the number of integrated marketing teams amounted to 13.5 thousand. Some branches began to explore the transformation from functional outlets to intelligent ones in an active manner. With the separation between the bank counters and back offices, the Group achieved centralised processing at the head office of 28 categories of over-the-counter real-time businesses for all outlets.

We continued to promote integrated operation, and maintained good development momentum in strategic businesses. A new member, Shanghai Liangmao Futures Brokerage Co., Ltd. was admitted to the Group's integrated operation platform in the first half of the year. The Group's subsidiaries maintained strong development momentum with steadily expanding business. Key business indicators of CCB Life and CCB International ranked first respectively among Chinese bank-affiliated subsidiaries. The Group made considerable progress in multifunctional transformation, and rapid development in various strategic businesses. The number of credit card customers reached 50.20 million, and the number of credit cards issued exceeded 60 million, with the increase in customers and cards issued, and the number of transactions leading the market. The underwriting volume of debt securities recorded RMB202,833 million, ranking first among peers for the third consecutive year. The increase in pension assets under trusteeship enjoyed the largest market share among peers. The increase in the number of securities investments funds under custody ranked first among peers, and it became one of the first Chinese-funded custodial banks of RMB Qualified Foreign Institutional Investor (RQFII) from Singapore. The ratio of the number of accounting transactions through electronic banking and self-service channels to the total number of accounting transactions through various channels was 86.55%. The number of personal online banking customers and mobile phone banking customers reached 164 million and 131 million respectively.

We made steady progress in the expansion of overseas network and major breakthroughs in international business development. In the first half of this year, the Group made positive progress in the expansion of overseas network. Macau Branch officially opened; Toronto Branch and the subsidiary bank in New Zealand obtained licenses; active efforts were made for the establishment of Chile Branch, London Branch and four other branches affiliated to CCB Europe. International businesses developed rapidly with breakthroughs in key areas: Cross-border RMB settlement volume totalled RMB710,639 million, a year-on-year increase of 79.85%; the Bank was designated as the London RMB clearing bank, the first time to be nominated as an overseas RMB clearing bank. The Group actively supported financial reform and innovation in free trade zones and border areas. It took the lead in establishing a sub-branch in Khorgas, Xinjiang, became one of the first pilot banks in Shanghai Free Trade Zone, and set up cross-Strait RMB clearing centre in Xiamen and China-ASEAN cross-border RMB business centre in Guangxi respectively to pilot cross-border RMB financial services. RMB bonds totalling 1.5 billion were successfully issued in Frankfurt market.

In the first half of 2014, the Group's strong performance won wide recognition from the market and community. We received over 40 accolades from renowned organisations at home and abroad, including second place in the "Top 1000 World Banks" published by *The Banker* in terms of total tier-one capital, advancing by three places over last year; the second place in "Global 2000" published by *Forbes*; and the 38th place in "Fortune Global 500" published by *Fortune*, advancing by 12 places over last year.

In the second half of 2014, the global economic recovery still has considerable uncertainties. The domestic economy is experiencing a "shifting period" of growth rate, intertwined cyclical and structural factors, and slack economic driving forces. In celebration of the forthcoming 60th anniversary of China Construction Bank, the Group will continue to deepen reform, accelerate business transformation and development, proactively adjust structure, and enhance business innovation and intelligent system, so as to improve integrated operation and multi-functional services. We are striving to reward the trust and support from shareholders, customers and the wide business community with good business performance, and make all efforts to build the Bank with the strongest value creation capacity.

Wang Hongzhang
Chairman

29 August 2014

President's Report

Dear shareholders,

In the first half of 2014, against the backdrop of complex economic situations at home and abroad, the Group persisted in stable development, and maintained a good development momentum for various businesses by continuously pushing forward structural adjustment, strengthening risk prevention and control and reinforcing operating foundation.

Good business performance

In the first half of 2014, the Group's profit before tax reached RMB169,516 million, a year-on-year increase of 9.23%. Net profit rose by 9.17% year-on-year to RMB130,970 million. Operating income increased by 9.68% year-on-year to RMB276,727 million. In this amount, net interest income increased by 12.59%, and net interest margin (NIM) was 2.80%. Net fee and commission income increased by 8.39%, accounting for 21.75% of the operating income. Cost-to-income ratio fell by 0.45 percentage points to 24.18% over the same period last year. The total capital ratio and common equity tier one ratio were 13.89% and 11.21% respectively, maintaining a leading position among peers.

Steady development of various businesses

We kept steady growth in assets and liabilities. At the end of June, the Group's total assets reached RMB16,399,790 million, an increase of 6.75% over the end of last year. In this amount, gross loans and advances to customers increased by 6.99% to RMB9,190,601 million. Total liabilities rose by 6.75% over the end of last year to RMB15,252,778 million. In this amount, total deposits from customers grew by 6.00% to RMB12,956,956 million.

We persisted in supporting the real economy and promoted credit structural adjustment. The Group supported key national projects under construction or expansion. Loans to infrastructure sectors increased by RMB147,818 million over the end of last year, accounting for 47.26% of the increase in corporate loans. The Group strived to meet the loan demands of small and micro enterprises. Loans to small and micro businesses increased by 8.02% over the end of 2013, 1.03 percentage points higher than the average growth rate of various loans. The Group supported housing demands in livelihood sectors, and residential mortgages increased by RMB202,164 million, or 10.75% over the end of last year.

We maintained fast development in strategic businesses. At the end of June, the number of private banking customers and the total amount of their financial assets increased by 10.48% and 11.18% respectively. Underwriting volume of debt securities recorded RMB202,833 million, ranking first among peers for three consecutive years. The personal pension accounts in operation totalled 3.58 million, with the increase of accounts leading the market. Insurance assets under custody grew by RMB144,567 million over the end of last year, with the increase ranking first in the market. Cross-border RMB settlement volume totalled RMB710,639 million, an increase of 79.85% year-on-year.

Solid and effective risk management and control

We proactively responded to challenges from external environment, centrally strategized risk identification, assessment, mitigation, disposal and system building at the Group level, and strengthened the overall risk management in terms of on and off-balance sheet businesses, domestic and overseas businesses, RMB and foreign currency businesses, and parent company and subsidiaries. The Group reinforced risk inspection for key industries, regions, customers and products, and both loans to industries with severe excess capacity and local government financing vehicle loans decreased over the end of 2013. At the end of June, the Group's non-performing loan (NPL) ratio was 1.04%, up 0.05 percentage points over the end of last year. The ratio of allowances for impairment losses to NPLs was 248.87%, maintaining at a high level among its peers. Liquidity reserve was adequate, and reserve ratio was kept at a reasonable level.

We actively promoted the implementation and application of advanced measurement approach for capital management. In April, the Bank was officially approved by the CBRC to implement the advanced measurement approach for capital management, being among the first batch of banks to implement the advanced measurement approach. By taking this opportunity, the Group will further upgrade the advanced measurement approach to meet required standards by optimising capital model and parameters, and promote the use of measurement results in business management.

Reinforced fundamental structure

We consolidated customer base. At the end of June, the number of the Bank's corporate and institutional customers increased by 203.5 thousand, or 6.64%, to 3,268.9 thousand over the end of last year. The number of personal customers increased by 9.21 million, or 3.17%, to nearly 300 million. The number of online banking customers and mobile phone banking customers increased by 9.23% to 167 million and by 12.56% to 131 million respectively over the end of last year.

We upgraded the deployment of business channels. At the end of June, the Bank had a total of 14,707 operating outlets nationwide, with expanded service coverage. Self-service equipment totalled 72,128, an increase of 3,115 over the end of last year. The ratio of the number of accounting transactions through electronic banking and self-service channels to the total number of accounting transactions through various channels was 86.55%, an increase of 1.15 percentage points over the end of last year.

We made steady progress in the expansion of overseas network and collaboration between parent company and subsidiaries. In the first half of the year, Macau Branch officially opened and Toronto Branch obtained its license. A subsidiary bank was registered and established in New Zealand upon approval in July. In addition, active efforts were made for the establishment of Chile Branch, London Branch and four other branches affiliated to CCB Europe, and CCB London was designated as the London offshore RMB clearing bank. With vigorously enhanced business collaboration between parent company and subsidiaries in terms of customers, products and channels, business development of subsidiaries accelerated.

Business transformation driven by innovation and technology

We continuously improved the capability of product innovation. In the first half of the year, the Bank completed 357 product innovation projects, an increase of 60 over the same period last year. In this regard, intellectual property rights and shares of unlisted companies were regarded as acceptable collateral for development loans to technology enterprises for the first time. As the first comprehensive management product designed for supplementary medical fund among large state-owned commercial banks, "Yangyiwuyou" provided enterprise and institutional customers with value-added services such as consultancy under trusteeship, account information management and pension card.

The "New Generation Core Banking System" gradually produced the desirable effects. The 13 Phase I projects of the "New Generation Core Banking System" were all launched and put into operation, completing service and channel migration for 340 thousand corporate cash management customers, 190 thousand collection and payment entities under custody and 2.52 million corporate online banking customers. The 34 Phase II projects of the "New Generation Core Banking System" were launched in full swing, releasing 18 functions of nine projects such as customer channel and employee channel in advance, and providing strong support for business transformation.

Prospects

In the second half of 2014, the economic and financial situations both at home and abroad will remain complex. The banking industry will be faced with severe challenges brought by the "Overlap of Three Periods", namely "the shifting period of economic growth rate, the suffering period of economic structural adjustment and the digesting period of previous economic stimulus policies", and the accelerated reform process of interest rate and exchange rate liberalisation. Adhering to the development strategy featuring "integration, multifunction and intensiveness", the Group will accelerate business transformation and strengthen risk prevention and control to ensure sound business development.

Lastly, I would like to sincerely thank the Board and the board of supervisors for their tremendous support, as well as our customers for their trust and our staff for their great dedication.

Zhang Jianguo
Vice chairman, executive director and president

29 August 2014

Financial Review

In the first half of 2014, the global economy continued its moderate recovery. The US Federal Reserve accelerated exit from quantitative easing, the European Central Bank introduced a negative interest rate, the Bank of Japan (BOJ) continued its easy monetary policy, and emerging economies were faced with increasing capital inflow. China's economy developed steadily as a whole, with improved economic structure. In the first half of the year, China's GDP reached RMB26.9 trillion, a year-on-year growth of 7.4%, and the consumer price index increased by 2.3% over the same period last year.

The Group closely monitored the trend of national economy and changes in regulatory requirements, persisted in sound development, deepened strategic transformation and structural adjustment, and strengthened risk prevention and control, maintaining a good momentum in business development.

Statement of Comprehensive Income Analysis

In the first half of 2014, the Group recorded a profit before tax of RMB169,516 million, up 9.23% over the same period last year. Net profit was RMB130,970 million, up 9.17% over the same period last year. The steady growth of the Group's profitability was mainly due to the following factors: First, the interest-earning assets increased moderately, with a steady rise in net interest margin, pushing up net interest income by RMB23,632 million, or 12.59% compared to the same period in 2013. Second, the Group actively conducted service and product innovation. Net fee and commission income increased by RMB4,656 million, or 8.39% over the same period last year, as a result of structural adjustment. Third, the Group further improved its cost management and optimised its expenses structure. Cost-to-income ratio fell by 0.45 percentage points to 24.18% compared with the same period last year.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2014**	Six months ended 30 June 2013	Change (%)
Net interest income	**211,292**	187,660	12.59
Net non-interest income	**65,435**	64,647	1.22
– Net fee and commission income	**60,180**	55,524	8.39
Operating income	**276,727**	252,307	9.68
Operating expenses	**(84,139)**	(81,067)	3.79
Impairment losses	**(23,122)**	(16,054)	44.03
Share of profits less losses of associates and joint ventures	**50**	3	1,566.67
Profit before tax	**169,516**	155,189	9.23
Income tax expense	**(38,546)**	(35,225)	9.43
Net profit	**130,970**	119,964	9.17
Other comprehensive income for the period, net of tax	**16,441**	(2,038)	(906.72)
Total comprehensive income for the period	**147,411**	117,926	25.00

Net interest income

In the first half of 2014, the Group's net interest income was RMB211,292 million, an increase of RMB23,632 million, or 12.59%, over the same period last year. The net interest income accounted for 76.35% of the operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2014** Average balance	Interest income/ expense	Annualised average yield/cost (%)	Six months ended 30 June 2013 Average balance	Interest income/ expense	Annualised average yield/cost (%)
Assets						
Gross loans and advances to customers	**8,889,177**	**256,818**	**5.83**	7,841,914	227,120	5.84
Investments in debt securities	**3,098,388**	**61,821**	**4.03**	2,856,667	51,850	3.66
Deposits with central banks	**2,482,605**	**19,090**	**1.55**	2,392,241	18,413	1.55
Deposits and placements with banks and non-bank financial institutions	**540,148**	**12,497**	**4.66**	695,709	12,375	3.59
Financial assets held under resale agreements	**233,312**	**6,247**	**5.40**	176,642	3,589	4.10
Total interest-earning assets	**15,243,630**	**356,473**	**4.72**	13,963,173	313,347	4.52
Total allowances for impairment losses	**(242,119)**			(217,705)		
Non-interest-earning assets	**523,820**			427,384		
Total assets	**15,525,331**	**356,473**		14,172,852	313,347	
Liabilities						
Deposits from customers	**12,086,081**	**113,942**	**1.90**	11,537,567	109,018	1.91
Deposits and placements from banks and non-bank financial institutions	**1,422,684**	**24,976**	**3.55**	892,167	10,632	2.40
Financial assets sold under repurchase agreements	**9,445**	**82**	**1.75**	30,487	575	3.80
Debt securities issued	**385,045**	**5,801**	**3.05**	283,301	4,958	3.53
Other interest-bearing liabilities	**28,745**	**380**	**2.67**	33,705	504	3.01
Total interest-bearing liabilities	**13,932,000**	**145,181**	**2.10**	12,777,227	125,687	1.98
Non-interest-bearing liabilities	**932,879**			382,652		
Total liabilities	**14,864,879**	**145,181**		13,159,879	125,687	
Net interest income		**211,292**			187,660	
Net interest spread			**2.62**			2.54
Net interest margin			**2.80**			2.71

In the first half of 2014, the Group actively responded to challenges and opportunities arising from interest rate liberalisation by constantly improving the pricing capability, optimising its asset and liability structure and adjusting credit structure and customer mix, which positively counteracted the negative impacts of interest rate liberalisation. As a result, the net interest margin rose to 2.80%.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for the first half of 2014 versus that of 2013.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	30,170	(472)	29,698
Investments in debt securities	4,522	5,449	9,971
Deposits with central banks	646	31	677
Deposits and placements with banks and non-bank financial institutions	(3,110)	3,232	122
Financial assets held under resale agreements	1,335	1,323	2,658
Change in interest income	33,563	9,563	43,126
Liabilities			
Deposits from customers	5,674	(750)	4,924
Deposits and placements from banks and non-bank financial institutions	7,945	6,399	14,344
Financial assets sold under repurchase agreements	(277)	(216)	(493)
Debt securities issued	1,595	(752)	843
Other interest-bearing liabilities	(69)	(55)	(124)
Change in interest expense	14,868	4,626	19,494
Change in net interest income	18,695	4,937	23,632

1. Change caused by both average balances and average interest rates was allocated to volume factor and interest rate factor respectively based on the respective proportions of the volume factor and interest rate factor in terms of absolute values.

Net interest income increased by RMB23,632 million over the same period last year. In this amount, an increase of RMB18,695 million was due to the movement of average balances of assets and liabilities, and an increase of RMB4,937 million was due to the movement of average yields or costs.

Interest income

In the first half of 2014, the Group's interest income was RMB356,473 million, an increase of RMB43,126 million, or 13.76%, over the same period of 2013. In this amount, the proportions of interest income from loans and advances to customers, investments in debt securities, deposits with central banks, deposits and placements with banks and non-bank financial institutions were 72.04%, 17.34%, 5.36% and 3.51% respectively.

Interest income from loans and advances to customers

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

	Six months ended 30 June 2014			Six months ended 30 June 2013		
(In millions of RMB, except percentages)	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans and advances	**5,575,330**	**169,807**	**6.14**	5,057,334	154,853	6.17
Short-term loans	**2,022,885**	**59,675**	**5.95**	1,785,299	52,928	5.98
Medium to long-term loans	**3,552,445**	**110,132**	**6.25**	3,272,035	101,925	6.28
Personal loans and advances	**2,561,433**	**74,237**	**5.80**	2,127,044	61,169	5.75
Discounted bills	**96,405**	**3,291**	**6.88**	144,625	3,737	5.21
Overseas operations and subsidiaries	**656,009**	**9,483**	**2.92**	512,911	7,361	2.89
Gross loans and advances to customers	**8,889,177**	**256,818**	**5.83**	7,841,914	227,120	5.84

Interest income from loans and advances to customers rose by RMB29,698 million, or 13.08% year-on-year, to RMB256,818 million, mainly because the average balance of loans and advances to customers increased by 13.35% year-on-year. The Group actively adjusted credit structure by increasing loans to retail trade and enhanced pricing management. The interest rate for newly granted loans maintained at a good level, and the average yield of loans and advances to customers was roughly equal to that of the same period last year.

Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB9,971 million, or 19.23%, to RMB61,821 million over the same period last year. This was mainly because the average yield of investments in debt securities increased by 37 basis points over the same period last year, due to the optimisation of investment portfolios in RMB debt securities and increased investments in debt securities by seizing favourable market opportunities. In addition, the average balance of investments in debt securities increased by 8.46% year-on-year.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB19,090 million, an increase of RMB677 million, or 3.68% over the same period last year. This was mainly because the average balance of deposits with central banks increased by 3.78% year-on-year. In addition, the amount of excess reserve was kept at a reasonable level, and the average yield roughly remained unchanged compared to that of the same period last year.

Interest income from deposits and placements with banks and non-bank financial institutions

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB122 million to RMB12,497 million, a year-on-year increase of 0.99%. This was primarily because the average yield of deposits and placements with banks and non-bank financial institutions increased by 107 basis points over the same period in 2013, which was partly offset by the decrease in average balance.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements increased by RMB2,658 million, or 74.06% year-on-year, to RMB6,247 million. This was mainly because the average balance of financial assets held under resale agreements increased by 32.08%, and the average yield increased by 130 basis points over the same period of 2013, due to enhanced centralised fund operation.

Interest expense

In the first half of 2014, the Group's interest expense was RMB145,181 million, a year-on-year increase of RMB19,494 million, or 15.51%.

Interest expense on deposits from customers

The following table sets forth the average balance, interest expense and average cost of each component of the Group's deposits from customers during the respective periods.

	Six months ended 30 June 2014			Six months ended 30 June 2013		
(In millions of RMB, except percentages)	**Average balance**	**Interest expense**	**Average cost (%)**	Average balance	Interest expense	Average cost (%)
Corporate deposits	**6,214,771**	**55,888**	**1.81**	5,929,795	52,881	1.80
Demand deposits	**3,676,242**	**13,601**	**0.75**	3,507,945	12,365	0.71
Time deposits	**2,538,529**	**42,287**	**3.34**	2,421,850	40,516	3.37
Personal deposits	**5,567,911**	**55,265**	**2.00**	5,399,359	54,846	2.05
Demand deposits	**2,422,319**	**4,456**	**0.36**	2,237,182	3,971	0.36
Time deposits	**3,145,592**	**50,809**	**3.24**	3,162,177	50,875	3.24
Overseas operations and subsidiaries	**303,399**	**2,789**	**1.86**	208,413	1,291	1.25
Total deposits from customers	**12,086,081**	**113,942**	**1.90**	11,537,567	109,018	1.91

Interest expense on deposits from customers amounted to RMB113,942 million, representing an increase of RMB4,924 million, or 4.52%, over the same period of 2013, mainly because the average balance of deposits from customers rose by 4.75% year-on-year. From the second half of last year, the Bank designated the newly issued principal-guaranteed wealth management products as financial liabilities at fair value through profit or loss, which pushed down the growth rate and cost of deposit balance to some extent.

Interest expense on deposits and placements from banks and non-bank financial institutions

Interest expense on deposits and placements from banks and non-bank financial institutions reached RMB24,976 million, an increase of RMB14,344 million, or 134.91%, over the same period in 2013, largely because the average balance of deposits and placements from banks and non-bank financial institutions increased by 59.46% and the average cost increased by 115 basis points to 3.55% over the same period last year.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by RMB493 million or 85.74% year-on-year to RMB82 million. This was primarily because the average balance of financial assets sold under repurchase agreements decreased by 69.02% and the average cost decreased by 205 basis points to 1.75% over the same period last year.

Net non-interest income

The following table sets forth the composition of the Group's net non-interest income and the changes during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2014**	Six months ended 30 June 2013	Change (%)
Fee and commission income	**61,854**	56,995	8.53
Less: fee and commission expense	**(1,674)**	(1,471)	13.80
Net fee and commission income	**60,180**	55,524	8.39
Other net non-interest income	**5,255**	9,123	(42.40)
Total net non-interest income	**65,435**	64,647	1.22

In the first half of 2014, the Group's net non-interest income reached RMB65,435 million, an increase of RMB788 million, or 1.22% over the same period in 2013.

Net fee and commission income

The following table sets forth the composition of the Group's net fee and commission income and the changes during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2014**	Six months ended 30 June 2013	Change (%)
Fee and commission income	**61,854**	56,995	8.53
Bank card fees	**14,662**	11,947	22.73
Consultancy and advisory fees	**12,822**	13,035	(1.63)
Settlement and clearing fees	**8,219**	6,514	26.17
Agency service fees	**7,276**	6,509	11.78
Commission on trust and fiduciary activities	**5,161**	5,300	(2.62)
Wealth management service fees	**4,689**	5,189	(9.64)
Electronic banking service fees	**3,281**	2,807	16.89
Credit commitment fees	**1,736**	1,518	14.36
Guarantee fees	**1,117**	1,009	10.70
Others	**2,891**	3,167	(8.71)
Fee and commission expense	**(1,674)**	(1,471)	13.80
Net fee and commission income	**60,180**	55,524	8.39

In the first half of 2014, the Group's net fee and commission income increased by RMB4,656 million, or 8.39%, over the same period of 2013 to RMB60,180 million. The ratio of net fee and commission income to operating income decreased by 0.26 percentage points to 21.75%.

Bank card fees grew by 22.73% to RMB14,662 million. In this amount, income from credit cards increased by over 30%, boosted by instalment transactions. Relying on strong customer base and service systems, debit cards maintained steady growth in terms of transaction volume and income.

Consultancy and advisory fees decreased by 1.63% to RMB12,822 million. It was mainly because income from routine financial advisory services dropped considerably as the regulations and management on fee collection of consultancy and advisory business were further strengthened, and the traditionally advantageous businesses such as cost advisory service grew steadily.

Settlement and clearing fees increased by 26.17% to RMB8,219 million. This was because the Bank proactively promoted new settlement products such as self-service of statement of corporate account, electronic bank acceptance bill and corporate settlement card. The relevant business volume and income increased rapidly.

Agency service fees increased by 11.78% to RMB7,276 million. This was mainly because businesses such as underwriting of debt securities, agency fund sales and bancassurance grew well.

Commission on trust and fiduciary activities decreased by 2.62% to RMB5,161 million. In this amount, traditionally advantageous businesses such as housing finance business gained steady growth.

Wealth management service fees dropped by 9.64% to RMB4,689 million. It was mainly because the newly allocated underlying assets had lower risks and shorter durations, as required by the cautious and prudent operation strategy, resulting in the decrease in the average yield of the assets. In addition, the product yield was improved compared to that of the same period last year to fulfil customers' demands and respond to market competition.

Electronic banking service fees grew by 16.89% to RMB3,281 million. This was mainly due to the rapid growth of customer base and steady expansion in trading volume via electronic banking channels including online banking, mobile phone banking and SMS financial service.

Going forward, the Group will continue to expand customer base, increase business volume, make greater efforts in product innovation and service upgrade, and strive for improvement in customer experience to promote sustainable growth in fee and commission income.

Other net non-interest income

The following table sets forth the composition of the Group's other net non-interest income and the changes during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2014**	Six months ended 30 June 2013	Change (%)
Net trading gain	**1,593**	1,270	25.43
Dividend income	**240**	193	24.35
Net gain arising from investment securities	**1,138**	302	276.82
Other net operating income	**2,284**	7,358	(68.96)
Total other net non-interest income	**5,255**	9,123	(42.40)

Other net non-interest income of the Group was RMB5,255 million, a decrease of RMB3,868 million, or 42.40%, compared to the same period last year. It was mainly because of the decrease in other net operating income.

Operating expenses

The following table sets forth the composition of the Group's operating expenses during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Staff costs	**38,957**	35,985
Premises and equipment expenses	**13,760**	12,082
Business taxes and surcharges	**17,231**	15,780
Others	**14,191**	17,220
Total operating expenses	**84,139**	81,067
Cost-to-income ratio	**24.18%**	24.63%

In the first half of 2014, the Group enhanced cost management, and optimised expenses structure. Cost-to-income ratio fell by 0.45 percentage points to 24.18% year-on-year, as cost efficiency further improved. The Group's operating expenses were RMB84,139 million, a year-on-year increase of RMB3,072 million, or 3.79%. In this amount, premises and equipment expenses were RMB13,760 million, a year-on-year increase of RMB1,678 million, or 13.89%. This was mainly because the expenses on rent and premises management and maintenance increased along with the rising prices and greater investments in outlets construction in recent years.

Impairment losses

The following table sets forth the composition of the Group's impairment losses during respective periods.

(In millions of RMB)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Loans and advances to customers	**21,286**	16,067
Investments	**421**	(652)
Available-for-sale financial assets	**17**	(1,120)
Held-to-maturity investments	**320**	598
Debt securities classified as receivables	**84**	(130)
Others	**1,415**	639
Total impairment losses	**23,122**	16,054

In the first half of 2014, the Group's impairment losses were RMB23,122 million, an increase of RMB7,068 million year-on-year. In this amount, impairment losses on loans and advances to customers were RMB21,286 million, an increase of RMB5,219 million year-on-year. Impairment losses on investments were RMB421 million, an increase of RMB1,073 million over the same period last year, which was mainly because part of the allowances for impairment losses on foreign currency bonds were reversed in the first half of 2013.

Income tax expense

In the first half of 2014, the Group's income tax expense reached RMB38,546 million, an increase of RMB3,321 million year-on-year. The Group's effective income tax rate was 22.74%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with the tax regulations.

Statement of Financial Position Analysis

Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated.

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentage)	**Amount**	**% of total**	Amount	% of total
Gross loans and advances to customers	**9,190,601**		8,590,057	
Allowances for impairment losses on loans	**(238,090)**		(228,696)	
Net loans and advances to customers	**8,952,511**	**54.59**	8,361,361	54.42
Investments[1]	**3,511,470**	**21.41**	3,414,617	22.23
Cash and deposits with central banks	**2,578,036**	**15.72**	2,475,001	16.11
Deposits and placements with banks and non-bank financial institutions	**606,757**	**3.70**	473,351	3.08
Financial assets held under resale agreements	**351,660**	**2.14**	281,447	1.83
Interest receivable	**101,551**	**0.62**	80,731	0.53
Other assets[2]	**297,805**	**1.82**	276,702	1.80
Total assets	**16,399,790**	**100.00**	15,363,210	100.00

1. These 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.

2. These comprise precious metals, positive fair value of derivatives, interests in associates and joint ventures, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

As at 30 June 2014, the Group's total assets stood at RMB16,399,790 million, an increase of RMB1,036,580 million, or 6.75%, over the end of last year. This was mainly due to the increases in loans and advances to customers, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements. With the Group's active support for the development in the real economy and people's livelihood sectors, net loans and advances to customers accounted for 54.59% of total assets, an increase of 0.17 percentage points over the end of 2013. The Group increased the amount of fund use as required by liquidity and profitability management, and the ratio of deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements to total assets increased by 0.62 and 0.31 percentage points respectively. The Group adjusted the amount of investments in debt securities in accordance with the interest rate trend and liquidity situation, and investments accounted for 21.41% of total assets, a decrease of 0.82 percentage points. Cash and deposits with central banks accounted for 15.72% of total assets, a decrease of 0.39 percentage points.

Loans and advances to customers

The following table sets forth the composition of the Group's loans and advances to customers as at the dates indicated.

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Corporate loans and advances	**5,712,418**	**62.16**	5,399,631	62.86
Short-term loans	**1,960,950**	**21.34**	1,870,823	21.78
Medium to long-term loans	**3,751,468**	**40.82**	3,528,808	41.08
Personal loans and advances	**2,673,830**	**29.09**	2,464,654	28.69
Residential mortgages	**2,082,383**	**22.66**	1,880,219	21.89
Credit card loans	**281,401**	**3.06**	268,663	3.13
Personal consumer loans	**62,902**	**0.68**	71,490	0.83
Personal business loans	**82,368**	**0.90**	91,655	1.07
Other loans[1]	**164,776**	**1.79**	152,627	1.77
Discounted bills	**118,960**	**1.29**	116,962	1.36
Overseas operations and subsidiaries	**685,393**	**7.46**	608,810	7.09
Gross loans and advances to customers	**9,190,601**	**100.00**	8,590,057	100.00

1. These comprise individual commercial property loans, home equity loans and educational loans.

As at 30 June 2014, the Group's gross loans and advances to customers rose by RMB600,544 million, or 6.99% over the end of last year, to RMB9,190,601 million.

Domestic corporate loans and advances of the Bank reached RMB5,712,418 million, an increase of RMB312,787 million, or 5.79% over the end of last year, mainly extended to infrastructure sectors, small and micro businesses and agriculture-related loans. In this amount, short-term loans increased by RMB90,127 million, or 4.82%, and medium to long-term loans increased by RMB222,660 million, or 6.31%.

Domestic personal loans and advances of the Bank increased by RMB209,176 million, or 8.49% over the end of last year, to RMB2,673,830 million. In this amount, residential mortgages increased by RMB202,164 million, or 10.75%, mainly to support the financing needs for residential purpose. Personal consumer loans and personal business loans decreased as a result of the enhancement of loan risk control and adjustment to loan products mix.

Discounted bills increased by RMB1,998 million, or 1.71%, to RMB118,960 million over the end of last year, mainly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to customers of overseas entities and subsidiaries increased by RMB76,583 million, or 12.58% over the end of last year, to RMB685,393 million, mainly attributable to the largely expanded cross-border business and strengthened domestic and overseas business collaboration.

Distribution of loans by type of collaterals

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2014 Amount	As at 30 June 2014 % of total	As at 31 December 2013 Amount	As at 31 December 2013 % of total
Unsecured loans	**2,462,443**	**26.79**	2,336,298	27.20
Guaranteed loans	**1,788,460**	**19.46**	1,652,755	19.24
Loans secured by tangible assets other than monetary assets	**4,019,898**	**43.74**	3,734,986	43.48
Loans secured by monetary assets	**919,800**	**10.01**	866,018	10.08
Gross loans and advances to customers	**9,190,601**	**100.00**	8,590,057	100.00

Allowances for impairment losses on loans and advances to customers

	Six months ended 30 June 2014			
		Allowances for impaired loans and advances		
(In millions of RMB)	**Allowances for loans and advances which are collectively assessed**	**Which are collectively assessed**	**Which are individually assessed**	**Total**
As at 1 January	**171,027**	**5,532**	**52,137**	**228,696**
Charge for the period	**6,608**	**2,422**	**17,335**	**26,365**
Release during the period	**–**	**–**	**(5,079)**	**(5,079)**
Unwinding of discount	**–**	**–**	**(894)**	**(894)**
Transfers out	**–**	**(2)**	**(2,772)**	**(2,774)**
Write-offs	**–**	**(1,575)**	**(7,456)**	**(9,031)**
Recoveries	**–**	**84**	**723**	**807**
As at 30 June	**177,635**	**6,461**	**53,994**	**238,090**

The Group adhered to the prudent principle by fully considering the impact of changes in external environment including macro economy and government control policies on credit asset quality, and made full allowances for impairment losses on loans and advances to customers. As at 30 June 2014, the allowances for impairment losses on loans and advances to customers were RMB238,090 million, an increase of RMB9,394 million over the end of last year. The ratio of allowances to non-performing loans was 248.87%, a decrease of 19.35 percentage points over the end of last year. The ratio of allowances to total loans stood at 2.59%, 0.07 percentage points lower than that of the end of last year.

Investments

The following table sets forth the composition of the Group's investments by nature as at the dates indicated.

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities investments	3,188,594	90.81	3,115,865	91.25
Equity instruments	17,645	0.50	19,249	0.56
Funds	1,850	0.05	937	0.03
Other debt instruments	303,381	8.64	278,566	8.16
Total investments	3,511,470	100.00	3,414,617	100.00

In the first half of 2014, in accordance with its annual investment and trading strategy and risk policy requirements, the Group proactively dealt with regulatory and market changes to achieve the balance between risks and returns and continuously improved the yield of investment portfolios. As at 30 June 2014, the Group's investments totalled RMB3,511,470 million, an increase of RMB96,853 million, or 2.84% over the end of last year. In this amount, debt securities investments accounted for 90.81% of total investments, a decrease of 0.44 percentage points over the end of last year. Other debt instruments accounted for 8.64% of total investments, an increase of 0.48 percentage points over the end of last year.

The following table sets forth the composition of the Group's investments by holding intention as at the dates indicated.

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	324,072	9.23	364,050	10.66
Available-for-sale financial assets	774,800	22.06	760,292	22.26
Held-to-maturity investments	2,220,584	63.24	2,100,538	61.52
Debt securities classified as receivables	192,014	5.47	189,737	5.56
Total investments	3,511,470	100.00	3,414,617	100.00

Debt securities investments

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
RMB	3,127,341	98.08	3,051,957	97.95
USD	32,465	1.02	36,066	1.16
HKD	13,126	0.41	15,604	0.50
Other foreign currencies	15,662	0.49	12,238	0.39
Total debt securities investments	3,188,594	100.00	3,115,865	100.00

As at 30 June 2014, total investments in debt securities increased by RMB72,729 million, or 2.33% over the end of last year, to RMB3,188,594 million. In this amount, RMB debt securities increased by RMB75,384 million, or 2.47%, while the foreign currency debt securities decreased by RMB2,655 million, or 4.15% over the end of last year.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2014** **Amount**	**% of total**	As at 31 December 2013 Amount	% of total
Government	**1,102,801**	**34.59**	1,075,428	34.51
Central banks	**188,895**	**5.92**	197,910	6.35
Policy banks	**493,502**	**15.48**	445,850	14.31
Banks and non-bank financial institutions	**966,922**	**30.32**	895,277	28.73
Public sector entities	**19**	**–**	98	0.01
Cinda	**18,852**	**0.59**	18,852	0.61
Other enterprises	**417,603**	**13.10**	482,450	15.48
Total debt securities investments	**3,188,594**	**100.00**	3,115,865	100.00

Interest receivable

As at 30 June 2014, the Group's interest receivable was RMB101,551 million, an increase of RMB20,820 million, or 25.79%, over the end of last year. This was mainly due to the growth in loans, debt securities investments and deposits with banks and non-bank financial institutions.

Liabilities

The following table sets forth the composition of the Group's total liabilities as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2014** **Amount**	**% of total**	As at 31 December 2013 Amount	% of total
Deposits from customers	**12,956,956**	**84.95**	12,223,037	85.54
Deposits and placements from banks and non-bank financial institutions	**1,054,488**	**6.91**	848,012	5.94
Financial assets sold under repurchase agreements	**3,065**	**0.02**	61,873	0.43
Debt securities issued	**428,524**	**2.81**	357,540	2.50
Other liabilities[1]	**809,745**	**5.31**	798,419	5.59
Total liabilities	**15,252,778**	**100.00**	14,288,881	100.00

1. These comprise borrowings from central banks, financial liabilities at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, interest payable, provisions, deferred tax liabilities and other liabilities.

As at 30 June 2014, the Group's total liabilities were RMB15,252,778 million, an increase of RMB963,897 million, or 6.75% over the end of 2013. In this amount, deposits from customers accounted for 84.95% of total liabilities, a decrease of 0.59 percentage points over the end of 2013. The Group moderately absorbed funds from other banks to increase liquidity reserve. Deposits and placements from banks and non-bank financial institutions accounted for 6.91% of total liabilities, an increase of 0.97 percentage points. Debt securities issued accounted for 2.81% of total liabilities, an increase of 0.31 percentage points, mainly because the overseas branches and CCB Asia issued more certificates of deposit.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2014**		As at 31 December 2013	
	Amount	**% of total**	Amount	% of total
Corporate deposits	**6,741,994**	**52.03**	6,443,255	52.71
Demand deposits	**3,995,933**	**30.84**	4,064,038	33.25
Time deposits	**2,746,061**	**21.19**	2,379,217	19.46
Personal deposits	**5,866,415**	**45.28**	5,514,647	45.12
Demand deposits	**2,635,111**	**20.34**	2,510,525	20.54
Time deposits	**3,231,304**	**24.94**	3,004,122	24.58
Overseas operations and subsidiaries	**348,547**	**2.69**	265,135	2.17
Total deposits from customers	**12,956,956**	**100.00**	12,223,037	100.00

As at 30 June 2014, the Group's total deposits from customers reached RMB12,956,956 million, an increase of RMB733,919 million, or 6.00% over the end of 2013. In this amount, domestic time deposits of the Bank increased by RMB594,026 million, or 11.03%, higher than the 0.86% growth of demand deposits, and accounted for 46.13% of total deposits from customers, an increase of 2.09 percentage points over the end of 2013.

Shareholders' equity

The following table sets forth the composition of the Group's total equity as at the dates indicated.

(In millions of RMB)	**As at 30 June 2014**	As at 31 December 2013
Share capital	**250,011**	250,011
Capital reserve	**135,537**	135,523
Investment revaluation reserve	**(4,468)**	(19,290)
Surplus reserve	**107,970**	107,970
General reserve	**169,039**	153,835
Retained earnings	**484,539**	444,084
Exchange reserve	**(4,714)**	(6,182)
Total equity attributable to equity shareholders of the Bank	**1,137,914**	1,065,951
Non-controlling interests	**9,098**	8,378
Total equity	**1,147,012**	1,074,329

As at 30 June 2014, the Group's total equity reached RMB1,147,012 million, an increase of RMB72,683 million over the end of 2013. The ratio of total equity to total assets for the Group was 6.99%.

Analysis of off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, and equity instrument contracts. Please refer to Note "Derivatives" in the "Financial Statements" of this half-year report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, outstanding litigation and disputes. The Group enhanced the refined management over off-balance sheet activities and continued to advance the adjustments to off-balance sheet structure. Among these, credit commitments were the largest component, with a balance of RMB2,394,755 million as at 30 June 2014, an increase of RMB84,528 million over the end of 2013. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" of this half-year report for details on commitments and contingent liabilities.

Loan Quality Analysis

Distribution of loans by the five-category classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss categories.

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Normal	**8,874,606**	**96.56**	8,300,113	96.63
Special mention	**220,327**	**2.40**	204,680	2.38
Substandard	**41,435**	**0.45**	32,100	0.37
Doubtful	**43,375**	**0.47**	42,231	0.49
Loss	**10,858**	**0.12**	10,933	0.13
Gross loans and advances to customers	**9,190,601**	**100.00**	8,590,057	100.00
Non-performing loans	**95,668**		85,264	
Non-performing loan ratio		**1.04**		0.99

In the first half of 2014, the Group stepped up credit structure adjustments, comprehensively strengthened post-lending management and risk prevention and mitigation, and expedited NPL disposal. As a result, credit asset quality remained stable. As at 30 June 2014, the Group's NPLs were RMB95,668 million, an increase of RMB10,404 million from the end of 2013, while the NPL ratio stood at 1.04%, 0.05 percentage points higher from the end of 2013. The proportion of special mention loans was 2.40%, 0.02 percentage points higher from the end of 2013.

Distribution of loans and NPLs by product type

The following table sets forth, as at the dates indicated, the Group's loans and NPLs by product type.

	As at 30 June 2014			As at 31 December 2013		
(In millions of RMB, except percentages)	**Loans**	**NPLs**	**NPL ratio (%)**	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	**5,712,418**	**85,189**	**1.49**	5,399,631	76,481	1.42
Short-term loans	**1,960,950**	**59,378**	**3.03**	1,870,823	50,142	2.68
Medium to long-term loans	**3,751,468**	**25,811**	**0.69**	3,528,808	26,339	0.75
Personal loans and advances	**2,673,830**	**9,510**	**0.36**	2,464,654	8,002	0.32
Residential mortgages	**2,082,383**	**3,980**	**0.19**	1,880,219	3,203	0.17
Credit card loans	**281,401**	**2,226**	**0.79**	268,663	1,772	0.66
Personal consumer loans	**62,902**	**836**	**1.33**	71,490	780	1.09
Personal business loans	**82,368**	**1,557**	**1.89**	91,655	1,449	1.58
Other loans[1]	**164,776**	**911**	**0.55**	152,627	798	0.52
Discounted bills	**118,960**	**–**	**–**	116,962	–	–
Overseas operations and subsidiaries	**685,393**	**969**	**0.14**	608,810	781	0.13
Gross loans and advances to customers	**9,190,601**	**95,668**	**1.04**	8,590,057	85,264	0.99

1. These comprise individual commercial property mortgage loans, home equity loans and educational loans.

As at 30 June 2014, the NPL ratio for domestic corporate loans and advances was 1.49%, an increase of 0.07 percentage points over the end of 2013, and that for personal loans and advances was 0.36%, an increase of 0.04 percentage points over the end of 2013. The Group constantly strengthened overseas risk management and consolidated management at the Group level, and the asset quality of overseas entities and subsidiaries remained stable.

Distribution of loans and NPLs by industry

The following table sets forth, as at the dates indicated, the Group's loans and NPLs by industry.

	As at 30 June 2014				As at 31 December 2013			
(In millions of RMB, except percentages)	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans and advances	**5,712,418**	**62.16**	**85,189**	**1.49**	5,399,631	62.86	76,481	1.42
Manufacturing	**1,361,303**	**14.81**	**43,281**	**3.18**	1,322,660	15.40	38,083	2.88
Transportation, storage and postal services	**1,005,412**	**10.94**	**6,504**	**0.65**	956,597	11.14	5,297	0.55
Production and supply of electric power, heat, gas and water	**587,796**	**6.40**	**2,368**	**0.40**	571,028	6.65	2,030	0.36
Real estate	**521,625**	**5.68**	**3,274**	**0.63**	500,428	5.83	3,807	0.76
Leasing and commercial services	**539,101**	**5.87**	**566**	**0.10**	473,877	5.52	982	0.21
– Commercial services	**520,980**	**5.67**	**560**	**0.11**	460,398	5.36	977	0.21
Wholesale and retail trade	**408,110**	**4.44**	**21,000**	**5.15**	392,744	4.57	19,302	4.91
Water, environment and public utility management	**294,886**	**3.21**	**172**	**0.06**	272,453	3.17	197	0.07
Construction	**274,679**	**2.99**	**2,781**	**1.01**	238,601	2.78	2,049	0.86
Mining	**229,200**	**2.49**	**1,389**	**0.61**	217,448	2.53	843	0.39
– Exploitation of petroleum and natural gas	**6,693**	**0.07**	**–**	**–**	4,888	0.06	4	0.08
Education	**76,826**	**0.84**	**266**	**0.35**	71,637	0.83	261	0.36
Information transmission, software and information technology services	**26,341**	**0.29**	**1,007**	**3.82**	29,569	0.34	950	3.21
– Telecommunications, broadcast and television, and satellite transmission services	**19,784**	**0.22**	**472**	**2.39**	22,369	0.26	462	2.07
Others	**387,139**	**4.20**	**2,581**	**0.67**	352,589	4.10	2,680	0.76
Personal loans and advances	**2,673,830**	**29.09**	**9,510**	**0.36**	2,464,654	28.69	8,002	0.32
Discounted bills	**118,960**	**1.29**	**–**	**–**	116,962	1.36	–	–
Overseas operations and subsidiaries	**685,393**	**7.46**	**969**	**0.14**	608,810	7.09	781	0.13
Gross loans and advances to customers	**9,190,601**	**100.00**	**95,668**	**1.04**	8,590,057	100.00	85,264	0.99

In the first half of 2014, in line with the "12th Five-Year Plan" and changes in other external policies, the Group timely optimised credit policies, re-inspected credit systems, and refined criteria in customer risk selection. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. The quality of loans to infrastructure-related sectors remained stable while the new NPLs mainly arose from manufacturing, and wholesale and retail trade.

Restructured loans and advances to customers

The following table sets forth, as at the dates indicated, the Group's restructured loans and advances to customers.

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Restructured loans and advances to customers	**1,602**	**0.02**	1,009	0.01

As at 30 June 2014, restructured loans and advances to customers increased by RMB593 million over the end of 2013, to RMB1,602 million, accounting for 0.02% of gross loans and advances, an increase of 0.01 percentage points over the end of last year.

Overdue loans and advances to customers

The following table sets forth, as at the dates indicated, the Group's overdue loans and advances to customers by overdue period.

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Overdue for no more than 3 months	**46,996**	**0.51**	25,077	0.30
Overdue for 3 months to 1 year	**37,384**	**0.41**	26,103	0.30
Overdue for 1 to 3 years	**27,882**	**0.30**	26,552	0.31
Overdue for over 3 years	**8,159**	**0.09**	8,972	0.10
Total overdue loans and advances to customers	**120,421**	**1.31**	86,704	1.01

As at 30 June 2014, overdue loans and advances to customers increased by RMB33,717 million to RMB120,421 million over the end of 2013, mainly because delinquencies increased as certain customers experienced difficulty in liquidity with the slowdown of domestic economy.

Differences between the Financial Statements Prepared under PRC GAAP and Those Prepared under IFRS

There is no difference in the net profit for the six months ended 30 June 2014 or total equity as at 30 June 2014 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

Business Review

The Group's major business segments are corporate banking, personal banking, treasury business, and others including overseas businesses and subsidiaries.

The following table sets forth, for the periods indicated, the profit before tax of each major business segment:

(In millions of RMB, except percentages)	**Six months ended 30 June 2014** Amount	% of total	Six months ended 30 June 2013 Amount	% of total
Corporate banking	**86,848**	**51.23**	74,798	48.20
Personal banking	**49,296**	**29.08**	39,617	25.53
Treasury business	**31,589**	**18.64**	38,621	24.88
Others	**1,783**	**1.05**	2,153	1.39
Profit before tax	**169,516**	**100.00**	155,189	100.00

Corporate Banking

The following table sets forth, for the periods indicated, the major operating information and changes related to corporate banking:

(In millions of RMB, except percentages)	**Six months ended 30 June 2014**	Six months ended 30 June 2013	Change (%)
Net interest income	**114,886**	93,562	22.79
Net fee and commission income	**25,966**	24,027	8.07
Other operating income	**(3,561)**	222	(1,704.05)
Operating income	**137,291**	117,811	16.53
Operating expenses	**(32,321)**	(31,544)	2.46
Impairment losses	**(18,122)**	(11,469)	58.01
Profit before tax	**86,848**	74,798	16.11
	As at 30 June 2014	As at 31 December 2013	
Segment assets	**6,106,385**	5,585,454	9.33

Profit before tax from corporate banking segment, the Group's main profit contributor, increased by 16.11% over the same period last year to RMB86,848 million, and accounted for 51.23% of the Group's profit before tax. Operating income increased by 16.53% over the same period last year. In this amount, net interest income from corporate banking increased by 22.79% over the same period last year, driven by the development of corporate deposit and loan businesses; net fee and commission income increased by 8.07% over the same period last year, boosted by advantageous products such as cost advisory service, corporate settlement and syndicated loan.

Corporate deposits

While strengthening the retention of existing customers, the Bank also focused on portfolio application and innovation of deposit products to promote the steady growth of corporate deposits. At the end of June, domestic corporate deposits of the Bank amounted to RMB6,741,994 million, an increase of RMB298,739 million, or 4.64% over the end of last year.

Corporate loans

The Bank's corporate loans were granted at a stable and balanced pace to mainly support the development of the real economy. At the end of June, domestic corporate loans and advances of the Bank amounted to RMB5,712,418 million, an increase of RMB312,787 million, or 5.79% over the end of 2013. Loans to infrastructure sectors totalled RMB2,435,551 million, an increase of RMB147,818 million over the end of last year, and accounted for 47.26% of the increase in corporate loans. Agriculture-related loans amounted to RMB1,679,898 million. In this amount, loans to new countryside construction reached RMB128,364 million. The accumulated amount of loans granted to internet merchant business since 2007 exceeded RMB120 billion, extending to over 16,000 customers in total.

The Bank strictly implemented list management. Loans to the five industries with severe excess capacity, including iron and steel, cement, electrolytic aluminium, plate glass as well as shipbuilding sector, decreased by RMB6,126 million over the end of last year to RMB139,567 million. The Bank strictly controlled the total amount of loans to government financing vehicles and continuously optimised cash flow structures. Those classified under the regulated category decreased by RMB9,274 million over the end of last year. Of this amount, loans fully covered by cash flows accounted for 96.76%. Property development loans were mainly in support of the high quality real estate customers and the general residential projects with high credit rating, good business performance and proper closed management of project funds. The outstanding balance of property development loans was RMB460,052 million, an increase of RMB15,401 million over the end of last year.

Small enterprise business

The Bank regards small and micro enterprise business as its important strategic business in support of the real economy. The Bank gives priority to the development of small and micro enterprise business, sticks to retail and batch operation models, and constantly expands the coverage of financial services for small and micro enterprises by following the guidance of subdivided, standardised and intensified business transformation. In the first half of 2014, the Bank made active efforts to accommodate financial needs of small and micro enterprises, with continuously improved service model and quality. The Bank promoted cluster and batch service via products including credit cooperation loan and supply chain financing, through the platforms of business communities, industrial chains, enterprise clusters and relying on the third-party information and credit strength of governments and associations, so as to boost the availability of small and micro loans. By capitalising on outlets being familiar with and close to customers, the Bank strengthened the application and promotion of "big data" micro credit loan products to expand the coverage of small and micro finance. The Bank further consolidated and improved the operation model based on "Credit Factory" and scorecard, and enhanced the professionalism and intensiveness of business handling. At the end of June, according to the standards of SMEs jointly issued by four ministries and commissions including the Ministry of Industry and Information Technology in 2011 as well as the CBRC's latest regulatory requirements, loans to small and micro business were RMB1,068,783 million, up 8.02% over the end of last year, and the number of credit customers for small and micro business reached 240,229, an increase of 8,268.

Cost advisory service

Cost advisory service is the Bank's unique fee-based business product with a strong brand. It has had a history of 60 years since it emerged and developed along with the Bank's long-term practices of investment in fixed assets and being the agency of the state financial functions. The Bank's 36 tier-one branches had the grade-A qualification for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, and 157 tier-two branches set up specialised units for cost advisory service. In the first half of 2014, the Bank continued to reinforce the unique advantages of engineering cost advisory service and enhance its profitability and market influence, while strengthening standardised business management and ensuring compliance operation. Income from cost advisory service amounted to RMB6,284 million, a year-on-year increase of 12.23%.

Institutional business

The Bank vigorously promoted its updated "Minben Tongda" comprehensive financial services brand. With a focus on high quality customers in areas of education, health, social security, culture and environmental protection, the Bank further expanded the range of comprehensive services. The Bank entered into a comprehensive strategic cooperation agreement with Zhejiang University, and initiated self-service equipment registration and payment service for Peking Union Medical College Hospital, West China Hospital of Sichuan University and other key customers. The application of financial social security card continuously expanded. The Bank ranked first in terms of the number of customers of the central finance authorised payment and non-tax revenue collection agency service. The Bank was approved to be the exclusive administering bank of the collection account of online sales for National Sports Lottery Centre. The Bank became one of the first five settlement banks by entering into a settlement bank cooperation agreement with International Gold Trade Centre Co., Ltd at Shanghai Free Trade Zone. The number of "Xincunguan" customers whose securities deposits were managed by the Bank as a third party totalled 22.89 million, maintaining the leading position among peers.

International business

International business maintained rapid development momentum and achieved breakthroughs in various areas. In the first half of 2014, international settlement volume of the Bank reached US$559,244 million, a year-on-year increase of 2.24%; cross-border RMB settlement volume totalled RMB710,639 million, a year-on-year increase of 79.85%. The Bank was designated as the London RMB clearing bank, the first time such a title has been granted by the PBOC outside of Asia. It was also the first time for the Bank to be nominated as an overseas RMB clearing bank. The Bank created sub-brands of “trade finance” with over 40 products, offering various ways of settlement and covering all stages of the trading process, providing customers with integrated solutions for domestic and foreign currencies businesses and domestic and overseas businesses. The Bank actively engaged in business trials in special economic areas, took the lead in establishing a sub-branch in Khorgas, Xinjiang, became one of the first pilot banks in Shanghai Free Trade Zone, and set up cross-Strait RMB clearing centre in Xiamen and China-ASEAN cross-border RMB business centre in Guangxi respectively. The Bank steadily expanded agency bank network and established head office level agency bank relationship with a total of 1,449 commercial banks, covering 138 countries and regions.

Asset custodial business

The Bank closely followed the asset custodial market, and comprehensively enhanced its competitiveness by seizing policy opportunities. At the end of June, the Bank’s assets under custody increased by 11.94% to RMB3.47 trillion over the end of last year. Securities investments funds under custody totalled RMB737,030 million, an increase of RMB123,302 million, commanding the second largest market share. The number of securities investments funds under custody increased by 31, ranking first in the market. Insurance assets under custody totalled RMB730,918 million, an increase of RMB144,567 million, with the increase ranking first in the market. The Bank became one of the first Chinese-funded custodial banks of RMB Qualified Foreign Institutional Investor (RQFII) from Singapore. The Bank was awarded “Best Custody Bank in China” by the UK magazine *Global Custodian*, a global custodial authority, for five consecutive years.

Pension business

Pension business developed fast with positive progress in product innovation. The Bank innovatively launched “Yangyiwuyou” series products with CCB Life by leveraging on the comprehensiveness of the Group, and obtained 11 qualifications for enterprise annuity management of seven central enterprise-level customers and their subordinate enterprises. At the end of June, the pension assets under trusteeship amounted to RMB43,600 million, up 19.48% over the end of last year; the pension assets under custody in operation amounted to RMB97,633 million, up 15.82% over the end of last year; the personal pension accounts in operation amounted to 3.58 million, an increase of 11.26%.

Treasury management and settlement business

Treasury management and settlement business maintained steady development. At the end of June, the Bank had 4,520,300 corporate RMB settlement accounts, an increase of 341,000 over the end of last year. The Bank had 471,600 active cash management customers. The corporate cash management business developed rapidly. The advantages of products such as multi-model cash pool, all-in-one corporate account and “integrated collection solution” were further consolidated. The Bank took the lead in launching UnionPay corporate settlement card, introduced pilot application of bank notes pool and cross-border RMB two-way cash pool, and explored the application of self-service and intelligentised corporate business via corporate settlement card. The market influence of the Bank’s cash management service branded as “Yudao” further expanded.

Personal Banking

The following table sets forth, for the periods indicated, the major operating information and changes relating to personal banking:

(In millions of RMB, except percentages)	**Six months ended 30 June 2014**	Six months ended 30 June 2013	Change(%)
Net interest income	**81,349**	63,625	27.86
Net fee and commission income	**22,650**	19,069	18.78
Other operating income	**(3,824)**	1,110	(444.50)
Operating income	**100,175**	83,804	19.53
Operating expenses	**(45,422)**	(40,237)	12.89
Impairment losses	**(5,457)**	(3,950)	38.15
Profit before tax	**49,296**	39,617	24.43
	As at 30 June 2014	As at 31 December 2013	
Segment assets	**2,805,623**	2,590,881	8.29

Personal banking segment achieved profit before tax of RMB49,296 million, a year-on-year increase of 24.43%, and accounted for 29.08% of the Group's profit before tax, up 3.55 percentage points. Operating income increased by 19.53% over the same period last year. In this amount, net interest income increased by 27.86% over the same period last year as a result of the rapid growth of personal deposit and loan businesses; net fee and commission income increased by 18.78%, benefiting from the growth of income from fee-based businesses including credit card transactions, agency fund sales and insurance agency services.

Personal deposits

The Bank vigorously explored target markets in areas including income distribution, payment and settlement, investment and wealth management and county regions by actively carrying out peak season marketing and comprehensive marketing. Personal deposits continued to grow steadily. At the end of June, domestic personal deposits of the Bank increased by RMB351,768 million, or 6.38%, to RMB5,866,415 million over the end of last year. Of this amount, demand deposits picked up by 4.96% and time deposits increased by 7.56%.

Personal loans

The Bank's personal loans proactively accommodated residents' credit demands in necessities of life including clothing, food, housing and transportations. It strengthened product and service innovation, and improved customer service. At the end of June, domestic personal loans of the Bank increased by RMB209,176 million, or 8.49%, to RMB2,673,830 million. Of this amount, residential mortgages were primarily granted to support customers to buy ordinary apartments for residential purpose, with a loan balance of RMB2,082,383 million, maintaining the leading position in the market. Personal consumer loans actively catered for the financing needs of e-commerce. The Bank innovatively launched "ShanRong e-loans" personal micro-credit revolving loans and served citizens' consumption financing needs through multiple channels. Personal business loans were mainly granted to support production and operation financing needs of individual industrial and commercial households and small and micro enterprises, amounting to RMB82,368 million. Personal agriculture-related loans were mainly granted to promote pilot agriculture-related loans in planting industry and livestock breeding industry, totalling RMB9,485 million.

Bank cards business

Credit card business

Credit card business maintained sound and rapid development with core business indicators leading the market among peers. Its market influence, product competitiveness, risk control ability, profitability and customer satisfaction were further enhanced. At the end of June, the Bank accumulatively issued 60.23 million credit cards, an increase of 8.22 million over the end of last year. The spending amount through credit cards reached RMB757,892 million, a year-on-year increase of 33.62%; and the loan balance was RMB281,401 million and the asset quality remained sound. The Bank promoted credit card business via SMS, Weibo and WeChat, conducted sales promotion with selected merchants capable of delivering good consumer experience at restaurants, supermarkets and recreation venues, and improved customer card-using experience. It vigorously developed consumption revolving credit business such as instalment plans. It grasped market opportunities by cooperating with MasterCard to launch the first 'Long card" electronic wallet among Asian peers, jointly launching the first traveling credit card among Chinese peers for tourists in the Mainland, Taiwan and Hong Kong with China UnionPay and UnionPay International, and issuing new products such as Olympics credit card and World Cup credit card during 2014 Winter Olympics in Sochi and 2014 FIFA World Cup in Brazil.

Debit card business

The Bank vigorously strengthened cooperation with key industries in social security, medical and health care, public transport, community finance and culture and education. It accelerated product innovation in mobile payment, launched innovative mobile financial products, carried out diversified marketing activities and continuously enhanced the development base of bank cards business. At the end of June, the number of debit cards issued increased by 45.38 million to 578 million over the end of last year. The spending amount through debit cards reached RMB2,489,328 million, a year-on-year increase of 57.44%. The Bank issued 136 million financial IC debit cards in total, an increase of 40.77 million. The Bank issued 9.20 million express settlement cards, an increase of 2.18 million, targeted at individual business proprietors for their payment and settlement demands.

Private banking

According to the operating principle of "high net worth customers, high standard service", the Bank formed a full-function open architecture and comprehensive service platform by integrating marketing, service and trading, to satisfy the full-range and whole-life-cycle demands of customers and their families and enterprises. It effectively promoted customer-tailored "Fortune Guarantee" package service to increase the allocation of guaranteed assets for private banking customers, and comprehensively boosted "Private e.ccb.com" project to achieve success in business development together with the customers. It improved "Golden Housekeeper" personal customer (family) cash management services quality. The Bank provided financial consulting service for family trust in an organised way, and vigorously developed service for investment migration to Hong Kong and Australia to meet the great demands of private banking customers for overseas properties and overseas education of their children. At the end of June, private banking customers with financial assets above RMB10 million grew by 10.48% over the end of last year, and the amount of customers' financial assets increased by 11.18%. The Bank issued 249,700 private banking cards and wealth management cards, an increase of 38,900.

Entrusted housing finance business

Adhering to the philosophy of "supporting housing reform and serving the citizens", the Bank proactively responded to the needs of housing fund management departments by further strengthening system construction and promotion, so as to provide comprehensive and high quality housing finance services. At the end of June, housing fund deposits were RMB653,319 million, while personal provident housing fund loans amounted to RMB1,100,332 million. The Bank actively promoted financial services for the indemnificatory housing market by granting pilot provident fund loans to support indemnificatory housing projects, and has accumulatively granted project loans of RMB41,518 million since 2010.

Treasury Business

The following table sets forth, for the periods indicated, the major operating information and changes related to treasury business:

(In millions of RMB, except percentages)	**Six months ended 30 June 2014**	Six months ended 30 June 2013	Change (%)
Net interest income	**12,565**	26,995	(53.45)
Net fee and commission income	**10,101**	11,300	(10.61)
Net trading gain/(loss)	**8,615**	1,911	350.81
Net gain arising from investment securities	**609**	322	89.13
Other operating income/(loss), net	**2,858**	(93)	(3,173.12)
Operating income	**34,748**	40,435	(14.06)
Operating expenses	**(2,632)**	(2,441)	7.82
Impairment losses	**(527)**	627	(184.05)
Profit before tax	**31,589**	38,621	(18.21)
	As at 30 June 2014	As at 31 December 2013	
Segment assets	**6,484,974**	6,505,051	(0.31)

Profit before tax arising from treasury business decreased by 18.21% over the same period last year, and accounted for 18.64% of the Group's profit before tax. Operating income decreased by 14.06% over the same period last year. Net interest income decreased by 53.45% over the same period last year, due to the increase of internal treasury fund transfer debits. As a result of the decrease in income from financial advisory services and trading of precious metals, net fee and commission income decreased by 10.61% over the same period last year.

Financial markets business

Under the premise of safety and liquidity, the Bank adhered to its annual investment and trading strategy and risk policies in its financial markets business. It sought a balance between risks and returns while proactively responding to the changes of regulations and market environment, thus maintaining sound operation of the business as a whole.

Money market business

With regard to the use of RMB fund, the Bank scientifically predicted the key timing of the change in fund, established liquidity reserve by conducting short-term rolling operation and reasonably arranged fund recycling to guarantee the Bank's payment safety. At the same time, by tracking high positions of interest rates, the Bank strengthened medium and long-term lending, expanded fund use channels and improved income from money market business. With regard to the use of foreign currency fund, the Bank reasonably responded to short-term fund demand to ensure the Bank's liquidity safety of foreign currency, and increased the yield of fund by expanding scale and extending term of inter-bank lending.

Investments in debt securities

With regard to the investment in RMB debt securities, the Bank mainly invested in policy financial bonds, treasury bonds and debentures with high rating and low capital occupation and optimised variety and term structure of debt securities by accurately tracking the interest rate movements. As a result, the yield of RMB debt securities investments portfolios rose significantly over the end of last year. The Bank substantially increased gains from price volatility by the swing trading for trading accounts compared with the same period last year, and realised a sharp lead in the yield of trading accounts over the total inter-bank bond index (full price). With regard to the investment in foreign currency debt securities, the Bank enhanced market research, attached great attention to credit changes of the issuers of foreign debt securities, reduced high-risk bonds as appropriate, and optimised portfolio structure of foreign currency debt securities.

Customer-driven currency transactions

The Bank proactively responded to changes in the market and of regulatory policies, enhanced product innovation and marketing, and upgraded capabilities of market-making and quoting. In the first half of 2014, the transaction volume of customer-driven foreign exchange trading business reached US$220,931 million. In this amount, RMB foreign exchange swap business increased rapidly, up 156.86% year-on-year. The Bank improved its service capability on foreign exchange settlement and sales through electronic banking channel, successfully launched foreign exchange purchasing project and optimised foreign exchange settlement module for corporate online banking, so as to bring more convenience to corporate customers for foreign exchange settlement and sales.

Precious metals

The Bank proactively responded to negative market changes for precious metal business, constantly consolidated customer base and intensified product innovation and promotion. In the first half of 2014, the total trading volume of precious metals of the Bank reached 15,220.60 tonnes and the number of customers with the Account Precious Metals reached 14,648,700. The number of contracted customers of Individual Precious Metals Trading (Shanghai Gold Exchange) Agency business approached one million and the number of contracted customers of Two-Way Trading of Account Precious Metals reached almost 500,000 after its launch this year.

Investment banking

The Bank enhanced the refined, standardised and comprehensive risk management of investment banking, in order to promote sound and sustainable development in the arena. Of the first half of 2014, income from financial advisory services was RMB5,349 million. In this amount, income from new financial advisory services was RMB4,146 million. The Bank underwrote various debt securities of RMB202,833 million, and the total underwriting amount of debt securities ranked first among peers for three consecutive years.

Wealth management business

The Bank achieved sound growth in wealth management business. In the first half of 2014, the Bank independently issued 4,016 batches of wealth management products with an amount of RMB3,832,500 million to effectively meet customers' investment needs. At the end of June, the balance of wealth management products was RMB988,900 million, among which, the balances of non-principal-guaranteed and principal-guaranteed wealth management products were RMB659,400 million and RMB329,500 million, respectively.

Overseas Business and Domestic Subsidiaries

Overseas business

In the first half of 2014, the Group made positive progress in laying-out of overseas outlets. Macau Branch opened successfully, Toronto Branch obtained its license, and a subsidiary bank was registered and established in New Zealand upon approval in July. In addition, active efforts were made for the establishment of Chile Branch, London Branch and four other branches affiliated to CCB Europe. At the end of June 2014, the Group had overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Osaka, Seoul, New York, Ho Chi Minh City, Sydney, Melbourne, Taipei, Luxembourg and Macau, and had the following wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Dubai, CCB Europe and CCB International. Its overseas entities covered 15 countries and regions. The total assets of overseas entities were RMB920,152 million, and the profit before tax was RMB4,137 million.

Domestic subsidiaries

The Group has established a preliminary comprehensive operating framework, and progressively improved comprehensive financial services. The Group has several domestic subsidiaries in non-banking financial sectors, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, and CCB Life, and has completed procedures such as business registration, renaming and equity settlement for the establishment of CCB Futures. The Group has set up several subsidiary banks providing professional and differentiated services in specific industries and regions, including Sino-German Bausparkasse and 27 rural banks.

The Group enhanced cross-selling and business collaboration between parent bank and subsidiaries, and promoted synergistic collaboration in channels, customers and products, resulting in further optimised business synergy mechanism between parent bank and subsidiaries. The overall business development of domestic subsidiaries was in a good shape with steady business expansion. At the end of June, the total assets of domestic subsidiaries were RMB152,709 million, up 26.41% over the end of last year, and the net profit reached RMB1,072 million, a year-on-year increase of 5.00%.

Analysed by Geographical Segment

The following table sets forth, for the periods indicated, the distribution of the Group's profit before tax by geographical segment:

(In millions of RMB, except percentages)	**Six months ended 30 June 2014**		Six months ended 30 June 2013	
	Amount	**% of total**	Amount	% of total
Yangtze River Delta	**22,704**	**13.39**	19,392	12.50
Pearl River Delta	**22,407**	**13.22**	22,214	14.31
Bohai Rim	**27,827**	**16.42**	24,629	15.87
Central	**27,356**	**16.14**	23,699	15.27
Western	**27,773**	**16.38**	25,489	16.42
Northeastern	**9,004**	**5.31**	8,077	5.21
Head office	**28,308**	**16.70**	30,383	19.58
Overseas	**4,137**	**2.44**	1,306	0.84
Profit before tax	**169,516**	**100.00**	155,189	100.00

The following table sets forth, as at the dates indicated, the distribution of the Group's assets by geographical segment:

(In millions of RMB, except percentages)	**As at 30 June 2014**		As at 31 December 2013	
	Amount	**% of total**	Amount	% of total
Yangtze River Delta	**2,776,063**	**13.08**	2,639,135	13.18
Pearl River Delta	**2,343,637**	**11.04**	2,158,746	10.78
Bohai Rim	**2,996,848**	**14.12**	2,737,198	13.67
Central	**2,554,732**	**12.04**	2,411,147	12.04
Western	**2,604,801**	**12.27**	2,500,348	12.49
Northeastern	**965,343**	**4.55**	910,474	4.55
Head office	**6,061,762**	**28.56**	5,934,221	29.63
Overseas	**920,152**	**4.34**	731,878	3.66
Total assets[1]	**21,223,338**	**100.00**	20,023,147	100.00

1. Total assets excluded elimination and deferred tax assets.

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and NPLs by geographical segment:

(In millions of RMB, except percentages)	**As at 30 June 2014**				As at 31 December 2013			
	Loans and advances	**% of total**	**NPLs**	**NPL ratio (%)**	Loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	**1,859,048**	**20.23**	**41,963**	**2.26**	1,781,649	20.74	40,844	2.29
Pearl River Delta	**1,278,833**	**13.91**	**14,722**	**1.15**	1,220,420	14.21	10,680	0.88
Bohai Rim	**1,576,590**	**17.15**	**8,394**	**0.53**	1,442,213	16.79	6,695	0.46
Central	**1,479,243**	**16.10**	**14,729**	**1.00**	1,358,192	15.81	12,052	0.89
Western	**1,565,039**	**17.03**	**7,417**	**0.47**	1,461,129	17.01	7,221	0.49
Northeastern	**537,999**	**5.85**	**4,670**	**0.87**	507,751	5.91	4,551	0.90
Head office	**294,969**	**3.21**	**3,100**	**1.05**	280,597	3.27	2,645	0.94
Overseas	**598,880**	**6.52**	**673**	**0.11**	538,106	6.26	576	0.11
Gross loans and advances to customers	**9,190,601**	**100.00**	**95,668**	**1.04**	8,590,057	100.00	85,264	0.99

The following table sets forth, as at the dates indicated, the distribution of the Group's deposits by geographical segment:

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	2,397,406	18.50	2,310,251	18.90
Pearl River Delta	1,958,601	15.12	1,878,995	15.37
Bohai Rim	2,421,304	18.69	2,245,632	18.37
Central	2,429,028	18.75	2,268,111	18.56
Western	2,474,013	19.09	2,388,492	19.54
Northeastern	902,504	6.96	855,591	7.00
Head office	42,190	0.33	25,671	0.21
Overseas	331,910	2.56	250,294	2.05
Deposits from customers	12,956,956	100.00	12,223,037	100.00

Distribution Channels

The Bank has an extensive distribution network. Through branches and sub-branches, self-service equipment, specialised service entities across the country and electronic banking service platform, the Bank provides its customers with convenient and high-quality banking services.

At the end of June, the Bank had a total of 14,707 domestic operating outlets, including the head office, 37 tier-one branches, 321 tier-two branches, 11,150 sub-branches, 3,197 entities under the sub-branches and one specialised credit card centre at the head office. The number of operating outlets increased by 57 over the end of last year. The operating outlets were mainly distributed in large cities, central cities, top counties and rich towns. In the first half of 2014, the Bank accumulatively started 959 renovation projects of outlets, further improving physical environment and customer experience at the outlets.

In the first half of 2014, the Bank's total number of private banking centres and wealth management centres in operation reached 338. There were 286 small business operating centres in the form of "Credit Factory", covering 236 cities at prefecture level. More than 1,400 personal loan centres were built, and customer service network gradually improved.

The Bank actively promoted the building of smart platform and full-channel deployment, and provided cross-industry services by relying on "e.ccb.com" while expanding its product range and developing high-quality products. By always keeping a balance between customer experience and safety precaution, the Bank stably expanded its customer base, significantly increased transaction volume and steadily improved application of electronic service channels. At the end of June, the ratio of the number of accounting transactions through electronic banking and self-service channels to the total number of accounting transactions through various channels was 86.55%, an increase of 1.15 percentage points over the end of last year.

Online banking

For personal online banking, the Bank optimised the function of overseas foreign exchange remittance, realised the intelligent routing control over cross-bank transfer, and launched services such as fast transfer, application for adjusting credit card limit and change of billing address. For corporate online banking, the Bank completed the migration of existing customers to new generation corporate online banking, further promoted overseas online banking service, and launched overseas corporate online banking for branches in Dubai, London, Taipei and Sydney, and the standardised version for the subsidiary bank in Russia. At the end of June, the number of personal online banking customers increased by 9.25% to 163.87 million over the end of last year, and the transaction volume was RMB20 trillion, a year-on-year increase of 30.90%. The number of corporate online banking customers reached 3.04 million, an increase of 8.54% over the end of last year, and the transaction volume was RMB59.61 trillion, a year-on-year increase of 25.30%.

E.ccb.com e-commerce platform

E.ccb.com e-commerce platform developed fast. The Bank finished redesigning the home page of retail mall, highlighting "elegant, exclusive, exquisite and excellent" products and high-quality merchants. The Bank launched "instalment preference" section, realising the comprehensive integration of Long Card mall and "e.ccb.com" retail mall. The corporate mall prioritised the development of high-quality merchants, further explored selected industries, released the function of enquiry for purchase, upgraded the comprehensive home page of specialised market, and launched "E.ccb.com" Assistant software. At the end of June, "e.ccb.com" developed 41.6 thousand merchants and 4,511.9 thousand members accumulatively. The transaction volume totalled RMB19,148 million in the first half of 2014, a year-on-year increase of 193.26%.

Telephone banking

The Bank continued to accelerate the integration of customer service hotlines, and optimise business process and system functions to strengthen its service ability for improving customer satisfaction. At the end of June, the number of telephone banking customers was 161.14 million, an increase of 11.44 million, or 7.64% over the end of last year.

Mobile phone banking

The Bank launched new mobile phone banking APP to provide service in five major sections, namely Mobile Phone Banking, Joy Life, My Favorites, Shake to Transfer and QR Code Scanning. The Bank launched SMS banking APP, by which customers can directly conduct account enquiry, transfer and remittance, payment and charging, and credit card related operations. At the end of June, the number of mobile banking customers was 131.16 million, up 12.56% over the end of last year; the transaction volume was RMB3 trillion, a year-on-year increase of 127.92%; the number of transactions was 1,059 million, a year-on-year increase of 131.98%. The number of SMS financial service customers reached 222.08 million, an increase of 11.34% over the end of last year. The number of WeChat banking customers was 7.04 million, of which 4.38 million customers added the Bank's WeChat banking account and attached their bank cards.

Self-service banking

The Bank continuously expanded the self-service channels, accelerated the deployment of self-service equipment in the counties, and optimised the layout of such equipment. The Bank refined the management over self-service equipment and optimised equipment functions, contributing to the further increasing trading volume. At the end of June, there were 72,128 ATMs with cash service in operation, an increase of 3,115 over the end of last year. The ratio of the number of accounting transactions through self-service equipment to the total number of accounting transactions through various channels reached 42.60%. There were 19,078 self-service banks in operation, an increase of 1,200.

Information Technology and Product Innovation

Information Technology

The Bank intensified its efforts in information technology with a focus on ensuring safe operation and the building of the "New Generation Core Banking System", to support the development of various businesses. In the first half of 2014, the major part of branch deployment and customer migration of Phase I projects of the "New Generation Core Banking System" was completed as planned. Phase II projects were carried out in batches and were at the stage of development and testing. Planning for Phase III projects was carried out accordingly. Projects of human resources management, credit card application and agency of domestic banking subsidiaries were approved and at the analysis stage. In view of the constant increase in transaction volume of various key systems brought by business development, the Bank adopted measures in terms of systems, procedures, staff management and technical support to further enhance the standardisation of operating and maintenance system. In the first half of 2014, all systems operated securely. The availability rate of key systems stood at 99.99%, while that of critical systems such as online banking, international card, Long Card network, securities and the core system even reached 100%. The Bank became one of the first contracted banks in Shanghai Free Trade Zone and successfully accessed to the PBOC's system. It launched products such as UnionPay corporate settlement card and Jucai deposit as well as functions like rapid issuance of virtual card in the credit card system. The Bank completed the setting-up of global RMB clearing network to support business development. In the first half of 2014, the Bank obtained four patents issued by the State Intellectual Property Office, accumulatively 51 in total.

Product Innovation

The Bank continued to uphold the philosophy of "innovation drives development" and improve its capability in product innovation, striving to be an innovative bank. The Bank strengthened implementation of the three-year strategic plan for product innovation and strove to enhance the quality of product innovation. The Bank formulated project management policies for product innovation, and established management mechanism for product innovation, which involves hierarchy of responsibilities. The Bank adopted key project management policy and strengthened the management and implementation of strategic innovations. Meanwhile, the Bank attached equal importance to "financing" innovation and "smart" innovation, focusing on multi-generational product innovation and optimisation. The Bank set up an information platform for innovation rolling-out and transplantation to facilitate the quick sharing of innovation achievements. The Bank attached importance to the effect of innovation and began to establish the mechanism of input-output forecast before product launching and regular performance tracking mechanism after launching. In the first half of 2014, the Bank completed 357 product innovation projects, a year-on-year increase of 60.

Human Resources and Institutional Management

The following table sets forth, as at the date indicated, the geographical distribution of the Bank's branches and staff:

	As at 30 June 2014			
	Number of staff	**% of total**	**Number of branches**	**% of total**
Yangtze River Delta	**56,536**	**15.53**	**2,451**	**16.64**
Pearl River Delta	**46,374**	**12.74**	**1,864**	**12.66**
Bohai Rim	**59,748**	**16.41**	**2,403**	**16.31**
Central	**80,965**	**22.24**	**3,555**	**24.14**
Western	**68,702**	**18.87**	**2,986**	**20.27**
Northeastern	**36,968**	**10.16**	**1,445**	**9.81**
Head office	**14,210**	**3.90**	**3**	**0.02**
Overseas	**548**	**0.15**	**22**	**0.15**
Total	**364,051**	**100.00**	**14,729**	**100.00**

At the end of June 2014, the Bank had 364,051 staff members (in addition, the Bank had 6,673 workers dispatched by labour leasing companies). The staff members with academic qualifications of bachelor's degree or above were 210,945, or 57.94%, and the number of local employees in overseas entities was 407. In addition, the Bank assumed the expenses of 49,712 retired employees.

At the end of June 2014, the Bank had a total of 14,729 institutions, among which, there were 14,707 domestic institutions and 22 overseas institutions.

Profiles of institutions and staff in subsidiaries

The Bank had 39 subsidiaries with a total of 198 branches, among which, domestic branches reached 138 and overseas branches reached 60. The subsidiaries had 8,383 staff members (in addition, the subsidiaries had 317 workers dispatched by labour leasing companies). Of this amount, there were 5,573 domestic staff members and 2,810 overseas staff members. In addition, the subsidiaries assumed the expenses of 18 retired employees.

Risk Management

In the first half of 2014, the Bank further enhanced the overall risk management quality, strengthened risk management and control at the Group level, and supported the overall business development, innovation and risk management by taking the opportunity of pushing forward the implementation of advanced measurement approach over capital management.

Credit Risk Management

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Bank.

In the first half of 2014, the Bank adhered to the bottom line of risk management, and reinforced risk management and control by strengthening the fundamental management on pre-lending evaluations, credit approval and post-lending monitoring. The Bank timely adjusted and improved credit policies with foresight, improved and optimised system process, and promoted credit risk management capability and level. The asset quality remained stable.

Carrying out the event of "Year of Credit Risk Prevention and Control" to strengthen the fundamental management on credit. The Bank pushed forward the "looking back" work for the loans granted last year, with a focus on the inspection and rectification for key risk points of the credit business. By inspecting and assessing specific risks of high-risk industries, customer groups and products, the Bank eliminated potential risks in time. The Bank strengthened authenticity management of pre-lending evaluations, reinforced intensive management of credit approval, and optimised the post-lending and collateral management systems. The Bank stepped up credit risk management of overseas entities.

Timely adjusting and optimising credit policies to better play the "weather vane" role. The Bank actively responded to complex and volatile economic situations to improve credit policies with foresight, and worked out detailed criteria for credit access and exit. In compliance with national industrial policies, regulatory requirements, and its own development strategy and risk appetite, the Bank further identified its key areas of credit investments. The Bank adjusted its policies and criteria in areas with prominent risks and put forward corresponding requirements for risk management and control.

Accelerating the design and application of risk management tools to vigorously support business development and innovation. With respect to non-retail credit risk, the Bank optimised the rating model for customers from local governments and small enterprises, etc. and deepened the application of the tools in customer pricing and innovation of comprehensive financial service solutions. In respect of retail credit risk, the Bank further accelerated the development and application of scorecard tools for various kinds of personal loans, "e.ccb.com" and credit card instalment, and supported the innovation of personal consumer finance and internet finance, expanding the traditional advantages of retail banking.

Optimising portfolio management tools to actively guide the adjustment of credit structure. The Bank optimised economic capital models and parameters, and actively communicated the capital constraint requirements and the overall guiding risk appetites. The Bank pushed forward the application of measurement results in risk management, business management and capital management. The Bank strictly conducted stringent industry limit management by vigorously controlling the increment of credit balances in gradually shrinking industries and of customers in the to-be-tightened or exit category, so as to effectively promote the continuous optimisation of asset portfolio structure.

Reinforcing the disposal of non-performing loans to ensure the stability of asset quality. The Bank strengthened the management over key projects and key branches, and reinforced the market-oriented disposal by making full use of various measures. The Bank conducted compliance checks over the special assets resolution business, standardised business operation, and improved the fundamental management over non-performing assets, thus raising the level of professional management.

Concentration of credit risks

In the first half of 2014, in line with regulatory requirements, the Group proactively adopted a series of measures to prevent large exposure concentration risk, including further tightening lending criteria, adjusting business structure, controlling the credit granting pace, revitalising existing credit assets and innovating products.

At the end of June 2014, the Group's gross loans to the largest single borrower accounted for 4.77% of the total capital after deductions, while those to the top ten customers accounted for 14.81% of the total capital after deductions.

Concentration of loans

Concentration indicator	As at 30 June 2014	As at 31 December 2013	As at 31 December 2012
Proportion of loans to the largest single customer (%)	**4.77**	4.51	3.86
Proportion of loans to top ten customers (%)	**14.81**	14.80	14.76

The Group's top ten single borrowers as at the date indicated are as follows:

(In millions of RMB, except percentages)	Industry	As at 30 June 2014 Amount	% of total loans
Customer A	Transportation, storage and postal services	**66,941**	**0.73**
Customer B	Manufacturing	**28,036**	**0.30**
Customer C	Transportation, storage and postal services	**17,032**	**0.19**
Customer D	Financial industry	**15,231**	**0.17**
Customer E	Transportation, storage and postal services	**15,021**	**0.16**
Customer F	Transportation, storage and postal services	**13,586**	**0.15**
Customer G	Transportation, storage and postal services	**13,317**	**0.14**
Customer H	Water, environment and public utility management	**12,969**	**0.14**
Customer I	Water, environment and public utility management	**12,957**	**0.14**
Customer J	Transportation, storage and postal services	**12,916**	**0.14**
Total		**208,006**	**2.26**

Liquidity Risk Management

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Bank cannot obtain sufficient funding in time, or at a reasonable cost, to meet the needs of asset growth or repay liabilities as they fall due. The Bank's objective for liquidity risk management is to maintain a reasonable level of liquidity, and ensure the payment and settlement security in compliance with the regulatory requirements, while striving to enhance fund yields by deploying its funds in an effective and reasonable way.

In the first quarter of 2014, the liquidity of banking industry was adequate. However, market funds denominated in RMB experienced seasonal fluctuations due to increasing cash demand during the Spring Festival and other factors. In the second quarter, the PBOC directionally reduced the statutory deposit reserve ratio twice and strengthened the capital support for the development of "agriculture, farmers and rural areas" and small and micro businesses, contributing to the easy money supply in the market. The Bank responded to the liquidity situation with timely measures, conducted coordinated liquidity management at the Group level, enhanced deposit attraction capacity, adjusted the usage of products that largely affected liquidity such as debt securities investments, financial assets held under resale agreements, and deposits with banks and non-bank financial institutions, and strengthened large fund flow alert. The Bank maintained liquidity at a reasonable level and ensured normal payments and clearings.

The Bank conducted regular stress testing on its liquidity risk, in order to gauge its risk tolerance in extreme scenarios with low probability and other adverse circumstances. The results showed that under the stress scenarios, although liquidity risk increased, it stayed within a controllable range.

The following table sets forth the liquidity ratios of RMB and foreign currency of the Group:

(%)		Regulatory standard	**As at 30 June 2014**	As at 31 December 2013	As at 31 December 2012
Liquidity ratio[1]	RMB	≥25	**47.72**	46.57	56.73
	Foreign currency	≥25	**56.70**	55.20	58.81

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBRC.

The analysis of the remaining maturities of the Group's assets and liabilities as at the balance sheet date is set out below:

(In millions of RMB)	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Long/(short) position as at 30 June 2014	**2,639,740**	**(6,645,222)**	**(736,435)**	**(204,435)**	**(609,029)**	**2,633,907**	**4,068,486**	**1,147,012**
Long/(short) position as at 31 December 2013	2,531,094	(6,711,273)	(610,116)	(427,828)	3,773	2,493,591	3,795,088	1,074,329

The Group regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different maturity periods. As at 30 June 2014, the accumulated gap of various maturities of the Group was RMB1,147,012 million, an increase of RMB72,683 million over the end of 2013. Despite the negative gap for repayment on demand totalling RMB6,645,222 million, the Group is expected to enjoy a stable funding source and maintain stable liquidity in the future given its strong and expansive deposit customer base, relatively stable core demand deposits, and steady growth in deposits.

Market Risk Management

Market risk is the risk of loss in respect of the Bank's on and off-balance sheet activities, arising from adverse movements in market rates, including but not limited to interest rates, foreign exchange rates, commodity prices and stock prices.

In the first half of 2014, the Bank further promoted the comprehensive market risk management, improved monitoring and reporting on market risk as well as the management of credit debts, optimised recognition and measurement of market risk, and effectively responded to new risk types, constantly enhancing its market risk management capability.

Refining the policy system of market risk management. The Bank formulated trading business and market risk policy limit schemes for 2014 and established market risk policies and limit systems covering trading business across the whole Group. The Bank worked out the provision scheme for estimated liabilities of precious metals leasing and made provisions at the end of June for the first time.

Enhancing promptness and effectiveness of monitoring report. The Bank traced and monitored the implementation of credit approval, authorisation and risk limits of the financial markets business, and released risk early warning and alerts in a timely manner. The Bank strengthened the analysis and prediction on market situations, and timely responded, analysed and reported changes and key risk points of policies, markets and businesses.

Promoting the development of measurement system and tools of market risk. The Bank independently researched and developed the market risk measurement engine, strengthened the stress testing and model verification of market risk, and extended the range of market risk limit management to the Group level. The Bank unified the counterparty access rules and created counterparty checklist for internal control so as to promote the counterparty risk management at the Group level.

Value at Risk analysis

The Bank has separated on and off-balance sheet activities into two major categories, trading book and banking book. The Bank performs VaR analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaR of RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one-day).

The VaR analysis on the Bank's trading portfolio as at the balance sheet date and during the respective years is as follows:

(In millions of RMB)	**For the six months ended 30 June 2014** As at 30 June	**Average**	**Maximum**	**Minimum**	For the six months ended 30 June 2013 As at 30 June	Average	Maximum	Minimum
Risk valuation of trading portfolio	**47**	**84**	**137**	**47**	75	34	75	14
– Interest rate risk	**24**	**31**	**115**	**9**	86	21	86	6
– Foreign exchange risk	**39**	**75**	**119**	**38**	15	26	57	12
– Commodity risk	**–**	**1**	**5**	**–**	2	2	18	–

Interest rate risk management

Interest rate risk is the risk of loss in the overall income and economic value of the banking book as a result of adverse movements in interest rates, term structure and other interest-related factors. Repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities are the primary sources of interest rate risk for the Bank, while yield curve risk and option risk have relatively less impact. The overall objective of the Bank's interest rate risk management is to maintain steady growth of net interest income, while keeping interest rate risk within a tolerable range in accordance with the risk appetite and risk management capability.

In the first half of 2014, the Bank actively responded to the challenge of interest rate liberalisation, continuously adopted the pricing strategy that combined the standardised and differentiated techniques, timely optimised the internal funds transfer price scheme and dynamically adjusted price and pricing authorisation based on the market and customers' needs so as to enhance the long-term profitability of the Bank. The Bank conducted regular analysis by comprehensively using multiple tools such as interest rate sensitivity gap, net interest income sensitivity analysis, scenario simulation and stress testing. It strengthened analysis and prediction of net interest margin and promoted the reasonable layout of assets and liabilities of the Bank as a whole, thus achieving steady growth of net interest income while keeping the overall interest rate risk within the set tolerable level.

Interest rate sensitivity gap analysis

The analysis of the next expected repricing dates or maturity dates (whichever are earlier) of the Group's assets and liabilities as at the balance sheet date is set out below:

(In millions of RMB)	**Non-interest-bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Total**
Interest rate sensitivity gap as at 30 June 2014	**17,982**	**(3,860,122)**	**3,706,083**	**228,908**	**1,054,161**	**1,147,012**
Interest rate sensitivity gap as at 31 December 2013	59,802	(1,963,877)	1,761,438	241,112	975,854	1,074,329

As at 30 June 2014, the Group's accumulated negative gap for a period less than one year was RMB154,039 million, which narrowed by RMB48,400 million compared to the end of last year, mainly due to the decrease in borrowings from central banks. The Group's positive gap for a period more than one year was RMB1,283,069 million, which expanded by RMB66,103 million over the end of last year, mainly due to the increase of debt securities investments with maturities of more than one year.

Net interest income sensitivity analysis

Net interest income sensitivity analysis is based on two scenarios. The first is to assume that the interest rate for deposits with the PBOC stays constant, and all yield curves rise or fall by 100 basis points in a parallel way; the second is to assume that the interest rates for deposits with the PBOC and demand deposits stay constant, while the other yield curves rise or fall by 100 basis points in a parallel way.

The interest rate sensitivity of the Group's net interest income as at the balance sheet date is set out below:

(In millions of RMB)	Change in net interest income Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points (demand deposit rates being constant)	Fall by 100 basis points (demand deposit rates being constant)
As at 30 June 2014	**(50,143)**	**50,143**	**20,653**	**(20,653)**
As at 31 December 2013	(40,135)	40,135	31,468	(31,468)

Foreign exchange rate risk management

Foreign exchange rate risk is the risk of impact of adverse movement in foreign exchange rates on a bank's financial position. The Bank is exposed to foreign exchange rate risk primarily because of the currency mismatch of assets and liabilities held by the Bank that are denominated in currencies other than RMB and the position held by the Bank as a market maker in the financial markets. The Bank avoided exchange rate risk by matching its assets and liabilities, controlled exchange rate risk by setting limits, hedged exchange rate risk by using derivative financial instruments and transferred exchange rate risk by reasonable product pricing.

The Bank constantly strengthened centralised management of foreign exchange rate risk and further researched risk hedging strategies and tools under the new situation. The Bank controlled the overall foreign exchange rate risk-bearing ability through enhancing assets and liabilities currency matching as a whole. The Bank took the advantage of multi-region and multi-market operation, properly adopted derivative financial instruments and flexibly managed foreign exchange rate risks to maintain the foreign exchange rate risk exposure at a relatively low level.

Currency concentrations

The Group's currency concentrations as at the balance sheet date are set out below:

	As at 30 June 2014				As at 31 December 2013			
(In millions of RMB)	**USD (RMB equivalent)**	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	**885,931**	**162,579**	**89,964**	**1,138,474**	731,627	141,255	71,352	944,234
Spot liabilities	**(821,552)**	**(207,265)**	**(104,029)**	**(1,132,846)**	(540,063)	(174,454)	(117,234)	(831,751)
Forward purchases	**890,643**	**57,202**	**88,419**	**1,036,264**	740,072	57,311	105,430	902,813
Forward sales	**(934,374)**	**(5,417)**	**(62,091)**	**(1,001,882)**	(924,064)	(11,030)	(55,931)	(991,025)
Net options position	**372**	**–**	**–**	**372**	200	–	–	200
Net long position	**21,020**	**7,099**	**12,263**	**40,382**	7,772	13,082	3,617	24,471

As at 30 June 2014, the net exposure of the Group's foreign exchange rate risk was a positive value of RMB40,382 million, an increase of RMB15,911 million compared to the end of last year. The overall foreign exchange rate risk was controllable.

Operational Risk Management

Operational risk is the risk of loss due to inadequate or flawed internal processes, people and systems, or external events.

In the first half of 2014, the Bank continued to standardise and strengthen its operational risk management, and continuously implemented risk monitoring, assessment and inspection on key businesses and important processes by comprehensively applying tools and methods such as operational risk self-assessment, key risk indicators, and key risk points monitoring and inspection, to strengthen the prevention and control of operational risks in key business areas and key positions. In view of changing risks in reality, the Bank constantly re-examined and improved the policies and management of incompatible positions (responsibilities) to bring out the rigid check and balance mechanism across positions. The Bank continuously optimised the operational risk management information system by expanding its functions to support scenario analysis, capital measurement and business continuity management. The Bank continued to improve business continuity management, conducted integrated self-assessment of business continuity management, and steadily pushed forward the establishment of emergency plan and emergency drill database and corresponding policy system.

Anti-money laundering

In the first half of 2014, the Bank continuously enhanced the management of anti-money laundering and anti-terrorism financing activities by accelerating the centralisation of anti-money laundering work and arranging anti-terrorism financing work throughout the Bank. It diligently conducted customer identity recognition, money laundering risk evaluation, transaction monitoring analysis and anti-money laundering system building, to actively prevent and control compliance risks. The Bank completed the group compliance registration on Foreign Account Tax Compliance Act (FATCA).

Reputation Risk Management

Reputation risk is mainly the risk of negative impacts or damages to the banks' overall image, reputation and brand value, arising when commercial banks' operational, managerial and other behaviours or contingencies are noticed or reported by the media.

In the first half of 2014, the Bank further enhanced reputation risk management and improved the evaluation system of reputation risk so as to continuously enhance the capability of reputation risk management. The preliminary framework of reputation risk management was established and the management mechanism operated effectively. The Bank comprehensively expanded the coverage of various media for public sentiment monitoring and further improved the efficiency of early warning of sensitive news. It encouraged quick and collaborative response to sensitive news, and adopted classified and categorised management over public sentiment issues. The Bank stepped up inspection and guidance over branches by conducting performance evaluation, and strengthened team building and staff training, improving the staff's awareness of reputation risk prevention and response capabilities to sensitive news.

Consolidated Management

Consolidated management is the comprehensive and continuous management that the Bank imposes over the Group's capital, finance and risks, based on the single legal person management, in order to identify, measure, monitor and assess the overall risk profile of the Group.

In the first half of 2014, the Bank continued to strengthen consolidated management planning, improved the management mechanism, tools, methods and systems, diligently implemented the regulatory requirements of consolidated management, and continuously enhanced the capability and quality of consolidated management so as to effectively prevent the cross-border and cross-industry operating risks of the Group.

Optimising the building of consolidated management mechanism. The Bank refined the framework of consolidated management, optimised the building of comprehensive risk management system, strengthened communication of the Group's policies and systems, and improved firewall and the Group's internal risk isolation mechanism. It refined the building of information system of consolidated management, and improved the information reporting and communication mechanism of the Group.

Reinforcing consolidated management for capital adequacy ratio. The Bank enhanced the prediction and planning of the Group's capital and continuously monitored the capital adequacy ratio of the Group. The Bank implemented refined capital management and deepened intensive operation of the Group's capital.

Enhancing the consolidated management of large risk exposure. The Bank constantly enhanced the unified credit management at the Group level, and reinforced the management and control of the same counterparty's credit risk exposure. The Bank strengthened the monitoring of risk concentration at the Group level and optimised the industry limit management of subsidiaries.

Strengthening the consolidated management of internal transactions. The Bank improved the internal transaction management policies and conducted regular monitoring, analysis and reporting on the Group's internal transactions, so as to enhance targeted and standardised management.

Enhancing risk management in other fields at the Group level. The Bank enhanced the liquidity management and regularly organised and implemented liquidity risk stress testing at the Group level. The Bank strengthened the consolidated management of overseas institutions, optimised country-specific risk management policies and systems, and standardised the compliance management of overseas institutions. The Bank strengthened legal guidance for subsidiaries and prevented legal risks at the Group level.

Internal Audit

The Bank adheres to a relatively independent and vertically managed internal audit system. In order to promote the establishment of a sound and effective risk management mechanism, internal control system and corporate governance procedures, the Bank's internal audit department evaluates the effectiveness of the internal controls and risk management, the effect of corporate governance procedures, the efficiency of business operations, and the economic responsibilities of relevant personnel, and puts forward suggestions for improvement based on its internal audit results.

In the first half of 2014, the Bank's internal audit department operated under the guidance of risk-oriented philosophy, and conducted a series of systemic audit projects across the Bank, including dynamic audit investigation for credit business, audits of domestic letter of credit business, connected relations of certain credit customers and related risks, private banking business, credit card business, and operation and management of the principal businesses of overseas entities. Audit offices conducted selected audit projects as they deemed appropriate based on actual situations of local branches to continuously improve audit effectiveness and ensure reasonable audit coverage. The internal audit department proactively adapted to new requirements and new situations, constantly optimised working mechanism, innovated project organisation, enhanced professionalism and research on audit techniques, and strove to enhance the ability to identify issues and disclose risks, so as to ensure the audit quality and effectiveness.

Capital Management

The Group has implemented a comprehensive capital management which covers regulatory capital, economic capital and accounting capital management, including but not limited to management of capital adequacy ratio, capital planning, capital raising and economic capital.

In the first half of 2014, the Group continuously strengthened the fundamental capability of capital management and proactively promoted its business transformation towards more intensive utilisation of capital. As a result, the guiding and restraint functions of capital on business development were further upgraded.

The Group promoted the implementation of the advanced capital measurement approach, and enhanced capital management capabilities. In April 2014, the Bank was officially approved by the CBRC to implement the advanced measurement approach for capital management, being one of the first batch of banks in China to implement the advanced measurement approach. The Bank will complete the parallel information disclosure for both the new and old capital management methods in accordance with the regulatory approval requirements during the transition period, and periodically push forward the application for the implementation of the advanced approach of internal rating of credit risk and the advanced measurement approach of operational risk, in order to achieve continuous regulatory compliance after the approval.

The Group reinforced restraints of capital on business and accelerated the business transformation towards more intensive utilisation of capital. The Group researched on the implementation impact of the advanced capital measurement approach, performed in-depth analysis on the items of capital occupation and risk-weighted assets, and actively promoted the implementation of the operation philosophy featuring intensive utilisation of capital throughout the whole process of business development. It pushed forward refined capital management to facilitate the improvement in business management process, reduced ineffective capital occupation, and constantly improved capital utilisation efficiency.

Analysis of Capital Adequacy Ratio

In accordance with the regulatory requirements, the Group has to calculate and disclose capital adequacy ratios simultaneously in accordance with the *Measures for Capital Management of Commercial Banks (Trial) and the Measures for the Management of Capital Adequacy Ratios of Commercial Banks*. The scope for calculating capital adequacy ratios includes both the Bank's domestic and overseas branches and sub-branches, and financial subsidiaries (insurance companies excluded).

Capital adequacy ratio

The CBRC officially approved the Bank to implement the advanced measurement approach for capital management during this reporting period. The capital requirements of corporate credit risk exposure that meet regulatory requirements are calculated with the foundation internal rating-based approach, the capital requirements of retail credit risk exposure are calculated with the internal rating-based approach, the capital requirements of market risk are calculated with the internal models approach, and the capital requirements of operational risk are calculated with the standardised approach. Pursuant to the regulatory requirements, from this reporting period on, the Bank calculates capital adequacy ratios simultaneously with advanced capital measurement approach and other methods, and complies with the relevant capital floors.

As at 30 June 2014, considering relevant rules in the transition period, the Group's total capital ratio, tier 1 ratio and common equity tier 1 ratio, which were calculated in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*, were 13.89%, 11.21% and 11.21%, respectively, and were in compliance with the regulatory requirements. The total capital ratio, tier 1 ratio and common equity tier 1 ratio increased by 0.55, 0.46 and 0.46 percentage points respectively compared with those as at 31 December 2013.

Increases in capital adequacy ratios in this reporting period are mainly due to adjustment of capital measurement rules. With the capital adequacy ratios being calculated based on the latest rules above, the sensitivity of various risk capital requirements to risks was further enhanced, and risk-weighted assets decreased. Meanwhile, the requirements of capital floors had certain impact on the measurement result of capital adequacy ratios. Besides the adjustment of measurement rules, despite the impact of deduction of unqualified subordinated debt securities and implementation of dividend payout plan for the year ended 31 December 2013, the growth rate of total capital after deductions from internal capital accumulation in the first half of 2014 still outpaced that of risk-weighted assets, contributing to the rise of capital adequacy ratios.

The following table sets forth, as at the dates indicated, the information related to the capital adequacy ratios of the Group and the Bank.

	As at 30 June 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	**The Group**	**The Bank**	The Group	The Bank
Capital adequacy ratios in accordance with the ***Measures for Capital Management of Commercial Banks (Trial)***[1]				
Total capital after deductions:				
Common Equity Tier 1	**1,132,884**	**1,068,006**	1,061,684	998,380
Tier 1 capital	**1,132,918**	**1,068,006**	1,061,700	998,380
Total capital	**1,404,637**	**1,337,984**	1,316,724	1,249,850
Capital adequacy ratios:				
Common Equity Tier 1 ratio	**11.21%**	**10.88%**	10.75%	10.44%
Tier 1 ratio	**11.21%**	**10.88%**	10.75%	10.44%
Total capital ratio	**13.89%**	**13.64%**	13.34%	13.06%
Capital adequacy ratios in accordance with the ***Measures for the Management of Capital Adequacy Ratios of Commercial Banks***				
Core capital adequacy ratio	**11.70%**	**11.59%**	11.14%	11.05%
Capital adequacy ratio	**14.24%**	**13.90%**	13.88%	13.53%

1. From this reporting period on, the Group calculates capital adequacy ratios based on the advanced capital measurement approach and applies the rules in the transition period.

Composition of capital

The following table sets forth, as at the dates indicated, the information related to the composition of capital of the Group in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*.

(In millions of RMB)	As at 30 June 2014	As at 31 December 2013
Common Equity Tier 1 capital		
Qualifying common share capital	250,011	250,011
Capital reserve[1]	131,097	116,321
Surplus reserve	107,970	107,970
General reserve	169,029	153,825
Retained earnings	482,613	442,554
Minority interest given recognition in Common Equity Tier 1 capital	3,491	3,729
Others[2]	(4,489)	(5,948)
Deductions for Common Equity Tier 1 capital		
Goodwill[3]	1,460	1,415
Other intangible assets (excluding land use right)[3]	1,456	1,609
Cash-flow hedge reserve	20	(148)
Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	3,902	3,902
Additional Tier 1 capital		
Minority interest given recognition in Additional Tier 1 capital	34	16
Tier 2 capital		
Directly issued qualifying Tier 2 instruments including related stock surplus	127,868	144,000
Provisions in Tier 2[4]	143,724	110,918
Minority interest given recognition in Tier 2 capital	127	106
Common Equity Tier 1 capital after deductions[5]	1,132,884	1,061,684
Tier 1 capital after deductions[5]	1,132,918	1,061,700
Total capital after deductions[5]	1,404,637	1,316,724

1. The investment revaluation reserve is included in capital reserve.

2. Others mainly contain foreign exchange reserve.

3. Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

4. From this reporting period on, excess allowances based on the latest regulatory rules are eligible for inclusion in Tier 2 capital.

5. Common Equity Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deductions is calculated by netting off the corresponding deduction items from the total capital.

Risk-weighted assets

The following table sets forth, as at the dates indicated, the information related to the risk-weighted assets of the Group in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*. Corporate credit risk-weighted assets that meet the regulatory requirements are calculated with the foundation internal rating-based approach, the retail credit risk-weighted assets are calculated with the internal rating-based approach, the market risk-weighted assets are calculated with the internal models approach and the operational risk-weighted assets are calculated with the standardised approach.

(In millions of RMB)	**As at 30 June 2014**	As at 31 December 2013[1]
Credit risk-weighted assets	**8,593,159**	8,984,419
Market risk-weighted assets	**30,455**	43,685
Operational risk-weighted assets	**829,575**	844,686
Additional risk-weighted assets arising due to the application of capital floors	**656,306**	N/A
Total risk-weighted assets	**10,109,495**	9,872,790

1. As at 31 December 2013, the Group's credit risk-weighted assets were calculated with the regulatory weight approach, the market risk-weighted assets were calculated with the standardised approach, and the operational risk-weighted assets were calculated with the basic indicator approach.

Credit risk exposure

The following table sets forth, as at the date indicated, the information related to the credit risk exposure of the Group in accordance with the *Measures for Capital Management of Commercial Banks (Trial)*.

(In millions of RMB)	**As at 30 June 2014**
	Exposure at default
Covered by internal rating-based approach	**9,258,537**
Corporate risk exposure	**6,581,644**
Retail risk exposure	**2,676,893**
	Risk exposure
Not covered by internal rating-based approach	**8,710,423**
On-balance sheet credit risks exposure	**8,494,607**
Of which: Securitisation risk exposure	**5,456**
Off-balance sheet credit risk exposure	**180,804**
Counterparty credit risk exposure	**35,012**

Capital requirements of market risks

The following table sets forth, as at the date indicated, the information related to capital requirements of various market risks. The Group's capital requirements of market risks are calculated with the internal models approach. Requirements not covered by the internal models approach are calculated with the standardised approach.

(In millions of RMB)	**As at 30 June 2014 Capital requirements**
Covered by internal models approach	**1,751**
Not covered by internal models approach	**685**
Interest rate risk	**115**
Equity position risk	**81**
Foreign exchange risk	**489**
Commodity risk	**–**
Option risk	**–**
Total	**2,436**

The following table sets forth, for the six months ended 30 June 2014, the information related to the value at risk (VaR) and stressed value at risk (stressed VaR) of market risks calculated with the internal models approach. The VaR and stressed VaR are calculated with historical simulation approach, whose historical observation periods are both one year with a holding period of ten days and at a confidence level of 99%. VaR and stressed VaR respectively reflect the maximum losses with probability calculated with the latest historical scenario and one-year historical scenario that exerts significant pressure on the Bank's assets.

	Six months ended 30 June 2014			
(In millions of RMB)	**Average**	**Highest**	**Lowest**	**Period end**
Value at risk (VaR)	**25,495**	**58,107**	**13,483**	**13,483**
Stressed value at risk (Stressed VaR)	**29,041**	**58,107**	**15,200**	**37,414**

Equity risk exposure of banking book

The following table sets forth, as at the dates indicated, the information related to the equity risk exposure of banking book and the unrealised potential risk gains or losses of the Group.

(In millions of RMB)	**As at 30 June 2014**			As at 31 December 2013		
Invested institution categories	**Publicly traded equity risk exposures[1]**	**Non-publicly traded equity risk exposures[1]**	**Unrealised potential risk gains or losses[2]**	Publicly traded equity risk exposures[1]	Non-publicly traded equity risk exposures[1]	Unrealised potential risk gains or losses[2]
Financial institutions	**1,759**	**1,322**	**528**	1,834	1,395	519
Non-financial institutions	**5,032**	**3,979**	**2,382**	5,570	3,998	2,698
Total	**6,791**	**5,301**	**2,910**	7,404	5,393	3,217

1. Publicly traded equity risk exposures are the equity risk exposures of invested institutions that are listed companies. Non-publicly traded equity risk exposures are the equity risk exposures of invested institutions that are non-listed companies.

2. Unrealised potential risk gains or losses are the portion of gains or losses that have been recognised in the balance sheet but not in the income statement.

Prospects

In the second half of 2014, from the perspective of external environment, despite the varying situations in different geographical areas, the global economy as a whole is still on the track of moderate recovery. The economic growth is expected to be better than that of last year and the overseas market demand is relatively stable.

The Chinese economy is now in the stage of growth rate changing and transformation of development model. As the throes of structural adjustments and the vitalities stimulated by adjustments and reforms are intertwined with each other, the economic development takes on characteristics of the specific stage and the new normal. With various positive elements and a supportive macroscopic policy environment, the Chinese economy is expected to maintain steady growth. Meanwhile, there are many risks and challenges in economic development, mainly because new and strong growth engines are yet to be formed while the existing growth engines such as external demands and real estate are weakening. Structural adjustments and reforms remain extremely arduous tasks.

Against the above-mentioned background, the Group will adhere to the development direction featuring "integration, multifunction, and intensiveness", firmly push forward operation transformation, and further strengthen risk prevention and control, to maintain steady development of various businesses. Efforts will be made in the following areas. First, the Group will strive to promote comprehensive service transformation, electronic transformation, management model transformation at the Group level and innovation-driven transformation. Second, the Group will further support the real economy, continuously follow the national economic transformation and industrial adjustments, and enhance the supporting efforts of financial services. The Group will proactively support the development of weak links in economy including "agriculture, farmers and rural areas", small and micro-enterprises, and people's livelihood sectors. Third, the Group will positively respond to changes of customer requirements on funds under interest rate liberalisation, consolidate customer base, and improve products and services, to boost stable growth of deposits. Fourth, the Group will strengthen risk management and control, promote the event of "Year of Credit Risk Prevention and Control", enhance authenticity investigation on pre-lending evaluations, improve post-lending management mechanism and optimise collateral management system. The Group will strengthen the examination and rectification in key areas, and re-inspect and optimise credit policies. The Group will strengthen overall risk management in liquidity risk, market risk, operational risk and reputation risk, and firmly hold the risk bottom line. Fifth, the Group will strive to increase revenue and reduce expenses to ensure stable increase in profit. The Group will increase "smart" product services and maintain standardised and sound development of fee-based businesses. The Group will enhance the capabilities of comprehensive pricing and differentiated pricing, strengthen cost management, and improve the intensive level of spending.

Changes in Shares

Unit: share

	1 January 2014		Increase/(Decrease) during the reporting period					30 June 2014	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
(I) Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
(II) Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	91,967,394,499	36.78	–	–	–	130,296,000	130,296,000	92,097,690,499	36.83
3. Others[1]	148,449,925,381	59.38	–	–	–	(130,296,000)	(130,296,000)	148,319,629,381	59.33
(III) Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares not subject to selling restrictions held by the promoters of the Bank, i.e. Huijin, Baosteel Group, State Grid, and Yangtze Power.

Number of Shareholders and Particulars of Shareholdings

At the end of the reporting period, based on the register of members as at 30 June 2014, the Bank had a total of 753,760 shareholders, of which 51,731 were holders of H-shares and 702,029 were holders of A-shares.

Unit: share

Total number of shareholders **753,760 (Total number of registered holders of A-shares and H-shares as at 30 June 2014)**

Particulars of shareholdings of the top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
Huijin	State-owned	57.03	142,590,494,651 (H-shares)	None	None
		0.23	570,941,976 (A-shares)	None	None
HKSCC Nominees Limited[1]	Foreign legal person	29.85	74,631,967,812 (H-shares)	None	Unknown
Temasek[1]	Foreign legal person	6.39	15,973,595,216 (H-shares)	None	None
State Grid[1,2]	State-owned legal person	1.09	2,713,521,730 (H-shares)	None	None
Baosteel Group	State-owned legal person	0.80	2,000,000,000 (H-shares)	None	None
		0.13	318,860,498 (A-shares)	None	None
China Ping An Life Insurance Company Limited -Traditional – Ordinary insurance products	Domestic non-state-owned legal person	0.86	2,143,438,329 (A-shares)	None	None
Yangtze Power[1]	State-owned legal person	0.41	1,015,613,000 (H-shares)	None	None
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	None	None
China Ping An Life Insurance Company Limited -Traditional – High interest rate insurance policy products	Domestic non-state-owned legal person	0.24	591,906,825 (A-shares)	None	None
China Securities Finance Corporation Limited	State-owned legal person	0.12	303,607,933 (A-shares)	None	None

1. As at 30 June 2014, Temasek held 15,973,595,216 H-shares of the Bank through Temasek Holdings (Private) Limited and Fullerton Financial Holdings Pte Ltd.. State Grid and Yangtze Power held 2,713,521,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Besides the H-shares of the Bank held by Temasek, State Grid and Yangtze Power, another 74,631,967,812 H-shares of the Bank were held under the name of HKSCC Nominees Limited.

2. As at 30 June 2014, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: State Grid Yingda International Holdings Group Co. Ltd. held 804,035,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 582,204,000 shares and Shenzhen Guoneng International Trading Co. Ltd. held 12,000,000 shares.

3. Some of the shareholders mentioned above are subject to management by the same entity. Apart from this, the Bank has not been aware of any connected relation or acting in concert among the shareholders.

Changes in Controlling Shareholders and Actual Controlling Parties

During the reporting period, there had been no change in controlling shareholders and actual controlling parties.

Material Interests and Short Positions

As at 30 June 2014, the interests and short positions held by substantial shareholders and other persons in the shares and underlying shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

Name	Type of shares	Interests and short positions in shares	Nature	% of issued A-shares or H-shares	% of total issued shares
Huijin[1]	A-share	492,631,014	Long position	5.13	0.20
Huijin[2]	H-share	133,262,144,534	Long position	59.31	57.03
Temasek[3]	H-share	17,878,670,050	Long position	7.44	7.15

1. On 17 June 2013, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 492,631,014 A-shares of the Bank, accounting for 5.13% of the A-shares issued then (9,593,657,606 shares) and 0.20% of total shares issued then (250,010,977,486 shares). As at 30 June 2014, according to the A-share register of members of the Bank, Huijin directly held 570,941,976 A-shares of the Bank, accounting for 5.95% of the A-shares issued (9,593,657,606 shares) and 0.23% of total shares issued (250,010,977,486 shares) at the end of the period.

2. On 26 May 2009, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% of the H-shares issued then (224,689,084,000 shares) and 57.03% of total shares issued then (233,689,084,000 shares). As at 30 June 2014, according to the H-share register of members of the Bank, Huijin held 142,590,494,651 H-shares of the Bank, accounting for 59.31% of the H-shares issued (240,417,319,880 shares) and 57.03% of total shares issued (250,010,977,486 shares) at the end of the period.

3. This is pursuant to the declaration of Temasek to Hong Kong Stock Exchange on 4 May 2012.

Profiles of Directors, Supervisors, and Senior Management

Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

Members of the Bank's board of directors included executive directors: Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Zhu Hongbo and Mr. Hu Zheyi; non-executive directors: Mr. Qi Shouyin, Ms. Chen Yuanling, Mr. Xu Tie, Mr. Guo Yanpeng and Mr. Dong Shi; and independent non-executive directors: Mr. Zhang Long, Ms. Elaine La Roche, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee.

Supervisors of the Bank

Members of the Bank's board of supervisors included shareholder representative supervisors: Mr. Guo You, Ms. Liu Jin and Ms. Li Xiaoling; employee representative supervisors: Mr. Jin Panshi, Mr. Zhang Huajian and Mr. Wang Lin; and external supervisors: Mr. Wang Xinmin and Mr. Bai Jianjun.

Senior Management of the Bank

Senior management of the Bank included Mr. Zhang Jianguo, Mr. Zhu Hongbo, Mr. Hu Zheyi, Mr. Pang Xiusheng, Mr. Zhang Gengsheng, Mr. Yang Wensheng, Mr. Huang Yi, Mr. Zeng Jianhua, Mr. Huang Zhiling, Mr. Yu Jingbo, Mr. Xu Yiming, Mr. Chen Caihong and Mr. Xu Huibin.

Changes in Directors, Supervisors and Senior Management

Directors of the Bank

Upon conclusion of the Board meeting of the Bank on 28 March 2014, Mr. Zhao Xijun ceased to serve as independent non-executive director of the Bank due to his personal working reason.

From 7 May 2014, Ms. Zhang Yanling ceased to serve as non-executive director of the Bank due to her change of work.

Supervisors of the Bank

In accordance with the resolution at the 2013 annual general meeting of the Bank, from June 2014, Mr. Guo You commenced his position as shareholder representative supervisor of the Bank. In accordance with the resolution at the fourth meeting of the board of supervisors in 2014, from June 2014, Mr. Guo You commenced his position as chairman of the board of supervisors of the Bank.

In accordance with the resolution at the third meeting of the third employee representatives meeting, from January 2014, Mr. Wang Lin commenced his position as employee representative supervisor of the Bank.

From June 2014, Mr. Zhang Furong resigned from his position as chairman of the board of supervisors and shareholder representative supervisor of the Bank in accordance with relevant regulations and due to his age.

From January 2014, Mr. Li Weiping resigned from his position as employee representative supervisor of the Bank due to work arrangement.

From April 2014, Ms. Huang Shuping resigned from her position as employee representative supervisor of the Bank due to her change of work.

Senior Management of the Bank

Upon appointment at the first meeting of the Board of the Bank in 2014 and approval of the CBRC, Mr. Huang Yi commenced his position as executive vice president of the Bank from April 2014.

From June 2014, Mr. Pang Xiusheng ceased to serve concurrently as the chief financial officer of the Bank. Upon appointment at the second meeting of the Board of the Bank in 2014 and approval of the CBRC, Mr. Xu Yiming commenced his position as chief financial officer of the Bank from June 2014.

From January 2014, Mr. Zhao Huan ceased to serve as executive vice president of the Bank.

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

Mr. Zhang Long and Ms. Margaret Leung Ko May Yee, the directors of the Bank, held 235,400 A-shares and 100,000 H-shares of the Bank, respectively. Mr. Zhang Huajian and Mr. Wang Lin, the supervisors of the Bank, indirectly held 18,999 H-shares and 19,304 H-shares of the Bank, respectively, by participating in the employee stock incentive plan before they were appointed as supervisors. Apart from the above, as at 30 June 2014, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules.

As at 30 June 2014, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children below the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

Directors and Supervisors' Securities Transactions

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code during the six months ended 30 June 2014.

Shares of the Bank held by Directors, Supervisors and Senior Management

During the reporting period, Mr. Zhang Long, director of the Bank, held 235,400 A-shares of the Bank, and Ms. Margaret Leung Ko May Yee, director of the Bank, held 100,000 H-shares of the Bank. Some of the Bank's supervisors and senior executives indirectly held H-shares of the Bank via employee stock incentive plan before they assumed duties of their current positions. Mr. Zhang Huajian held 18,999 H-shares, Mr. Wang Lin held 19,304 H-shares, Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Yang Wensheng held 10,845 H-shares, Mr. Zeng Jianhua held 25,838 H-shares, Mr. Huang Zhiling held 18,751 H-shares, Mr. Yu Jingbo held 22,567 H-shares, Mr. Xu Yiming held 17,925 H-shares, Mr. Chen Caihong held 19,417 H-shares, and Mr. Xu Huibin held 20,004 H-shares. For the resigned ones, Mr. Li Weiping held 20,446 H-shares, Ms. Huang Shuping held 21,910 H-shares, and Mr. Zhao Huan held 18,292 H-shares. Apart from the above, none of the directors, supervisors or senior executives of the Bank held any shares of the Bank.

Corporate Governance

The Bank continued to improve its corporate governance structure in strict compliance with the *Company Law of the People's Republic of China,* the *Law of the People's Republic of China on Commercial Banks* and other laws and regulations, as well as the listing rules of the relevant stock exchanges, based on its practical conditions, in order to enhance its corporate governance. During the reporting period, the general meeting of the Bank reviewed and approved the resolutions of electing new directors and supervisors.

In order to promote sustainable development and diversify the composition of the Board, the Bank formulated the *Diversity Policy for the Board of Directors* in August 2013. For nomination of directors, the Board should consider both professional capabilities and working ethics of the candidates, and at the same time, take into account the requirements under the diversity policy. The candidates should be selected as complementary to each other, with diversified backgrounds in terms of gender, age, cultural and educational background, professional experience, specialty, knowledge and term of service. The final decision should be based on candidates' overall competence and possible contributions to the Board. Nomination and Remuneration Committee supervises the implementation of the *Diversity Policy for the Board of Directors*.

The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially complied with the recommended best practices therein.

Formulation and Implementation of Cash Dividend Policy

As approved by the 2013 annual general meeting of the Bank, the Bank distributed the 2013 cash dividend of RMB0.300 per share (including tax) on 10 July 2014 to all of its holders of A-shares whose names appeared on the register of members on 9 July 2014. It distributed the 2013 cash dividend of RMB0.300 per share (including tax) on 8 August 2014 to all of its holders of H-shares whose names appeared on the register of members on 9 July 2014.

The Bank will not distribute 2014 interim dividend nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

Pursuant to the *Articles of Association* of the Bank, the after-tax profits of the Bank shall be distributed in accordance with the following order: making up for the losses of the previous years, allocating the statutory reserve fund, allocating general reserve fund, allocating discretionary reserve fund and paying for the dividend of the shareholders. The dividend may be distributed in the form of cash, shares or a combination of cash and shares.

The Bank has sound procedures and mechanism for the decision-making of profit distribution. During the process of drafting the profit distribution plan, the Board extensively collected the opinions and requests from the shareholders, protected the legal rights and interests of the small and medium investors, and submitted the profit distribution plan to the general meeting for approval. The independent directors conducted due diligence and played their due roles in the decision-making process of the profit distribution plan. The Bank attaches great importance to the return of shareholders, and constantly pays cash dividends to the shareholders.

Performance of Undertakings Given by the Bank or Shareholders Holding 5% or More of the Shares

In September 2004, Huijin made a commitment of "avoiding competition within the industry", i.e., as long as Huijin continued to hold any shares of the Bank, or was defined as a controlling shareholder or a connected person of a controlling shareholder of the Bank in accordance with related laws of the People's Republic of China or listing rules of the Bank's listing venues, Huijin would not engage or participate in any competing commercial banking businesses, including but not limited to extending loans, taking deposits and providing settlement, and providing fund custody, bank card and currency exchange services. However, Huijin may still engage or participate in competing businesses through investing into other commercial banks. Accordingly, Huijin agreed to: (1) fairly weigh its investments in commercial banks, and not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to others; (2) exercise its shareholder's rights in the best interests of the Bank. As at 30 June 2014, Huijin had not acted in violation of the above undertakings.

During the reporting period, the Bank or shareholders holding 5% or more of the shares did not give new undertakings.

Progress of Implementation of Employee Stock Incentive Plan

During the reporting period, the Bank did not implement a new round of stock incentive plan pursuant to the requirements of relevant PRC policies.

Acquisition and Sale of Major Assets and Merger of Enterprises

In January 2014, the CSRC approved CCB Trust, a subsidiary of the Bank, to increase its capital in Shanghai Liangmao Futures Brokerage Co., Ltd. by RMB393 million, therefore increasing its shareholding of Shanghai Liangmao Futures Brokerage Co., Ltd. to 77.07%. CCB Trust increased its capital contribution in Shanghai Liangmao Futures Brokerage Co., Ltd. In February 2014, and Shanghai Liangmao Futures Brokerage Co. Ltd. completed the capital increase business registration change and renamed itself CCB Futures Co., Ltd. in April 2014.

Use of Proceeds

The proceeds raised from the rights issue are used for the purpose as disclosed in the prospectus, to strengthen the capital base of the Bank and support sustainable business development.

Material Investment with Funds other than Raised Proceeds

During the reporting period, there was no material investment with funds other than raised proceeds.

Material Litigations, Arbitrations and Matters Questioned by the Majority Media

During the reporting period, there was no material litigation or arbitration of the Bank, or matter in relation to the Bank that was questioned by the majority media.

Material Related Party Transactions

During the reporting period, there was no material related party transaction of the Bank.

Material Contracts and Their Performance

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or lease of other companies' assets, or allow its assets to be subject to such arrangements by other companies. The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business, and the Bank did not have any material guarantee that should be disclosed except for the financial guarantee services within its business scope as approved by the regulators. The Bank did not entrust management of any material cash assets to others during the reporting period.

Purchase, Sale and Redemption of Shares

During the reporting period, there was no purchase, sale or redemption of the shares of the Bank by the Bank or any of its subsidiaries.

Penalties

During the reporting period, the Bank, the directors, the supervisors, the senior management, shareholders holding 5% or more of the shares and the actual controller had no record of being subject to investigations by relevant authorities, coercive measures by judicial or disciplinary departments, transfer to judicial organs or criminal investigation and punishment, investigation and administrative penalties as well as being banned entry into the market, being considered as inappropriate entities by the CSRC, penalties by other administrative authorities or public censures by the stock exchanges.

Review of Half-Year Report

The Group's 2014 half-year financial statements prepared under PRC GAAP has been reviewed by PricewaterhouseCoopers Zhong Tian LLP and the Group's 2014 half-year financial statements prepared under IFRS has been reviewed by PricewaterhouseCoopers.

The audit committee of the Bank has reviewed the Group's half-year report.

Other Shareholding or Share Participations

Top ten investments in securities

No.	Stock Code	Stock Abbreviation	Initial investment amount (RMB)	% of shareholding at the beginning of the period	% of shareholding at the end of the period	Carrying amount at the end of the period (RMB)	Accounting item
1	601600	CHALCO	651,297,431	4.23	3.87	1,590,194,080	Available-for-sale financial assets
2	000792	QINGHAI SALT LAKE	135,653,599	3.90	3.90	934,413,557	Available-for-sale financial assets
3	600068	G.C.L	297,890,221	5.69	4.14	707,638,707	Available-for-sale financial assets
4	998.HK	CITIC BANK	376,854,145	0.36	0.36	632,774,210	Available-for-sale financial assets
5	VTBR.RM	JSC VTB Bank	623,373,146	0.59	0.59	573,413,113	Available-for-sale financial assets
6	3698.HK	HUISHANG BANK	228,835,900	2.04	2.04	477,455,058	Available-for-sale financial assets
7	600537	EGING PV	200,059,994	10.07	10.07	469,293,103	Financial assets at fair value through profit or loss
8	601989	CSICL	149,533,218	0.53	0.53	385,600,255	Available-for-sale financial assets
9	000906	ZMD	134,664,504	9.24	6.96	332,065,201	Financial assets at fair value through profit or loss
10	1369.HK	WUZHOU INT'L	156,247,848	3.93	3.44	195,950,170	Financial assets at fair value through profit or loss
Total			2,954,410,006			6,298,797,454	

1. Investment in securities in this table refers to stocks, warrants, convertible bonds and open-ended or close-ended funds that are classified as available-for-sale financial assets or financial assets at fair value through profit or loss.

Interests in non-listed financial institutions

Name	Initial investment amount (RMB)	% of shareholdings at the beginning of the period	% of shareholdings at the end of the period	Carrying amount at the end of the period (RMB)
Xiamen International Bank	300,000,000	2.49	2.49	300,000,000
China UnionPay Co., Ltd.	215,000,000	4.78	4.78	215,000,000
QBE Hongkong and Shanghai Insurance Limited	98,758,409	25.50	25.50	173,033,660
Evergrowing Bank Co., Ltd.	118,488,658	1.58	1.58	118,488,658
Shaanxi Yanchang Petroleum Finance Co., Ltd.	80,000,000	8.00	8.00	80,000,000
China Guangfa Bank Co., Ltd.	48,558,031	0.09	0.09	48,558,031
Huarong Xiangjiang Bank	3,500,000	0.07	0.07	2,173,535

1. These do not include subsidiaries contained in the consolidated statements.

2. Allowances for impairment losses have been deducted from the carrying amount at the end of the period.

Report on Review of Interim Financial Statements

羅兵咸永道

To the Board of Directors of China Construction Bank Corporation
(a joint stock company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 57 to 154, which comprises the consolidated and Bank's statements of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related consolidated statement of comprehensive income, the consolidated and the Bank's statements of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34"Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2014

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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Consolidated Statement of Comprehensive Income

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

	Note	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Interest income		**356,473**	313,347
Interest expense		**(145,181)**	(125,687)
Net interest income	3	**211,292**	187,660
Fee and commission income		**61,854**	56,995
Fee and commission expense		**(1,674)**	(1,471)
Net fee and commission income	4	**60,180**	55,524
Net trading gain	5	**1,593**	1,270
Dividend income	6	**240**	193
Net gain arising from investment securities	7	**1,138**	302
Other operating income net:			
– Other operating income		**13,938**	7,399
– Other operating expense		**(11,654)**	(41)
Other operating income, net	8	**2,284**	7,358
Operating income		**276,727**	252,307
Operating expenses	9	**(84,139)**	(81,067)
		192,588	171,240
Impairment losses on:			
– Loans and advances to customers		**(21,286)**	(16,067)
– Others		**(1,836)**	13
Impairment losses	10	**(23,122)**	(16,054)
Share of profits less losses of associates and joint ventures		**50**	3
Profit before tax		**169,516**	155,189
Income tax expense	11	**(38,546)**	(35,225)
Net profit		**130,970**	119,964
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**(154)**	(57)
Subtotal		**(154)**	(57)
Items that may be reclassified subsequently to profit or loss			
Gains/(losses) of available-for-sale financial assets arising during the period		**20,643**	(772)
Less: Income tax relating to available-for-sale financial assets		**(5,147)**	273
Reclassification adjustments for losses included in profit or loss		**(537)**	(839)
Net gains on cash flow hedges		**168**	193
Exchange difference on translating foreign operations		**1,468**	(836)
Subtotal		**16,595**	(1,981)
Other comprehensive income for the period, net of tax		**16,441**	(2,038)
Total comprehensive income for the period		**147,411**	117,926
Net profit attributable to:			
Equity shareholders of the Bank		**130,662**	119,711
Non-controlling interests		**308**	253
		130,970	119,964
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**146,966**	117,709
Non-controlling interests		**445**	217
		147,411	117,926
Basic and diluted earnings per share (in RMB Yuan)	12	**0.52**	0.48

The notes on pages 64 to 154 form part of these financial statements.

Consolidated Statement of Financial Position

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

	Note	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Assets:			
Cash and deposits with central banks	13	**2,578,036**	2,475,001
Deposits with banks and non-bank financial institutions	14	**349,098**	321,286
Precious metals		**50,780**	35,637
Placements with banks and non-bank financial institutions	15	**257,659**	152,065
Financial assets at fair value through profit or loss	16	**324,072**	364,050
Positive fair value of derivatives	17	**12,493**	18,910
Financial assets held under resale agreements	18	**351,660**	281,447
Interest receivable	19	**101,551**	80,731
Loans and advances to customers	20	**8,952,511**	8,361,361
Available-for-sale financial assets	21	**774,800**	760,292
Held-to-maturity investments	22	**2,220,584**	2,100,538
Debt securities classified as receivables	23	**192,014**	189,737
Interests in associates and jointly controlled entities	25	**2,807**	2,624
Fixed assets	27	**137,595**	135,678
Land use rights	28	**15,874**	15,731
Intangible assets	29	**1,895**	2,053
Goodwill	30	**1,655**	1,610
Deferred tax assets	31	**31,245**	38,448
Other assets	32	**43,461**	26,011
Total assets		**16,399,790**	15,363,210
Liabilities:			
Borrowings from central banks	35	**26,217**	79,157
Deposits from banks and non-bank financial institutions	36	**795,594**	692,095
Placements from banks and non-bank financial institutions	37	**258,894**	155,917
Financial liabilities at fair value through profit or loss	38	**365,436**	380,380
Negative fair value of derivatives	17	**11,796**	19,872
Financial assets sold under repurchase agreements	39	**3,065**	61,873
Deposits from customers	40	**12,956,956**	12,223,037
Accrued staff costs	41	**31,852**	34,080
Taxes payable	42	**36,985**	60,209
Interest payable	43	**177,297**	153,627
Provisions	44	**5,780**	5,014
Debt securities issued	45	**428,524**	357,540
Deferred tax liabilities	31	**145**	138
Other liabilities	46	**154,237**	65,942
Total liabilities		**15,252,778**	14,288,881
Equity:			
Share capital	47	**250,011**	250,011
Capital reserve	48	**135,537**	135,523
Investment revaluation reserve	49	**(4,468)**	(19,290)
Surplus reserve	50	**107,970**	107,970
General reserve	51	**169,039**	153,835
Retained earnings	52	**484,539**	444,084
Exchange reserve		**(4,714)**	(6,182)
Total equity attributable to equity shareholders of the Bank		**1,137,914**	1,065,951
Non-controlling interests		**9,098**	8,378
Total equity		**1,147,012**	1,074,329
Total liabilities and equity		**16,399,790**	15,363,210

Approved and authorised for issue by the Board of Directors on 29 August 2014.

Zhang Jianguo	**Chung Shui Ming Timpson**	**Murray Horn**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 64 to 154 form part of these financial statements.

Statement of Financial Position

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

	Note	**30 June 2014 (Unaudited)**	31 December 2013 (Audited)
Assets:			
Cash and deposits with central banks	13	**2,565,021**	2,469,497
Deposits with banks and non-bank financial institutions	14	**365,767**	328,640
Precious metals		**50,780**	35,637
Placements with banks and non-bank financial institutions	15	**288,610**	233,574
Financial assets at fair value through profit or loss	16	**318,733**	356,854
Positive fair value of derivatives	17	**10,285**	16,503
Financial assets held under resale agreements	18	**350,812**	280,959
Interest receivable	19	**99,597**	79,025
Loans and advances to customers	20	**8,615,664**	8,025,415
Available-for-sale financial assets	21	**724,515**	714,745
Held-to-maturity investments	22	**2,215,237**	2,095,741
Debt securities classified as receivables	23	**177,168**	182,252
Investments in subsidiaries	24	**22,004**	22,004
Fixed assets	27	**128,699**	127,810
Land use rights	28	**15,456**	15,682
Intangible assets	29	**1,397**	1,549
Deferred tax assets	31	**32,144**	39,093
Other assets	32	**72,266**	58,417
Total assets		**16,054,155**	15,083,397
Liabilities:			
Borrowings from central banks	35	**25,695**	78,733
Deposits from banks and non-bank financial institutions	36	**805,917**	704,487
Placements from banks and non-bank financial institutions	37	**208,008**	122,479
Financial liabilities at fair value through profit or loss	38	**362,781**	377,731
Negative fair value of derivatives	17	**10,035**	16,796
Financial assets sold under repurchase agreements	39	**373**	55,457
Deposits from customers	40	**12,766,742**	12,055,777
Accrued staff costs	41	**30,877**	32,938
Taxes payable	42	**36,260**	59,693
Interest payable	43	**176,391**	152,946
Provisions	44	**5,780**	5,014
Debt securities issued	45	**378,954**	322,406
Deferred tax liabilities	31	**10**	–
Other liabilities	46	**118,090**	40,339
Total liabilities		**14,925,913**	14,024,796
Equity:			
Share capital	47	**250,011**	250,011
Capital reserve	48	**135,522**	135,508
Investment revaluation reserve	49	**(4,493)**	(19,275)
Surplus reserve	50	**107,970**	107,970
General reserve	51	**165,934**	150,675
Retained earnings	52	**474,170**	434,877
Exchange reserve		**(872)**	(1,165)
Total equity		**1,128,242**	1,058,601
Total liabilities and equity		**16,054,155**	15,083,397

Approved and authorised for issue by the Board of Directors on 29 August 2014.

Zhang Jianguo	**Chung Shui Ming Timpson**	**Murray Horn**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 64 to 154 form part of these financial statements.

Consolidated Statement of Changes in Equity

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

	(Unaudited)								
	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2013	**250,011**	**135,523**	**(19,290)**	**107,970**	**153,835**	**444,084**	**(6,182)**	**8,378**	**1,074,329**
Movements during the period	**–**	**14**	**14,822**	**–**	**15,204**	**40,455**	**1,468**	**720**	**72,683**
(1) Total comprehensive income for the period	**–**	**14**	**14,822**	**–**	**–**	**130,662**	**1,468**	**445**	**147,411**
(2) Changes in share capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**293**	**293**
i Non-controlling interests of new subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**117**	**117**
ii Change in shareholdings in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**176**	**176**
(3) Profit distribution	**–**	**–**	**–**	**–**	**15,204**	**(90,207)**	**–**	**(18)**	**(75,021)**
i Appropriation to general reserve	**–**	**–**	**–**	**–**	**15,204**	**(15,204)**	**–**	**–**	**–**
ii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(75,003)**	**–**	**(18)**	**(75,021)**
As at 30 June 2014	**250,011**	**135,537**	**(4,468)**	**107,970**	**169,039**	**484,539**	**(4,714)**	**9,098**	**1,147,012**
As at 31 December 2012	250,011	135,217	3,023	86,718	80,483	391,034	(4,818)	7,877	949,545
Movements during the period	–	136	(1,301)	–	71,855	(19,147)	(837)	260	50,966
(1) Total comprehensive income for the period	–	136	(1,301)	–	–	119,711	(837)	217	117,926
(2) Changes in share capital	–	–	–	–	–	–	–	51	51
i. Non-controlling interests of new subsidiaries	–	–	–	–	–	–	–	49	49
ii. Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	2	2
(3) Profit distribution	–	–	–	–	71,855	(138,858)	–	(8)	(67,011)
i. Appropriation to general reserve	–	–	–	–	71,855	(71,855)	–	–	–
ii. Appropriation to equity shareholders	–	–	–	–	–	(67,003)	–	(8)	(67,011)
As at 30 June 2013	250,011	135,353	1,722	86,718	152,338	371,887	(5,655)	8,137	1,000,511

	(Audited)								
	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total Equity
As at 31 December 2012	250,011	135,217	3,023	86,718	80,483	391,034	(4,818)	7,877	949,545
Movements during the year	–	306	(22,313)	21,252	73,352	53,050	(1,364)	501	124,784
(1) Total comprehensive income for the year	–	306	(22,313)	–	–	214,657	(1,364)	414	191,700
(2) Changes in share capital	–	–	–	–	–	–	–	105	105
i Non-controlling interests of new subsidiaries	–	–	–	–	–	–	–	51	51
ii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	54	54
(3) Profit distribution	–	–	–	21,252	73,352	(161,607)	–	(18)	(67,021)
i Appropriation to surplus reserve	–	–	–	21,252	–	(21,252)	–	–	–
ii Appropriation to general reserve	–	–	–	–	73,352	(73,352)	–	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(67,003)	–	(18)	(67,021)
As at 31 December 2013	250,011	135,523	(19,290)	107,970	153,835	444,084	(6,182)	8,378	1,074,329

The notes on pages 64 to 154 form part of these financial statements.

Statement of Changes in Equity

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

	(Unaudited)							
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2013	**250,011**	**135,508**	**(19,275)**	**107,970**	**150,675**	**434,877**	**(1,165)**	**1,058,601**
Movements during the period	**–**	**14**	**14,782**	**–**	**15,259**	**39,293**	**293**	**69,641**
(1) Total comprehensive income for the period	**–**	**14**	**14,782**	**–**	**–**	**129,555**	**293**	**144,644**
(2) Profit distribution	**–**	**–**	**–**	**–**	**15,259**	**(90,262)**	**–**	**(75,003)**
i Appropriation to general reserve	**–**	**–**	**–**	**–**	**15,259**	**(15,259)**	**–**	**–**
ii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(75,003)**	**–**	**(75,003)**
As at 30 June 2014	**250,011**	**135,522**	**(4,493)**	**107,970**	**165,934**	**474,170**	**(872)**	**1,128,242**
As at 31 December 2012	250,011	135,140	3,078	86,718	79,444	381,844	(778)	935,457
Movements during the period	–	198	(1,671)	–	71,159	(19,562)	(363)	49,761
(1) Total comprehensive income for the period	–	136	(1,671)	–	–	118,600	(363)	116,702
(2) Changes in share capital	–	62	–	–	–	–	–	62
i Acquisition of subsidiaries	–	62	–	–	–	–	–	62
(3) Profit distribution	–	–	–	–	71,159	(138,162)	–	(67,003)
i Appropriation to general reserve	–	–	–	–	71,159	(71,159)	–	–
ii Appropriation to equity shareholders	–	–	–	–	–	(67,003)	–	(67,003)
As at 30 June 2013	250,011	135,338	1,407	86,718	150,603	362,282	(1,141)	985,218

	(Audited)							
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2012	250,011	135,140	3,078	86,718	79,444	381,844	(778)	935,457
Movements during the year	–	368	(22,353)	21,252	71,231	53,033	(387)	123,144
(1) Total comprehensive income for the year	–	306	(22,353)	–	–	212,519	(387)	190,085
(2) Changes in share capital	–	62	–	–	–	–	–	62
i Acquisition of subsidiaries	–	62	–	–	–	–	–	62
(3) Profit distribution	–	–	–	21,252	71,231	(159,486)	–	(67,003)
i Appropriation to surplus reserve	–	–	–	21,252	–	(21,252)	–	–
ii Appropriation to general reserve	–	–	–	–	71,231	(71,231)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(67,003)	–	(67,003)
As at 31 December 2013	250,011	135,508	(19,275)	107,970	150,675	434,877	(1,165)	1,058,601

The notes on pages 64 to 154 form part of these financial statements.

Consolidated Statement of Cash Flows

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

	Note	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Cash flows from operating activities			
Profit before tax		**169,516**	155,189
Adjustments for:			
– Impairment losses	10	**23,122**	16,054
– Depreciation and amortisation	9	**8,550**	7,463
– Unwinding of discount		**(894)**	(721)
– Revaluation (gain)/loss on financial instruments at fair value through profit or loss		**(420)**	1,734
– Share of profit less losses of associates and joint ventures		**(50)**	(3)
– Dividend income	6	**(240)**	(193)
– Unrealised foreign exchange (gain)/loss		**(1,745)**	1,540
– Interest expense on bonds issued		**3,744**	3,783
– Net gain on disposal of investment securities	7	**(1,138)**	(302)
– Net gain on disposal of fixed assets and other long-term assets		**(11)**	(45)
		200,434	184,499
Changes in operating assets:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		**(242,245)**	(170,195)
Net increase in placements with banks and non-bank financial institutions		**(22,882)**	(26,171)
Net increase in loans and advances to customers		**(589,637)**	(599,502)
Net increase in financial assets held under resale agreements		**(70,213)**	(18,757)
Increase in other operating assets		**(13,052)**	(34,512)
		(938,029)	(849,137)
Changes in operating liabilities:			
Net (decrease)/increase in borrowings from central banks		**(53,351)**	106,099
Net increase in placements from banks and non-bank financial institutions		**98,516**	21,413
Net increase in deposits from customers and from banks and non-bank financial institutions		**818,580**	585,915
Net decrease in financial assets sold under repurchase agreements		**(58,900)**	(1,183)
Net increase in certificates of deposit issued		**63,718**	54,879
Income tax paid		**(58,911)**	(52,995)
Increase in other operating liabilities		**17,463**	27,241
		827,115	741,369
Net cash from operating activities		**89,520**	76,731
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**257,862**	301,617
Dividends received		**216**	194
Proceeds from disposal of fixed assets and other long-term assets		**455**	303
Purchase of investment securities		**(371,807)**	(329,854)
Purchase of fixed assets and other long-term assets		**(10,712)**	(13,083)
Acquisition of subsidiaries, associates and joint ventures		**(106)**	(8)
Net cash used in investing activities		**(124,092)**	(40,831)
Cash flows from financing activities			
Issue of bonds		**13,830**	–
Capital contribution by non-controlling interests		**293**	49
Dividends paid		**(8)**	(18)
Repayment of borrowings		**(12,500)**	–
Interest paid on bonds issued		**(1,568)**	(1,536)
Net cash from/(used) in financing activities		**47**	(1,505)

(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Effect of exchange rate changes on cash and cash equivalents		**2,989**	(1,773)
Net (decrease)/increase in cash and cash equivalents		**(31,536)**	32,622
Cash and cash equivalents as at 1 January	53	**440,773**	748,920
Cash and cash equivalents as at 30 June	53	**409,237**	781,542
Cash flows from operating activities include:			
Interest received		**334,616**	302,065
Interest paid, excluding interest expense on bonds issued		**(119,888)**	(103,237)

The notes on pages 64 to 154 form part of these financial statements.

1 Company information

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by our predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No.100000000039122 from the State Administration for Industry and Commerce of the PRC. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group operates in Mainland China and also has several overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investments Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), exercises the rights and obligations as an investor on behalf of the PRC government.

2 Basis of preparation and significant accounting policies

(1) Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2013. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

(2) Use of estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, 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.

(3) Consolidation

The interim financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

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

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

(4) Significant accounting policies

The accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

(5) Interim financial statements and statutory accounts

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 29 August 2014. The interim financial statements have also been reviewed by the Bank's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

(Expressed in millions of RMB, unless otherwise stated)

3 Net interest income

	Six months ended 30 June	
	2014	2013
Interest income arising from:		
Deposits with central banks	**19,090**	18,413
Deposits with banks and non-bank financial institutions	**8,051**	9,990
Placements with banks and non-bank financial institutions	**4,446**	2,385
Financial assets at fair value through profit or loss	**668**	420
Financial assets held under resale agreements	**6,247**	3,589
Investment securities	**61,153**	51,430
Loans and advances to customers		
– Corporate loans and advances	**178,276**	161,373
– Personal loans and advances	**75,243**	62,005
– Discounted bills	**3,299**	3,742
Total	**356,473**	313,347
Interest expense arising from:		
Borrowings from central banks	**(380)**	(504)
Deposits from banks and non-bank financial institutions	**(22,671)**	(9,277)
Placements from banks and non-bank financial institutions	**(2,305)**	(1,355)
Financial assets sold under repurchase agreements	**(82)**	(575)
Debt securities issued	**(5,801)**	(4,958)
Deposits from customers		
– Corporate deposits	**(57,962)**	(53,847)
– Personal deposits	**(55,980)**	(55,171)
Total	**(145,181)**	(125,687)
Net interest income	**211,292**	187,660

Notes:

(1) Interest income from impaired financial assets is listed as follows:

	Six months ended 30 June	
	2014	2013
Impaired loans and advances	**894**	721
Other impaired financial assets	**58**	110
Total	**952**	831

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(Expressed in millions of RMB, unless otherwise stated)

4 Net fee and commission income

	Six months ended 30 June	
	2014	2013
Fee and commission income		
Bank card fees	**14,662**	11,947
Consultancy and advisory fees	**12,822**	13,035
Settlement and clearing fees	**8,219**	6,514
Agency service fees	**7,276**	6,509
Commission on trust and fiduciary activities	**5,161**	5,300
Wealth management service fees	**4,689**	5,189
Electronic banking service fees	**3,281**	2,807
Credit commitment fees	**1,736**	1,518
Guarantee fees	**1,117**	1,009
Others	**2,891**	3,167
Total	**61,854**	56,995
Fee and commission expense		
Bank card transaction fees	**(1,094)**	(913)
Inter-bank transaction fees	**(266)**	(224)
Others	**(314)**	(334)
Total	**(1,674)**	(1,471)
Net fee and commission income	**60,180**	55,524

5 Net trading gain

	Six months ended 30 June	
	2014	2013
Debt securities	**415**	(26)
Derivatives	**563**	808
Equity investments	**131**	143
Others	**484**	345
Total	**1,593**	1,270

For the six months ended 30 June 2014, the trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB14,593 million (for the six months ended 30 June 2013: RMB124 million loss). Trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB16,513 million (for the six months ended 30 June 2013: RMB980 million gain).

6 Dividend income

	Six months ended 30 June	
	2014	2013
Dividend income from listed trading equity investments	**26**	17
Dividend income from available-for-sale equity investments		
– Listed	**23**	34
– Unlisted	**191**	142
Total	**240**	193

(Expressed in millions of RMB, unless otherwise stated)

7 Net gain arising from investment securities

	Six months ended 30 June	
	2014	2013
Net gain on sale of available-for-sale financial assets	**190**	131
Net revaluation gain reclassified from other comprehensive income on disposal	**733**	76
Net gain on sale of held-to-maturity investments	**215**	95
Total	**1,138**	302

8 Other operating income, net

For the six months ended 30 June 2014, other operating income and other operating expense of the Group mainly include insurance related income and insurance related expense.

9 Operating expenses

	Six months ended 30 June	
	2014	2013
Staff costs		
– Salaries, bonuses, allowances and subsidies	**25,718**	24,704
– Defined contribution retirement schemes	**5,360**	4,419
– Other social insurance and welfare	**4,020**	3,389
– Housing funds	**2,794**	2,461
– Union operating costs and employee education costs	**1,062**	1,008
– Compensation to employees for termination of employment	**3**	4
	38,957	35,985
Premises and equipment expenses		
– Depreciation charges	**7,358**	6,300
– Rent and property management expenses	**3,691**	3,270
– Maintenance	**1,086**	958
– Utilities	**913**	872
– Others	**712**	682
	13,760	12,082
Business taxes and surcharges	**17,231**	15,780
Amortisation expenses	**1,192**	1,163
Audit fees	**72**	56
Other general and administrative expenses	**12,927**	16,001
Total	**84,139**	81,067

10 Impairment losses

	Six months ended 30 June	
	2014	2013
Loans and advances to customers	**21,286**	16,067
– Additions	**26,365**	21,935
– Releases	**(5,079)**	(5,868)
Available-for-sale debt securities	**22**	(1,096)
Held-to-maturity investments	**320**	598
Debt securities classified as receivables	**84**	(130)
Others	**1,410**	615
Total	**23,122**	16,054

(Expressed in millions of RMB, unless otherwise stated)

11 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2014	2013
Current tax	**36,191**	35,929
– Mainland China	**35,970**	35,600
– Hong Kong	**93**	246
– Other countries and regions	**128**	83
Adjustments for prior years	**113**	(46)
Deferred tax	**2,242**	(658)
Total	**38,546**	35,225

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the period respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

		Six months ended 30 June	
	Note	**2014**	2013
Profit before tax		**169,516**	155,189
Income tax calculated at statutory tax rates		**42,379**	38,797
Non-deductible expenses	(i)	**1,048**	755
Non-taxable income	(ii)	**(4,994)**	(4,281)
Adjustments on income tax for prior years which affect profit or loss		**113**	(46)
Income tax expense		**38,546**	35,225

(i) Non-deductible expenses primarily include staff costs and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.

(ii) Non-taxable income primarily includes interest income from PRC government bonds.

12 Earnings per share

Basic earnings per share for the six months ended 30 June 2014 and 2013 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2014 and 2013.

	Six months ended 30 June	
	2014	2013
Net profit attributable to shareholders of the Bank	**130,662**	119,711
Weighted average number of shares (in million shares)	**250,011**	250,011
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan)	**0.52**	0.48

(Expressed in millions of RMB, unless otherwise stated)

13 Cash and deposits with central banks

		Group		Bank	
	Note	**30 June 2014**	31 December 2013	**30 June 2014**	31 December 2013
Cash		**61,135**	71,756	**60,887**	71,457
Deposits with central banks					
– Statutory deposit reserves	(1)	**2,330,801**	2,254,478	**2,328,369**	2,252,239
– Surplus deposit reserves	(2)	**154,551**	129,443	**144,216**	126,477
– Fiscal deposits		**31,549**	19,324	**31,549**	19,324
Subtotal		**2,516,901**	2,403,245	**2,504,134**	2,398,040
Total		**2,578,036**	2,475,001	**2,565,021**	2,469,497

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

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China were as follows:

	30 June 2014	31 December 2013
Reserve rate for RMB deposits	**20.0%**	20.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

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

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

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

14 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Banks	**345,041**	317,864	**361,714**	325,353
Non-bank financial institutions	**4,064**	3,429	**4,057**	3,291
Gross balances	**349,105**	321,293	**365,771**	328,644
Allowances for impairment losses (Note 33)	**(7)**	(7)	**(4)**	(4)
Net balances	**349,098**	321,286	**365,767**	328,640

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Mainland China	**323,669**	301,221	**323,074**	301,079
Overseas	**25,436**	20,072	**42,697**	27,565
Gross balances	**349,105**	321,293	**365,771**	328,644
Allowances for impairment losses (Note 33)	**(7)**	(7)	**(4)**	(4)
Net balances	**349,098**	321,286	**365,767**	328,640

(Expressed in millions of RMB, unless otherwise stated)

15 Placements with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Banks	**169,623**	49,419	**194,950**	121,551
Non-bank financial institutions	**88,063**	102,673	**93,687**	112,050
Gross balances	**257,686**	152,092	**288,637**	233,601
Allowances for impairment losses (Note 33)	**(27)**	(27)	**(27)**	(27)
Net balances	**257,659**	152,065	**288,610**	233,574

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Mainland China	**157,329**	120,157	**124,419**	116,641
Overseas	**100,357**	31,935	**164,218**	116,960
Gross balances	**257,686**	152,092	**288,637**	233,601
Allowances for impairment losses (Note 33)	**(27)**	(27)	**(27)**	(27)
Net balances	**257,659**	152,065	**288,610**	233,574

16 Financial assets at fair value through profit or loss

Analysed by nature

		Group		Bank	
	Note	**30 June 2014**	31 December 2013	**30 June 2014**	31 December 2013
Held for trading purposes	(1)				
– Debt securities		**13,639**	76,532	**13,352**	76,288
– Equity instruments		**455**	355	**–**	–
– Funds		**560**	262	**–**	–
		14,654	77,149	**13,352**	76,288
Designated at fair value through profit or loss	(2)				
– Debt securities		**1,963**	2,432	**–**	–
– Equity instruments		**4,074**	5,903	**–**	–
– Other debt instruments		**303,381**	278,566	**305,381**	280,566
		309,418	286,901	**305,381**	280,566
Total		**324,072**	364,050	**318,733**	356,854

(Expressed in millions of RMB, unless otherwise stated)

16 Financial assets at fair value through profit or loss (continued)

Analysed by types of issuer

(1) *Held for trading purposes*

(a) *Debt securities*

	Note	Group		Bank	
		30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Government		**738**	1,810	**729**	1,802
Policy banks		**877**	3,153	**877**	3,153
Banks and non-bank financial institutions		**5,010**	17,766	**5,010**	17,749
Others		**7,014**	53,803	**6,736**	53,584
Total		**13,639**	76,532	**13,352**	76,288
Listed	(i)	**13,639**	76,532	**13,352**	76,288
– of which in Hong Kong		**37**	68	**–**	–
Total		**13,639**	76,532	**13,352**	76,288

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified in the Listed Category.

(b) *Equity instruments and funds*

	Group	
	30 June 2014	31 December 2013
Banks and non-bank financial institutions	**554**	206
Others	**461**	411
Total	**1,015**	617
Listed	**456**	406
– of which in Hong Kong	**443**	270
Unlisted	**559**	211
Total	**1,015**	617

(2) *Designated at fair value through profit or loss*

(a) *Debt securities*

	Group	
	30 June 2014	31 December 2013
Policy banks	**243**	241
Banks and non-bank financial institutions	**520**	516
Others	**1,200**	1,675
Total	**1,963**	2,432
Listed in Hong Kong	**794**	789
Unlisted	**1,169**	1,643
Total	**1,963**	2,432

(Expressed in millions of RMB, unless otherwise stated)

16 Financial assets at fair value through profit or loss (continued)

Analysed by types of issuer (continued)

(2) Designated at fair value through profit or loss (continued)

(b) Equity instruments

	Group	
	30 June 2014	31 December 2013
Banks and non-bank financial institutions	**921**	591
Others	**3,153**	5,312
Total	**4,074**	5,903
Listed	**2,084**	1,958
– of which in Hong Kong	**1,283**	1,305
Unlisted	**1,990**	3,945
Total	**4,074**	5,903

(c) Other debt instruments

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Banks and non-bank financial institutions	**303,321**	278,506	**305,321**	280,506
Other corporate entities	**60**	60	**60**	60
Total	**303,381**	278,566	**305,381**	280,566

Other debt instruments were mainly the deposits with banks invested by principal guaranteed wealth management products.

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

17 Derivatives and hedge accounting

(1) Analysed by type of contract

Group

	30 June 2014			31 December 2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**212,252**	**1,583**	**1,366**	262,454	1,415	1,302
Exchange rate contracts	**1,890,736**	**10,164**	**10,026**	1,739,985	16,272	16,890
Other contracts	**29,951**	**746**	**404**	15,774	1,223	1,680
Total	**2,132,939**	**12,493**	**11,796**	2,018,213	18,910	19,872

Bank

	30 June 2014			31 December 2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**207,441**	**1,571**	**1,349**	254,779	1,402	1,284
Exchange rate contracts	**1,576,755**	**8,430**	**8,282**	1,501,564	14,272	14,879
Other contracts	**28,696**	**284**	**404**	13,659	829	633
Total	**1,812,892**	**10,285**	**10,035**	1,770,002	16,503	16,796

(Expressed in millions of RMB, unless otherwise stated)

17 Derivatives and hedge accounting (continued)

(2) Analysed by credit risk-weighted assets

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Counterparty credit default risk-weighted assets				
Interest rate contracts	**1,636**	1,387	**1,623**	1,381
Exchange rate contracts	**16,981**	17,739	**14,178**	15,276
Other contracts	**771**	1,238	**307**	808
Subtotal	**19,388**	20,364	**16,108**	17,465
Credit value adjustment	**8,101**	8,688	**6,904**	7,962
Total	**27,489**	29,052	**23,012**	25,427

The notional amounts of derivatives only represent the unsettled transaction volumes as at the end of the reporting period, instead of the amounts of risk assets. Since 1 January 2013 the Group has adopted Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other related policies. According to the new rules set out by the CBRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of the status of counterparties, maturity characteristics and back-to-back client-driven transactions.

(3) Hedge accounting

The following designated hedging instruments are included in the derivative financial instruments as disclosed above.

Group

	30 June 2014			31 December 2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**5,917**	**62**	**(85)**	10,020	58	(100)
Cash flow hedges						
Foreign exchange forwards	**10,731**	**128**	**(17)**	51,093	–	(1,862)
Total	**16,648**	**190**	**(102)**	61,113	58	(1,962)

Bank

	30 June 2014			31 December 2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**5,917**	**62**	**(85)**	10,020	58	(100)
Cash flow hedges						
Foreign exchange forwards	**10,428**	**125**	**(17)**	50,805	–	(1,860)
Total	**16,345**	**187**	**(102)**	60,825	58	(1,960)

(Expressed in millions of RMB, unless otherwise stated)

17 Derivatives and hedge accounting (continued)

(3) Hedge accounting (continued)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value of available-for-sale financial assets, certificates of deposit issued, placements with banks and non-bank financial institutions, loans and advances to customers arising from changes in interest rates.

Gains or losses on fair value hedges are as follows:

	Six months ended 30 June	
	2014	2013
Net gains/(losses) on		
– hedging instruments	**27**	(13)
– hedged items	**(27)**	13

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the six month ended 30 June 2013 and 2014.

(b) Cash flow hedge

The Group uses foreign exchange forwards to hedge against exposures to cash flow variability primarily from foreign exchange risks of loans and advances to customers. The maturities of hedging instruments and hedged items are both within one year.

For the six months ended 30 June 2014, a net gain from the cash flow hedge of RMB168 million was recognised in other comprehensive income and accumulated in "capital reserve" (six months ended 30 June 2013: RMB193 million), and the gain and loss arising from ineffective portion of cash flow hedge was immaterial for the six months ended 30 June 2014.

There were no transactions for which cash flow hedge accounting had to be ceased on 30 June 2014 and 31 December 2013 as a result of the highly probable cash flows no longer being expected to occur.

18 Financial assets held under resale agreements

Financial assets held under resale agreements by underlying assets are shown as follows:

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Securities				
– Government bonds	**42,230**	120,156	**42,175**	119,891
– Bills issued by the PBOC	**–**	10,109	**–**	10,109
– Debt securities issued by banks and non-bank financial institutions	**84,066**	129,706	**84,066**	129,483
– Other securities	**793**	–	**–**	–
Subtotal	**127,089**	259,971	**126,241**	259,483
Discounted bills	**224,571**	19,876	**224,571**	19,876
Loans and advances to customers	**–**	1,600	**–**	1,600
Total and net balances	**351,660**	281,447	**350,812**	280,959

(Expressed in millions of RMB, unless otherwise stated)

19 Interest receivable

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Deposits with central banks	**957**	1,040	**956**	1,039
Deposits with banks and non-bank financial institutions	**9,049**	5,035	**8,797**	4,879
Financial assets held under resale agreements	**3,510**	153	**3,509**	150
Loans and advances to customers	**27,445**	23,408	**26,649**	21,579
Debt securities	**59,493**	50,551	**58,874**	50,234
Others	**1,098**	545	**813**	1,145
Gross balances	**101,552**	80,732	**99,598**	79,026
Allowances for impairment losses (Note 33)	**(1)**	(1)	**(1)**	(1)
Net balances	**101,551**	80,731	**99,597**	79,025

20 Loans and advances to customers

(1) Analysed by nature

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Corporate loans and advances				
– Loans	**6,259,375**	5,897,249	**6,022,846**	5,644,616
– Finance leases	**61,856**	44,956	**–**	–
	6,321,231	5,942,205	**6,022,846**	5,644,616
Personal loans and advances				
– Residential mortgages	**2,099,607**	1,896,203	**2,084,115**	1,880,227
– Personal business loans	**86,475**	95,342	**82,368**	91,655
– Personal consumer loans	**67,802**	76,174	**62,909**	71,490
– Credit cards	**285,494**	273,228	**281,401**	268,663
– Others	**177,593**	163,891	**165,596**	152,627
	2,716,971	2,504,838	**2,676,389**	2,464,662
Discounted bills	**152,399**	143,014	**152,164**	142,842
Gross loans and advances to customers	**9,190,601**	8,590,057	**8,851,399**	8,252,120
Allowances for impairment losses (Note 33)	**(238,090)**	(228,696)	**(235,735)**	(226,705)
– Individual assessment	**(53,994)**	(52,137)	**(53,703)**	(51,885)
– Collective assessment	**(184,096)**	(176,559)	**(182,032)**	(174,820)
Net loans and advances to customers	**8,952,511**	8,361,361	**8,615,664**	8,025,415

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(2) Analysed by assessment method of allowances for impairment losses

			Impaired loans and advances		
		Loans and advances for which collectively assessed	for which allowance are collectively assessed	for which allowance are individually assessed	Total
	Note	(a)	(b)	(b)	
Group					
As at 30 June 2014					
Gross loans and advances to customers		**9,094,933**	**9,642**	**86,026**	**9,190,601**
Allowances for impairment losses		**(177,635)**	**(6,461)**	**(53,994)**	**(238,090)**
Net loans and advances to customers		**8,917,298**	**3,181**	**32,032**	**8,952,511**
As at 31 December 2013					
Gross loans and advances to customers		8,504,793	8,112	77,152	8,590,057
Allowances for impairment losses		(171,027)	(5,532)	(52,137)	(228,696)
Net loans and advances to customers		8,333,766	2,580	25,015	8,361,361
Bank					
As at 30 June 2014					
Gross loans and advances to customers		**8,756,394**	**9,510**	**85,495**	**8,851,399**
Allowances for impairment losses		**(175,606)**	**(6,426)**	**(53,703)**	**(235,735)**
Net loans and advances to customers		**8,580,788**	**3,084**	**31,792**	**8,615,664**
As at 31 December 2013					
Gross loans and advances to customers		8,167,339	8,002	76,779	8,252,120
Allowances for impairment losses		(169,308)	(5,512)	(51,885)	(226,705)
Net loans and advances to customers		7,998,031	2,490	24,894	8,025,415

(a) Loans and advances assessed on a collective basis for impairment are those graded normal or special mention.

(b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

- individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
- collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 30 June 2014 is 1.04% (31 December 2013: 0.99%).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 30 June 2014 is 1.07% (31 December 2013: 1.03%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 60(1).

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses

Group

		Six months ended 30 June 2014			
		Allowances for loans and advances	Allowances for impaired loans and advances		
	Note	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		**171,027**	**5,532**	**52,137**	**228,696**
Charge for the period		**6,608**	**2,422**	**17,335**	**26,365**
Release during the period		**–**	**–**	**(5,079)**	**(5,079)**
Unwinding of discount		**–**	**–**	**(894)**	**(894)**
Transfers out	(a)	**–**	**(2)**	**(2,772)**	**(2,774)**
Write-offs		**–**	**(1,575)**	**(7,456)**	**(9,031)**
Recoveries		**–**	**84**	**723**	**807**
As at 30 June		**177,635**	**6,461**	**53,994**	**238,090**

		2013			
		Allowances for loans and advances	Allowances for impaired loans and advances		
	Note	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		152,710	3,909	45,814	202,433
Charge for the year		18,317	2,941	32,240	53,498
Release during the year		–	–	(10,832)	(10,832)
Unwinding of discount		–	–	(1,446)	(1,446)
Transfers out	(a)	–	(3)	(4,858)	(4,861)
Write-offs		–	(1,427)	(10,441)	(11,868)
Recoveries		–	112	1,660	1,772
As at 31 December		171,027	5,532	52,137	228,696

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses (continued)

Bank

	Note	Six months ended 30 June 2014			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		169,308	5,512	51,885	226,705
Charge for the period		6,250	2,366	17,290	25,906
Release during the period		–	–	(5,074)	(5,074)
Unwinding of discount		–	–	(894)	(894)
Addition through acquisition		48	–	–	48
Transfers out	(a)	–	(3)	(2,786)	(2,789)
Write-offs		–	(1,519)	(7,441)	(8,960)
Recoveries		–	70	723	793
As at 30 June		175,606	6,426	53,703	235,735

	Note	2013			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		151,510	3,899	45,678	201,087
Charge for the year		17,848	2,846	32,086	52,780
Release during the year		–	–	(10,821)	(10,821)
Unwinding of discount		–	–	(1,446)	(1,446)
Transfers out	(a)	(50)	(1)	(4,844)	(4,895)
Write-offs		–	(1,317)	(10,424)	(11,741)
Recoveries		–	85	1,656	1,741
As at 31 December		169,308	5,512	51,885	226,705

(a) Transfers out include the transfer of allowances for impairment losses upon disposal of non-performing loans and repossession of assets, and the relevant exchange gain or loss.

(4) Overdue loans analysed by overdue period

Group

	30 June 2014				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	8,583	3,298	1,215	1,097	14,193
Guaranteed loans	12,027	15,618	12,233	2,217	42,095
Loans secured by tangible assets other than monetary assets	23,961	16,348	12,356	4,555	57,220
Loans secured by monetary assets	2,425	2,120	2,078	290	6,913
Total	46,996	37,384	27,882	8,159	120,421
As a percentage of gross loans and advances to customers	0.51%	0.41%	0.30%	0.09%	1.31%

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

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

Group (continued)

	31 December 2013				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	5,521	2,684	1,316	984	10,505
Guaranteed loans	6,873	11,769	10,544	2,478	31,664
Loans secured by tangible assets other than monetary assets	12,274	9,849	12,471	5,138	39,732
Loans secured by monetary assets	409	1,801	2,221	372	4,803
Total	25,077	26,103	26,552	8,972	86,704
As a percentage of gross loans and advances to customers	0.30%	0.30%	0.31%	0.10%	1.01%

Bank

	30 June 2014				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**8,496**	**3,188**	**1,215**	**1,061**	**13,960**
Guaranteed loans	**11,807**	**15,508**	**12,004**	**2,217**	**41,536**
Loans secured by tangible assets other than monetary assets	**23,433**	**16,267**	**12,348**	**4,554**	**56,602**
Loans secured by monetary assets	**2,423**	**2,120**	**2,078**	**290**	**6,911**
Total	**46,159**	**37,083**	**27,645**	**8,122**	**119,009**
As a percentage of gross loans and advances to customers	**0.52%**	**0.42%**	**0.31%**	**0.09%**	**1.34%**

	31 December 2013				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	5,440	2,559	1,316	944	10,259
Guaranteed loans	6,806	11,714	10,427	2,478	31,425
Loans secured by tangible assets other than monetary assets	11,872	9,787	12,464	5,138	39,261
Loans secured by monetary assets	402	1,801	2,221	372	4,796
Total	24,520	25,861	26,428	8,932	85,741
As a percentage of gross loans and advances to customers	0.30%	0.31%	0.32%	0.11%	1.04%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(Expressed in millions of RMB, unless otherwise stated)

21 Available-for-sale financial assets

Analysed by nature

	Note	Group		Bank	
		30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Debt securities	(1)	**760,394**	746,626	**718,702**	708,413
Equity instruments	(2)	**13,116**	12,991	**5,813**	6,332
Funds	(2)	**1,290**	675	**–**	–
Total		**774,800**	760,292	**724,515**	714,745

(1) Debt securities

Analysed by type of issuers

	Note	Group		Bank	
		30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Government		**154,696**	157,824	**136,754**	139,426
Central banks		**8,195**	9,690	**5,514**	6,059
Policy banks		**122,015**	107,059	**121,165**	106,835
Banks and non-bank financial institutions		**267,223**	236,105	**253,738**	224,925
Public sector entities		**19**	98	**–**	79
Other enterprises		**208,246**	235,850	**201,531**	231,089
Total		**760,394**	746,626	**718,702**	708,413
Listed	(i)	**694,282**	696,600	**683,837**	687,769
– of which in Hong Kong		**1,599**	1,482	**1,100**	1,317
Unlisted		**66,112**	50,026	**34,865**	20,644
Total		**760,394**	746,626	**718,702**	708,413

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(2) Equity instruments and funds

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Debt equity swap ("DES") investments	**4,363**	4,978	**4,363**	4,978
Other equity instruments	**8,753**	8,013	**1,450**	1,354
Funds	**1,290**	675	**–**	–
Total	**14,406**	13,666	**5,813**	6,332
Listed	**7,989**	7,397	**4,758**	5,338
– of which in Hong Kong	**633**	554	**633**	554
Unlisted	**6,417**	6,269	**1,055**	994
Total	**14,406**	13,666	**5,813**	6,332

Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control, joint control or significant influence over these entities.

(3) As at 30 June 2014, the Group's and the Bank's cost of available for sale debt securities was RMB771,180 million and RMB729,483 million respectively(2013: RMB778,733 million and RMB740,117 million respectively). The Group's and the Bank's cost of available for sale equity instruments and funds was RMB15,733 million and RMB7,319 million respectively(2013: RMB14,249 million and RMB7,343 million respectively).

(Expressed in millions of RMB, unless otherwise stated)

22 Held-to-maturity investments

Analysed by types of issuers

		Group		Bank	
	Note	**30 June 2014**	31 December 2013	**30 June 2014**	31 December 2013
Government		**897,331**	865,879	**896,433**	865,226
Central banks		**180,700**	188,220	**180,700**	188,220
Policy banks		**370,368**	335,397	**370,368**	335,397
Banks and non-bank financial institutions		**610,921**	557,732	**609,135**	555,965
Other enterprises		**165,815**	157,831	**163,096**	155,394
Gross balances		**2,225,135**	2,105,059	**2,219,732**	2,100,202
Allowances for impairment losses (Note 33)		**(4,551)**	(4,521)	**(4,495)**	(4,461)
Net balances		**2,220,584**	2,100,538	**2,215,237**	2,095,741
Listed	(1)	**2,206,871**	2,087,353	**2,204,156**	2,084,990
– of which in Hong Kong		**246**	240	**246**	240
Unlisted		**13,713**	13,185	**11,081**	10,751
Total		**2,220,584**	2,100,538	**2,215,237**	2,095,741
Market value of listed securities		**2,178,782**	1,985,172	**2,176,055**	1,982,856

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed category.

23 Debt securities classified as receivables

		Group		Bank	
	Note	**30 June 2014**	31 December 2013	**30 June 2014**	31 December 2013
Government					
– Special government bond	(1)	**49,200**	49,200	**49,200**	49,200
– Others		**840**	768	**840**	530
Banks and non-bank financial institutions		**84,998**	85,206	**79,063**	82,494
China Cinda Assets Management Co., Ltd. (“Cinda”)	(2)	**18,852**	18,852	**18,852**	18,852
Other enterprises		**38,992**	36,495	**30,070**	31,949
Gross balances		**192,882**	190,521	**178,025**	183,025
Allowance for impairment losses (Note 33)		**(868)**	(784)	**(857)**	(773)
Net balances		**192,014**	189,737	**177,168**	182,252
Listed outside Hong Kong	(3)	**52,068**	52,599	**52,068**	52,361
Unlisted		**139,946**	137,138	**125,100**	129,891
Total		**192,014**	189,737	**177,168**	182,252

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance (“MOF”) in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank’s use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) China Cinda Assets Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation) (“Cinda”) issued a bond (“Cinda Bond”) with a nominal value of RMB247 billion specifically to CCB in 1999 with a fixed coupon rate of 2.25%. Cinda Bond has been extended for 10 years upon its expiry and the interest rate remained unchanged from 2009. Cinda has already repaid RMB228.2 billion of the principal amount of the bond as at 30 June 2014.

(3) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed outside Hong Kong category.

(Expressed in millions of RMB, unless otherwise stated)

24 Investments in subsidiaries

(1) Investment cost

	30 June 2014	31 December 2013
CCB Financial Leasing Corporation Limited ("CCBFLCL")	**4,663**	4,663
CCB Life Insurance Company Limited ("CCB Life")	**3,902**	3,902
Jianxin Trust Corporation Limited ("Jianxin Trust")	**3,409**	3,409
China Construction Bank (London) Limited ("CCB London")	**2,861**	2,861
China Construction Bank (Europe) S.A. ("CCB Europe")	**1,629**	1,629
Sino-German Bausparkasse Corporation Limited ("Sino-German")	**1,502**	1,502
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")	**851**	851
Golden Fountain Finance Limited ("Golden Fountain")	**676**	676
China Construction Bank (Dubai) Limited ("CCB Dubai")	**620**	620
Sing Jian Development Company Limited ("SJDCL")	**383**	383
CCB Principal Asset Management Corporation Limited ("CCB Principal")	**130**	130
CCB International Group Holdings Limited ("CCBIG")	**–**	–
Rural Banks	**1,378**	1,378
Total	**22,004**	22,004

The total investment amount of rural banks consists of investment costs of 27 rural banks in total, which are established and controlled by the Bank in substance (31 December 2013:27 rural banks).

(2) Major subsidiaries of the Group are unlisted enterprises; details of the investments in subsidiaries are as follows:

Name of company	Place of incorporation	Particulars of issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank
CCBFLCL	Beijing, the PRC	RMB4,500 million	Financial leasing	100%	–	100%
CCB Life	Shanghai, the PRC	RMB4,496 million	Insurance	51%	–	51%
Jianxin Trust	Anhui, the PRC	RMB1,527 million	Trust business	67%	–	67%
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Commercial banking	100%	–	100%
CCB Europe	Luxembourg	Euro200 million	Commercial banking	100%	–	100%
Sino-German	Tianjin, the PRC	RMB2,000 million	House savings bank	75.1%	–	75.1%
CCB Russia	Moscow, Russia	RUB4,200 million	Commercial banking	100%	–	100%
Golden Fountain	British Virgin Islands	US$50,000	Investment	100%	–	100%
CCB Dubai	Dubai, United Arab Emirates	US$100 million	Commercial banking	100%	–	100%
SJDCL	Hong Kong, the PRC	HK$300 million	Investment	100%	–	100%
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%
CCBIG	Hong Kong, the PRC	HK$1	Investment	100%	–	100%
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	US$601 million	Investment	–	100%	100%
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Commercial banking	–	100%	100%

(3) As at 30 June 2014, the amount of the non-controlling interests of the subsidiaries is immaterial to the Group.

(4) On 7 June 2014, the Bank acquired CCB Asia's wholly owned subsidiary, China Construction Bank (Macau) Corporation Limited, at book value as of 6 June 2014, and recognised as the Bank's Macau branch.

(Expressed in millions of RMB, unless otherwise stated)

25 Interests in associates and joint ventures

(1) The movement of the Group's interests in associates and joint ventures is as follows:

	Six months ended 30 June 2014	2013
As at 1 January	**2,624**	2,366
Acquisition during the period/year	**106**	304
Disposal during the period/year	**(26)**	(27)
Share of profits less losses	**50**	60
Cash dividend receivable	**(6)**	(10)
Effect of exchange difference and others	**59**	(69)
As at 30 June/31 December	**2,807**	2,624

(2) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Place of incorporation	Particulars of issued and paid up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong, the PRC	HK$78,192,220	Insurance	25.50%	25.50%	2,328	1,636	464	43
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,662	1,621	90	33
CCBT Private Equity Fund	Beijing, the PRC	RMB565 million	Investment management and consultancy	45.70%	50.00%	543	20	–	(8)
Shandong Peninsula Ocean Blue Economic Investment Company Limited	Cayman Islands	US$110 million	Investment Holding	27.18%	27.18%	789	10	21	14
CCBT Fortune Private Equity Fund	Beijing, the PRC	RMB430 million	Investment management and consultancy	32.83%	33.33%	485	37	29	20

(Expressed in millions of RMB, unless otherwise stated)

26 Interests in unconsolidated structured entities

Unconsolidated structured entities of the Group include trust investment, fund investment, asset-backed securities and wealth management products held for investment purpose, as well as non-principal guaranteed wealth management products, trust scheme and fund, etc. which were issued or established for providing a wide range of wealth management services and collecting management fees, handling fees and custodian fees.

As at 30 June 2014, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, handling fee and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

	30 June 2014	31 December 2013
Financial assets at fair value through profit or loss	**1,531**	880
Interest receivables	**58**	66
Available-for-sale financial assets	**8,567**	6,498
Held-to-maturity investments	**2,361**	2,549
Debt securities classified as receivables	**16,135**	7,247
Interest in associates and joint ventures	**1,059**	1,026
Other assets	**2,528**	1,893
Total	**32,239**	20,159

For the six months ended 30 June 2014 and 2013, the income from these unconsolidated structured entities held by the Group was as follows:

	Six months ended 30 June	
	2014	2013
Interest income	**696**	150
Fee and commission income	**4,222**	5,092
Net trading gain	**1**	–
Dividend income	**189**	116
Net gain arising from investment securities	**100**	32
Share of profits less losses of associates and joint ventures	**19**	14
Total	**5,227**	5,404

For the six months ended 30 June 2014, there was no related loss from these unconsolidated structured entities held by the Group.

As at 30 June 2014, the size of the non-principal guaranteed wealth management products set up by the Group amounted to RMB659,329 million(As at 31 December 2013: RMB718,829 million).

As at 30 June 2014, there was no plan of providing financial or other support by the Group to these unconsolidated structured entities.

(Expressed in millions of RMB, unless otherwise stated)

27 Fixed assets

Group

	Bank premises	**Construction in progress**	**Equipment**	**Others**	**Total**
Cost/Deemed cost					
As at 1 January 2014	**89,877**	**28,425**	**42,444**	**36,857**	**197,603**
Additions	**2,088**	**4,857**	**1,671**	**1,068**	**9,684**
Transfer in/(out)	**2,782**	**(3,615)**	**21**	**812**	**–**
Disposals	**(48)**	**(360)**	**(703)**	**(673)**	**(1,784)**
As at 30 June 2014	**94,699**	**29,307**	**43,433**	**38,064**	**205,503**
Accumulated depreciation					
As at 1 January 2014	**(19,188)**	**–**	**(25,058)**	**(17,191)**	**(61,437)**
Charge for the period	**(1,653)**	**–**	**(3,053)**	**(2,652)**	**(7,358)**
Disposals	**26**	**–**	**678**	**671**	**1,375**
As at 30 June 2014	**(20,815)**	**–**	**(27,433)**	**(19,172)**	**(67,420)**
Allowances for impairment losses (Note 33)					
As at 1 January 2014	**(425)**	**–**	**(1)**	**(62)**	**(488)**
As at 30 June 2014	**(425)**	**–**	**(1)**	**(62)**	**(488)**
Net carrying value					
As at 1 January 2014	**70,264**	**28,425**	**17,385**	**19,604**	**135,678**
As at 30 June 2014	**73,459**	**29,307**	**15,999**	**18,830**	**137,595**

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2013	79,525	22,891	35,985	27,752	166,153
Additions	3,713	15,390	8,436	8,852	36,391
Transfer in/(out)	6,970	(8,830)	81	1,779	–
Disposals	(331)	(1,026)	(2,058)	(1,526)	(4,941)
As at 31 December 2013	89,877	28,425	42,444	36,857	197,603
Accumulated depreciation					
As at 1 January 2013	(16,296)	–	(21,842)	(13,631)	(51,769)
Charge for the year	(2,976)	–	(5,192)	(4,859)	(13,027)
Disposals	84	–	1,976	1,299	3,359
As at 31 December 2013	(19,188)	–	(25,058)	(17,191)	(61,437)
Allowances for impairment losses (Note 33)					
As at 1 January 2013	(427)	–	(1)	(10)	(438)
Charge for the year	–	–	–	(58)	(58)
Disposals	2	–	–	6	8
As at 31 December 2013	(425)	–	(1)	(62)	(488)
Net carrying value					
As at 1 January 2013	62,802	22,891	14,142	14,111	113,946
As at 31 December 2013	70,264	28,425	17,385	19,604	135,678

(Expressed in millions of RMB, unless otherwise stated)

27 Fixed assets (continued)

Bank

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2014	**86,581**	**28,260**	**41,965**	**31,954**	**188,760**
Additions	**1,185**	**4,847**	**1,605**	**761**	**8,398**
Additions through acquisitions	**10**	**–**	**2**	**30**	**42**
Transfer in/(out)	**2,782**	**(3,615)**	**21**	**812**	**–**
Disposals	**(37)**	**(356)**	**(700)**	**(673)**	**(1,766)**
As at 30 June 2014	**90,521**	**29,136**	**42,893**	**32,884**	**195,434**
Accumulated depreciation					
As at 1 January 2014	**(18,952)**	**–**	**(24,724)**	**(16,845)**	**(60,521)**
Charge for the period	**(1,604)**	**–**	**(3,018)**	**(2,505)**	**(7,127)**
Additions through acquisitions	**(4)**	**–**	**(2)**	**(27)**	**(33)**
Disposals	**26**	**–**	**678**	**671**	**1,375**
As at 30 June 2014	**(20,534)**	**–**	**(27,066)**	**(18,706)**	**(66,306)**
Allowances for impairment losses (Note 33)					
As at 1 January 2014	**(425)**	**–**	**(1)**	**(3)**	**(429)**
As at 30 June 2014	**(425)**	**–**	**(1)**	**(3)**	**(429)**
Net carrying value					
As at 1 January 2014	**67,204**	**28,260**	**17,240**	**15,106**	**127,810**
As at 30 June 2014	**69,562**	**29,136**	**15,826**	**14,175**	**128,699**

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2013	76,226	22,819	35,574	27,242	161,861
Additions	3,655	15,265	8,341	4,333	31,594
Transfer in/(out)	6,952	(8,810)	81	1,777	–
Disposals	(252)	(1,014)	(2,031)	(1,398)	(4,695)
As at 31 December 2013	86,581	28,260	41,965	31,954	188,760
Accumulated depreciation					
As at 1 January 2013	(16,150)	–	(21,555)	(13,381)	(51,086)
Charge for the year	(2,882)	–	(5,129)	(4,788)	(12,799)
Disposals	80	–	1,960	1,324	3,364
As at 31 December 2013	(18,952)	–	(24,724)	(16,845)	(60,521)
Allowances for impairment losses (Note 33)					
As at 1 January 2013	(427)	–	(1)	(4)	(432)
Disposals	2	–	–	1	3
As at 31 December 2013	(425)	–	(1)	(3)	(429)
Net carrying value					
As at 1 January 2013	59,649	22,819	14,018	13,857	110,343
As at 31 December 2013	67,204	28,260	17,240	15,106	127,810

(Expressed in millions of RMB, unless otherwise stated)

27 Fixed assets (continued)

Notes:

(1) As at 30 June 2014, the ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB18,151 million (31 December 2013: RMB18,179 million) was still being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group and the Bank to these assets nor have any significant impact on the business operation of the Group and the Bank.

(2) Analysed by remaining terms of the leases

The net carrying values of bank premises of the Group and the Bank as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Long term leases (over 50 years) held overseas	**1,490**	651	**6**	–
Medium term leases (10-50 years) held overseas	**2,141**	1,944	**255**	77
Short term leases (less than 10 years) held overseas	**12**	13	**12**	13
Long term leases (over 50 years) held in Mainland China	**4,166**	4,046	**4,165**	4,046
Medium term leases (10-50 years) held in Mainland China	**63,307**	60,907	**62,812**	60,365
Short term leases (less than 10 years) held in Mainland China	**2,343**	2,703	**2,312**	2,703
Total	**73,459**	70,264	**69,562**	67,204

28 Land use rights

Group

	Six months ended 30 June 2014	2013
Cost/Deemed cost		
As at 1 January	**20,752**	20,758
Additions	**411**	70
Disposals	**(15)**	(76)
As at 30 June/31 December	**21,148**	20,752
Amortisation		
As at 1 January	**(4,879)**	(4,384)
Charge for the period/year	**(256)**	(513)
Disposals	**3**	18
As at 30 June/31 December	**(5,132)**	(4,879)
Allowances for impairment losses (Note 33)		
As at 1 January	**(142)**	(142)
As at 30 June/31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,731**	16,232
As at 30 June/31 December	**15,874**	15,731

(Expressed in millions of RMB, unless otherwise stated)

28 Land use rights (continued)

Bank

	Six months ended 30 June 2014	2013
Cost/Deemed cost		
As at 1 January	**20,684**	20,688
Additions	**41**	70
Disposals	**(15)**	(74)
As at 30 June/31 December	**20,710**	20,684
Amortisation		
As at 1 January	**(4,860)**	(4,365)
Charge for the period/year	**(255)**	(513)
Disposals	**3**	18
As at 30 June/31 December	**(5,112)**	(4,860)
Allowances for impairment losses (Note 33)		
As at 1 January	**(142)**	(142)
As at 30 June/31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,682**	16,181
As at 30 June/31 December	**15,456**	15,682

29 Intangible assets

Group

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2014	**5,583**	**602**	**6,185**
Additions	**155**	**23**	**178**
Disposals	**(29)**	**–**	**(29)**
As at 30 June 2014	**5,709**	**625**	**6,334**
Amortisation			
As at 1 January 2014	**(3,981)**	**(143)**	**(4,124)**
Charge for the period	**(277)**	**(36)**	**(313)**
Disposals	**6**	**–**	**6**
As at 30 June 2014	**(4,252)**	**(179)**	**(4,431)**
Allowances for impairment losses (Note 33)			
As at 1 January 2014	**(1)**	**(7)**	**(8)**
As at 30 June 2014	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2014	**1,601**	**452**	**2,053**
As at 30 June 2014	**1,456**	**439**	**1,895**

(Expressed in millions of RMB, unless otherwise stated)

29 Intangible assets (continued)

Group (continued)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2013	5,098	545	5,643
Additions	575	73	648
Disposals	(90)	(16)	(106)
As at 31 December 2013	5,583	602	6,185
Amortisation			
As at 1 January 2013	(3,483)	(91)	(3,574)
Charge for the year	(539)	(67)	(606)
Disposals	41	15	56
As at 31 December 2013	(3,981)	(143)	(4,124)
Allowances for impairment losses (Note 33)			
As at 1 January 2013	(1)	(7)	(8)
As at 31 December 2013	(1)	(7)	(8)
Net carrying value			
As at 1 January 2013	1,614	447	2,061
As at 31 December 2013	1,601	452	2,053

Bank

	Software	**Others**	**Total**
Cost/Deemed cost			
As at 1 January 2014	**5,371**	**163**	**5,534**
Additions	**135**	**23**	**158**
Disposals	**(29)**	**–**	**(29)**
As at 30 June 2014	**5,477**	**186**	**5,663**
Amortisation			
As at 1 January 2014	**(3,878)**	**(99)**	**(3,977)**
Charge for the period	**(260)**	**(27)**	**(287)**
Disposals	**6**	**–**	**6**
As at 30 June 2014	**(4,132)**	**(126)**	**(4,258)**
Allowances for impairment losses (Note 33)			
As at 1 January 2014	**(1)**	**(7)**	**(8)**
As at 30 June 2014	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2014	**1,492**	**57**	**1,549**
As at 30 June 2014	**1,344**	**53**	**1,397**

(Expressed in millions of RMB, unless otherwise stated)

29 Intangible assets (continued)

Bank (continued)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2013	4,933	108	5,041
Additions	527	71	598
Disposals	(89)	(16)	(105)
As at 31 December 2013	5,371	163	5,534
Amortisation			
As at 1 January 2013	(3,403)	(66)	(3,469)
Charge for the year	(515)	(48)	(563)
Disposals	40	15	55
As at 31 December 2013	(3,878)	(99)	(3,977)
Allowances for impairment losses (Note 33)			
As at 1 January 2013	(1)	(7)	(8)
As at 31 December 2013	(1)	(7)	(8)
Net carrying value			
As at 1 January 2013	1,529	35	1,564
As at 31 December 2013	1,492	57	1,549

30 Goodwill

(1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006, Jianxin Trust on 29 July 2009, CCB Life on 29 June 2011 and CCB Futures Co., Ltd by Jianxin Trust on 9 April 2014. Movement of the goodwill is as follows:

	Six month ended 30 June 2014	2013
As at 1 January	**1,610**	1,651
Additions through acquisitions	**10**	–
Effect of exchange difference	**35**	(41)
As at 30 June/31 December	**1,655**	1,610

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment test, no impairment losses on goodwill were recognised as at 30 June 2014 (31 December 2013: nil).

(Expressed in millions of RMB, unless otherwise stated)

31 Deferred tax

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Deferred tax assets	**31,245**	38,448	**32,144**	39,093
Deferred tax liabilities	**(145)**	(138)	**(10)**	–
Total	**31,100**	38,310	**32,134**	39,093

(1) Analysed by nature

Group

	30 June 2014		31 December 2013	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**4,942**	**1,280**	24,698	6,168
– Allowances for impairment losses	**119,930**	**29,924**	121,540	30,329
– Early retirement benefits and accrued salaries	**22,575**	**5,644**	25,463	6,366
– Others	**(21,439)**	**(5,603)**	(16,781)	(4,415)
Total	**126,008**	**31,245**	154,920	38,448
Deferred tax liabilities				
– Fair value adjustments	**(447)**	**(111)**	(569)	(129)
– Others	**(152)**	**(34)**	(36)	(9)
Total	**(599)**	**(145)**	(605)	(138)

Bank

	30 June 2014		31 December 2013	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**5,254**	**1,345**	24,887	6,212
– Allowances for impairment losses	**119,050**	**29,737**	120,714	30,151
– Early retirement benefits and accrued salaries	**22,454**	**5,613**	25,317	6,329
– Others	**(12,913)**	**(4,551)**	(10,217)	(3,599)
Total	**133,845**	**32,144**	160,701	39,093
Deferred tax liabilities				
– Others	**(28)**	**(10)**	–	–
Total	**(28)**	**(10)**	–	–

(Expressed in millions of RMB, unless otherwise stated)

31 Deferred tax (continued)

(2) Movements of deferred tax

Group

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2014	**6,039**	**30,329**	**6,366**	**(4,424)**	**38,310**
Recognised in profit or loss	**98**	**(405)**	**(722)**	**(1,213)**	**(2,242)**
Recognised in other comprehensive income	**(4,968)**	**–**	**–**	**–**	**(4,968)**
As at 30 June 2014	**1,169**	**29,924**	**5,644**	**(5,637)**	**31,100**
As at 1 January 2013	(1,785)	26,212	6,321	(4,029)	26,719
Recognised in profit or loss	252	4,117	45	(395)	4,019
Recognised in other comprehensive income	7,572	–	–	–	7,572
As at 31 December 2013	6,039	30,329	6,366	(4,424)	38,310

Bank

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2014	**6,212**	**30,151**	**6,329**	**(3,599)**	**39,093**
Recognised in profit or loss	**89**	**(414)**	**(716)**	**(962)**	**(2,003)**
Recognised in other comprehensive income	**(4,956)**	**–**	**–**	**–**	**(4,956)**
As at 30 June 2014	**1,345**	**29,737**	**5,613**	**(4,561)**	**32,134**
As at 1 January 2013	(1,487)	26,093	6,267	(3,356)	27,517
Recognised in profit or loss	240	4,058	62	(243)	4,117
Recognised in other comprehensive income	7,459	–	–	–	7,459
As at 31 December 2013	6,212	30,151	6,329	(3,599)	39,093

The Group and the Bank did not have significant unrecognised deferred tax as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

32 Other assets

	Note	Group		Bank	
		30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Repossessed assets	(1)				
– Buildings		**1,344**	1,287	**1,344**	1,287
– Land use rights		**311**	312	**311**	312
– Others		**92**	89	**90**	87
		1,747	1,688	**1,745**	1,686
Long-term deferred expenses		**663**	662	**600**	591
Receivables from CCBIG	(2)	**–**	–	**36,180**	35,717
Other receivables		**41,563**	23,530	**33,999**	20,002
Leasehold improvements		**2,712**	2,792	**2,675**	2,765
Gross balance		**46,685**	28,672	**75,199**	60,761
Allowances for impairment losses (Note 33)					
– Repossessed assets		**(254)**	(261)	**(253)**	(260)
– Others		**(2,970)**	(2,400)	**(2,680)**	(2,084)
Total		**43,461**	26,011	**72,266**	58,417

(1) During the six months ended 30 June 2014, the original cost of repossessed assets disposed of by the Group amounted to RMB132 million (for the six months ended 30 June 2013: RMB288 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

(2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity investments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

33 Movements of allowances for impairment losses

Group

	Note	Six months ended 30 June 2014				
		As at 1 January	**Charge**	**Transfer in/(out)**	**Write-offs**	**As at 30 June**
Deposits with banks and non-bank financial institutions	14	**7**	**–**	**–**	**–**	**7**
Placements with banks and non-bank financial institutions	15	**27**	**–**	**–**	**–**	**27**
Interest receivable	19	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	20(3)	**228,696**	**21,286**	**(2,861)**	**(9,031)**	**238,090**
Available for sale debt securities		**2,743**	**22**	**84**	**(852)**	**1,997**
Available for sale equity instrument		**4,297**	**–**	**8**	**(42)**	**4,263**
Held-to-maturity investments	22	**4,521**	**320**	**53**	**(343)**	**4,551**
Debt securities classified as receivables	23	**784**	**84**	**–**	**–**	**868**
Fixed assets	27	**488**	**–**	**–**	**–**	**488**
Land use rights	28	**142**	**–**	**–**	**–**	**142**
Intangible assets	29	**8**	**–**	**–**	**–**	**8**
Other assets	32	**2,661**	**652**	**–**	**(89)**	**3,224**
Total		**244,375**	**22,364**	**(2,716)**	**(10,357)**	**253,666**

(Expressed in millions of RMB, unless otherwise stated)

33 Movements of allowances for impairment losses (continued)

Group (continued)

	Note	2013 As at 1 January	Charge/ (Write-back)	Transfer out	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	14	7	–	–	–	7
Placements with banks and non-bank financial institutions	15	49	(7)	–	(15)	27
Interest receivable	19	1	–	–	–	1
Loans and advances to customers	20(3)	202,433	42,666	(4,535)	(11,868)	228,696
Available for sale debt securities		4,398	(1,144)	(71)	(440)	2,743
Available for sale equity instrument		4,882	195	(23)	(757)	4,297
Held-to-maturity investments	22	4,078	1,056	(63)	(550)	4,521
Debt securities classified as receivables	23	1,021	(237)	–	–	784
Fixed assets	27	438	58	–	(8)	488
Land use rights	28	142	–	–	–	142
Intangible assets	29	8	–	–	–	8
Other assets	32	2,490	418	–	(247)	2,661
Total		219,947	43,005	(4,692)	(13,885)	244,375

Bank

	Note	Six months ended 30 June 2014 **As at 1 January**	**Charge**	**Transfer in/(out)**	**Write-offs**	**As at 30 June**
Deposits with banks and non-bank financial institutions	14	**4**	**–**	**–**	**–**	**4**
Placements with banks and non-bank financial institutions	15	**27**	**–**	**–**	**–**	**27**
Interest receivable	19	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	20(3)	**226,705**	**20,832**	**(2,842)**	**(8,960)**	**235,735**
Available for sale debt securities		**2,678**	**9**	**101**	**(852)**	**1,936**
Available for sale equity instrument		**4,228**	**–**	**4**	**(41)**	**4,191**
Held-to-maturity investments	22	**4,461**	**325**	**52**	**(343)**	**4,495**
Debt securities classified as receivables	23	**773**	**84**	**–**	**–**	**857**
Fixed assets	27	**429**	**–**	**–**	**–**	**429**
Land use rights	28	**142**	**–**	**–**	**–**	**142**
Intangible assets	29	**8**	**–**	**–**	**–**	**8**
Other assets	32	**2,344**	**687**	**–**	**(98)**	**2,933**
Total		**241,800**	**21,937**	**(2,685)**	**(10,294)**	**250,758**

	Note	2013 As at 1 January	Charge/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	14	7	(3)	–	–	4
Placements with banks and non-bank financial institutions	15	49	(7)	–	(15)	27
Interest receivable	19	1	–	–	–	1
Loans and advances to customers	20(3)	201,087	41,959	(4,600)	(11,741)	226,705
Available for sale debt securities		4,367	(1,151)	(98)	(440)	2,678
Available for sale equity instrument		4,821	136	5	(734)	4,228
Held-to-maturity investments	22	4,078	995	(62)	(550)	4,461
Debt securities classified as receivables	23	1,021	(248)	–	–	773
Fixed assets	27	432	–	–	(3)	429
Land use rights	28	142	–	–	–	142
Intangible assets	29	8	–	–	–	8
Other assets	32	2,324	267	–	(247)	2,344
Total		218,337	41,948	(4,755)	(13,730)	241,800

Transfer in/(out) includes exchange differences.

(Expressed in millions of RMB, unless otherwise stated)

34 Amounts due from/to subsidiaries

Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

	30 June 2014	31 December 2013
Deposits with banks and non-bank financial institutions	**27,472**	20,023
Placements with banks and non-bank financial institutions	**84,204**	106,499
Financial assets at fair value through profit or loss	**2,000**	2,000
Interest receivable	**261**	787
Loans and advances to customers	**5,828**	2,215
Available-for-sale financial assets	**842**	822
Other assets	**36,838**	34,688
Total	**157,445**	167,034

Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

	30 June 2014	31 December 2013
Deposits from banks and non-bank financial institutions	**15,131**	16,333
Placements from banks and non-bank financial institutions	**25,002**	12,506
Financial liabilities at fair value through profit or loss	**–**	160
Deposits from customers	**5,772**	5,069
Interest payable	**255**	201
Debt securities issued	**1,124**	–
Other liabilities	**278**	170
Total	**47,562**	34,439

35 Borrowings from central banks

	Group		**Bank**	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Mainland China	**526**	60,431	**4**	60,007
Overseas	**25,691**	18,726	**25,691**	18,726
Total	**26,217**	79,157	**25,695**	78,733

(Expressed in millions of RMB, unless otherwise stated)

36 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Banks	**133,253**	202,810	**142,521**	213,447
Non-bank financial institutions	**662,341**	489,285	**663,396**	491,040
Total	**795,594**	692,095	**805,917**	704,487

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Mainland China	**785,360**	687,894	**786,703**	688,032
Overseas	**10,234**	4,201	**19,214**	16,455
Total	**795,594**	692,095	**805,917**	704,487

37 Placements from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Banks	**242,754**	154,517	**193,324**	121,601
Non-bank financial institutions	**16,140**	1,400	**14,684**	878
Total	**258,894**	155,917	**208,008**	122,479

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Mainland China	**84,793**	38,137	**30,624**	6,398
Overseas	**174,101**	117,780	**177,384**	116,081
Total	**258,894**	155,917	**208,008**	122,479

38 Financial liabilities at fair value through profit or loss

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Principal guaranteed wealth management product	**313,791**	337,580	**313,791**	337,740
Financial liabilities related to precious metals	**39,533**	37,956	**39,533**	37,956
Structured financial instruments	**12,112**	4,844	**9,457**	2,035
Total	**365,436**	380,380	**362,781**	377,731

The Group's and the Bank's financial liabilities at fair value through profit or loss are those designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period and year presented and cumulatively as at 30 June 2014 and 31 December 2013.

(Expressed in millions of RMB, unless otherwise stated)

39 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Securities				
– Government bonds	**2,648**	48,773	**–**	42,405
– Debt securities issued by banks and non-bank financial institutions	**–**	12,492	**–**	12,492
Subtotal	**2,648**	61,265	**–**	54,897
Discounted bills	**417**	608	**373**	560
Total	**3,065**	61,873	**373**	55,457

40 Deposits from customers

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Demand deposits				
– Corporate customers	**4,020,918**	4,167,686	**4,007,734**	4,154,705
– Personal customers	**2,651,648**	2,525,115	**2,636,624**	2,510,530
Subtotal	**6,672,566**	6,692,801	**6,644,358**	6,665,235
Time deposits (including call deposits)				
– Corporate customers	**2,976,517**	2,457,076	**2,890,073**	2,386,417
– Personal customers	**3,307,873**	3,073,160	**3,232,311**	3,004,125
Subtotal	**6,284,390**	5,530,236	**6,122,384**	5,390,542
Total	**12,956,956**	12,223,037	**12,766,742**	12,055,777

Deposits from customers include:

		Group		Bank	
		30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
(1)	Pledged deposits				
	– Deposits for acceptance	**169,081**	129,392	**168,932**	129,248
	– Deposits for letter of credit	**59,432**	55,018	**59,432**	55,018
	– Deposits for guarantee	**37,480**	36,308	**37,480**	36,308
	– Others	**282,891**	199,256	**284,305**	201,426
	Total	**548,884**	419,974	**550,149**	422,000
(2)	Outward remittance and remittance payables	**18,662**	11,908	**18,519**	11,725

(Expressed in millions of RMB, unless otherwise stated)

41 Accrued staff costs

Group

	Note	Six months ended 30 June 2014			
		As at 1 January	**Increased**	**Decreased**	**As at 30 June**
Salaries, bonuses, allowances and subsidies		**25,189**	**25,718**	**(28,330)**	**22,577**
Defined contribution retirement schemes		**737**	**5,360**	**(5,493)**	**604**
Other social insurance and welfare		**2,262**	**4,020**	**(3,755)**	**2,527**
Housing funds		**148**	**2,794**	**(2,754)**	**188**
Union running costs and employee education costs		**1,533**	**1,062**	**(620)**	**1,975**
Supplementary retirement benefits	(1)	**609**	**161**	**–**	**770**
Early retirement benefits		**3,596**	**67**	**(457)**	**3,206**
Compensation to employees for termination of employment relationship		**6**	**3**	**(4)**	**5**
Total		**34,080**	**39,185**	**(41,413)**	**31,852**

	Note	2013			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		23,488	58,154	(56,453)	25,189
Defined contribution retirement schemes		606	11,552	(11,421)	737
Other social insurance and welfare		1,975	8,853	(8,566)	2,262
Housing funds		134	5,433	(5,419)	148
Union running costs and employee education costs		1,269	2,391	(2,127)	1,533
Supplementary retirement benefits	(1)	699	353	(443)	609
Early retirement benefits		4,596	217	(1,217)	3,596
Compensation to employees for termination of employment relationship		5	8	(7)	6
Total		32,772	86,961	(85,653)	34,080

Bank

	Note	Six months ended 30 June 2014			
		As at 1 January	**Increased**	**Decreased**	**As at 30 June**
Salaries, bonuses, allowances and subsidies		**24,081**	**24,468**	**(26,896)**	**21,653**
Defined contribution retirement schemes		**733**	**5,254**	**(5,387)**	**600**
Other social insurance and welfare		**2,250**	**3,947**	**(3,689)**	**2,508**
Housing funds		**148**	**2,762**	**(2,724)**	**186**
Union running costs and employee education costs		**1,515**	**1,045**	**(611)**	**1,949**
Supplementary retirement benefits	(1)	**609**	**161**	**–**	**770**
Early retirement benefits		**3,596**	**67**	**(457)**	**3,206**
Compensation to employees for termination of employment relationship		**6**	**3**	**(4)**	**5**
Total		**32,938**	**37,707**	**(39,768)**	**30,877**

	Note	2013			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		22,728	55,694	(54,341)	24,081
Defined contribution retirement schemes		603	11,376	(11,246)	733
Other social insurance and welfare		1,866	8,693	(8,309)	2,250
Housing funds		133	5,377	(5,362)	148
Union running costs and employee education costs		1,256	2,358	(2,099)	1,515
Supplementary retirement benefits	(1)	699	353	(443)	609
Early retirement benefits		4,596	217	(1,217)	3,596
Compensation to employees for termination of employment relationship		5	8	(7)	6
Total		31,886	84,076	(83,024)	32,938

(Expressed in millions of RMB, unless otherwise stated)

41 Accrued staff costs (continued)

(1) Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

(a) Breakdowns of supplementary retirement benefits obligations of the Group and the Bank are as follows:

	30 June 2014	31 December 2013
Fair value of plan assets	**5,747**	5,825
Supplementary retirement benefits obligations	**770**	609
Present value of supplementary retirement benefit obligations	**6,517**	6,434

(b) Movements of supplementary retirement benefits of the Group and the Bank are as follows:

(i) Movements of fair value of plan assets of the Group and the Bank are as follows:

	Six months ended 30 June 2014	2013
As at 1 January	**5,825**	6,370
Interest income	**138**	219
Remeasurements		
– Return on plan assets, excluding amounts included in interest income	**117**	(103)
Benefit payments from plan assets	**(333)**	(661)
As at 30 June/31 December	**5,747**	5,825

(ii) Movements of present value of supplementary retirement benefit obligations of the Group and the Bank are as follows:

	Six months ended 30 June 2014	2013
As at 1 January	**6,434**	7,069
Payments made	**(333)**	(661)
Expenses recognised in profit or loss		
– Interest cost	**145**	233
– Past service costs	**–**	339
Remeasurements – Actuarial losses/(gains)	**271**	(546)
As at 30 June/31 December	**6,517**	6,434

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

(c) Principal actuarial assumptions of the Group and the Bank as at the balance sheet date are as follows:

	30 June 2014	31 December 2013
Discount rate	**4.25%**	4.75%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**12.3 years**	12.6 years

(Expressed in millions of RMB, unless otherwise stated)

41 Accrued staff costs (continued)

(1) Supplementary retirement benefits (continued)

(d) The sensitivity of the present value of supplementary retirement benefits obligation to changes in the weighted principal assumption is:

	Impact on present value of supplementary retirement benefits obligation	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	(122)	126
Health care cost increase rate	40	(38)

(e) The weighted average duration of supplementary retirement benefits obligation of the Group and the Bank is 7.6 years.

(f) Plan assets of the Group and the Bank are as follows:

	30 June 2014	31 December 2013
Equity instruments	**59**	62
Debt instruments	**5,500**	5,310
Cash and cash equivalents	**70**	313
Others	**118**	140
Total	**5,747**	5,825

(2) The Group and the Bank had no overdue balance of accrued staff costs as at the end of the reporting period.

42 Taxes payable

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Income tax	**28,343**	50,950	**27,804**	50,579
Business tax and surcharges	**8,694**	8,999	**8,547**	8,889
Value added tax	**(901)**	(982)	**(909)**	(968)
Others	**849**	1,242	**818**	1,193
Total	**36,985**	60,209	**36,260**	59,693

43 Interest payable

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Deposits from customers	**166,906**	148,809	**166,135**	148,264
Debts securities issued	**4,225**	2,123	**4,225**	2,123
Deposits from banks and non-bank financial institutions	**4,897**	1,688	**5,097**	1,833
Others	**1,269**	1,007	**934**	726
Total	**177,297**	153,627	**176,391**	152,946

(Expressed in millions of RMB, unless otherwise stated)

44 Provisions

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Litigation provisions	**536**	543	**536**	543
Others	**5,244**	4,471	**5,244**	4,471
Total	**5,780**	5,014	**5,780**	5,014

45 Debt securities issued

		Group		Bank	
	Note	**30 June 2014**	31 December 2013	**30 June 2014**	31 December 2013
Certificates of deposit issued	(1)	**263,389**	193,749	**227,088**	159,553
Bonds issued	(2)	**17,266**	3,933	**3,997**	2,995
Subordinated bonds issued	(3)	**147,869**	159,858	**147,869**	159,858
Total		**428,524**	357,540	**378,954**	322,406

(1) Certificates of deposit were mainly issued by head office, overseas branches and CCB Asia.

(2) Bonds issued

		Group		Bank	
	Note	**30 June 2014**	31 December 2013	**30 June 2014**	31 December 2013
3.20% fixed rate RMB bonds	(a)	**940**	940	**–**	–
3.08% fixed rate RMB bonds	(b)	**–**	500	**–**	500
3.25% fixed rate RMB bonds	(c)	**6,500**	2,500	**2,500**	2,500
2.375% fixed rate USD bonds	(d)	**1,861**	–	**–**	–
3.38% fixed rate RMB bonds	(e)	**1,500**	–	**1,500**	–
1.375% fixed rate CHF bonds	(f)	**2,063**	–	**–**	–
3.45% fixed rate RMB bonds	(g)	**1,250**	–	**–**	–
3.25% fixed rate USD bonds	(h)	**2,481**	–	**–**	–
Others		**706**	–	**–**	–
Total nominal value		**17,301**	3,940	**4,000**	3,000
Less: unamortised issuance costs		**(35)**	(7)	**(3)**	(5)
Carrying value as at 30 June/31 December		**17,266**	3,933	**3,997**	2,995

(a) 3.20% fixed rate RMB bonds were issued in November 2012 in London, and will mature on 29 November 2015.

(b) 3.08% fixed rate RMB bonds were issued in June 2012 in Hong Kong, and matured on 28 June 2014.

(c) 3.25% fixed rate RMB bonds: 500 million were issued in June 2012 in Hong Kong, and will mature on 28 June 2015; 2,000 million were issued in December 2013 in Taiwan, and will mature on 12 December 2016; 4,000 million were issued in March 2014 in Hongkong, and will mature on 13 March 2016.

(d) 2.375% fixed rate USD bonds were issued in April 2014 in Hong Kong, and will mature on 1 April 2017.

(e) 3.38% fixed rate RMB bonds were issued in May 2014 in Frankfurt, and will mature on 30 May 2016.

(f) 1.375% fixed rate CHF bonds were issued in May 2014 in Switzerland, and will mature on 28 May 2019.

(g) 3.45% fixed rate RMB bonds were issued in June 2014 in Switzerland, and will mature on 27 June 2017.

(h) 3.25% fixed rate USD bonds were issued in June 2014 in Hongkong, and will mature on 2 July 2019.

(Expressed in millions of RMB, unless otherwise stated)

45 Debt securities issued (continued)

(3) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC and the CBRC is as follows:

	Note	Group and Bank	
		30 June 2014	31 December 2013
3.20% subordinated fixed rate bonds maturing in February 2019	(a)	**–**	12,000
4.00% subordinated fixed rate bonds maturing in February 2024	(b)	**28,000**	28,000
3.32% subordinated fixed rate bonds maturing in August 2019	(c)	**10,000**	10,000
4.04% subordinated fixed rate bonds maturing in August 2024	(d)	**10,000**	10,000
4.80% subordinated fixed rate bonds maturing in December 2024	(e)	**20,000**	20,000
5.70% subordinated fixed rate bonds maturing in November 2026	(f)	**40,000**	40,000
4.99% subordinated fixed rate bonds maturing in November 2027	(g)	**40,000**	40,000
Total nominal value		**148,000**	160,000
Less: Unamortised issuance cost		**(131)**	(142)
Carrying value as at 30 June/31 December		**147,869**	159,858

(a) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 3.20%. The Group has an option to redeem the bonds on 26 February 2014. If they are not redeemed by the Group, the interest rate will increase to 6.20% per annum from 26 February 2014 for the next five years. The Group exercised the option to redeem the bonds on 26 February 2014.

(b) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 4.00%. The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(c) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 3.32%. The Group has an option to redeem the bonds on 11 August 2014. If they are not redeemed by the Group, the interest rate will increase to 6.32% per annum from 11 August 2014 for the next five years.

(d) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 4.04%. The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(e) The interest rate per annum on the subordinated fixed rate bonds issued in December 2009 is 4.80%. The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(f) The interest rate per annum on the subordinated fixed rate bonds issued in November 2011 is 5.70%, which will remain fixed in the duration. The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.

(g) The interest rate per annum on the subordinated fixed rate bonds issued in November 2012 is 4.99%, which will remain fixed in the duration. The Group has an option to redeem the bonds on 21 November 2022, subject to an approval from relevant authority.

46 Other liabilities

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Dividend payable	**75,013**	–	**75,003**	–
Insurance reserve of CCB life	**23,574**	13,097	**–**	–
Deferred income	**14,361**	13,131	**14,051**	12,872
Capital expenditure payable	**7,106**	8,365	**7,104**	8,363
Dormant accounts	**2,727**	2,469	**2,727**	2,469
Securities underwriting and redemption payable	**1,494**	1,226	**1,494**	1,226
Settlement accounts	**1,224**	784	**1,224**	784
Payment and collection clearance accounts	**899**	743	**878**	743
Payables to China Jianyin Investment Limited	**20**	22	**20**	22
Others	**27,819**	26,105	**15,589**	13,860
Total	**154,237**	65,942	**118,090**	40,339

47 Share capital

	Group and Bank	
	30 June 2014	31 December 2013
Listed in Hong Kong (H share)	**240,417**	240,417
Listed in Mainland China (A share)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1.00 per share and rank pari passu with the same rights and benefits.

(Expressed in millions of RMB, unless otherwise stated)

48 Capital reserve

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Share premium	**135,118**	135,118	**135,109**	135,109
Cash flow hedge reserve	**20**	(148)	**20**	(148)
Others	**399**	553	**393**	547
Total	**135,537**	135,523	**135,522**	135,508

49 Investment revaluation reserve

The changes in fair value of available-for-sale financial assets were recognised in "investment revaluation reserve". Movements of investment revaluation reserve are as follows:

Group

		Six months ended 30 June 2014		
	Note	**Before-tax amount**	**Tax benefit/(expense)**	**Net-of-tax amount**
As at 1 January		**(25,837)**	**6,547**	**(19,290)**
Gains/(losses) during the period				
– Debt securities		**20,867**	**(5,203)**	**15,664**
– Equity instruments and funds		**(407)**	**102**	**(305)**
		20,460	**(5,101)**	**15,359**
Reclassification adjustments				
– Impairment		**16**	**(4)**	**12**
– Disposals		**(733)**	**183**	**(550)**
– Others	(1)	**1**	**–**	**1**
		(716)	**179**	**(537)**
As at 30 June		**(6,093)**	**1,625**	**(4,468)**

		2013		
	Note	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January		4,030	(1,007)	3,023
Losses during the year				
– Debt securities		(26,065)	6,603	(19,462)
– Equity instruments and funds		(2,217)	554	(1,663)
		(28,282)	7,157	(21,125)
Reclassification adjustments				
– Impairment		(1,047)	262	(785)
– Disposals		(595)	149	(446)
– Others	(1)	57	(14)	43
		(1,585)	397	(1,188)
As at 31 December		(25,837)	6,547	(19,290)

(Expressed in millions of RMB, unless otherwise stated)

49 Investment revaluation reserve (continued)

Bank

	Note	Six months ended 30 June 2014		
		Before-tax amount	**Tax benefit/(expense)**	**Net-of-tax amount**
As at 1 January		**(25,740)**	**6,465**	**(19,275)**
Gains/(losses) during the period				
– Debt securities		**20,638**	**(5,182)**	**15,456**
– Equity instruments		**(407)**	**102**	**(305)**
		20,231	**(5,080)**	**15,151**
Reclassification adjustments				
– Impairment		**9**	**(2)**	**7**
– Disposals		**(503)**	**126**	**(377)**
– Others	(1)	**1**	**–**	**1**
		(493)	**124**	**(369)**
As at 30 June		**(6,002)**	**1,509**	**(4,493)**

	Note	2013		
		Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January		4,072	(994)	3,078
Losses during the year				
– Debt securities		(26,323)	6,587	(19,736)
– Equity instruments		(1,858)	464	(1,394)
		(28,181)	7,051	(21,130)
Reclassification adjustments				
– Impairment		(1,113)	278	(835)
– Disposals		(575)	144	(431)
– Others	(1)	57	(14)	43
		(1,631)	408	(1,223)
As at 31 December		(25,740)	6,465	(19,275)

Others refer to the amortisation of accumulated losses previously recognised in revaluation reserve for the period/year. These accumulated losses were related to certain debt securities reclassified from available-for-sale financial assets to held-to-maturity investments in prior period/years.

50 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006 and since, to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in annual general meetings.

(Expressed in millions of RMB, unless otherwise stated)

51 General reserve

The general reserve of the Group and the Bank is set up based upon the requirements of Ministry of Finance and other statutory and regulatory requirements:

		Group		Bank	
	Note	**30 June 2014**	31 December 2013	**30 June 2014**	31 December 2013
MOF	(1)	**165,439**	150,249	**165,439**	150,249
Hong Kong Banking Ordinance	(2)	**2,115**	2,199	**165**	165
Other regulatory bodies in Mainland China	(3)	**1,155**	1,125	**–**	–
Other overseas regulatory bodies		**330**	262	**330**	261
Total		**169,039**	153,835	**165,934**	150,675

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the 'Regulation on Management of Financial Institutions for Reserves' (Cai Jin [2012] No. 20), issued by the Ministry of Finance on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

52 Profit distribution

The Bank declared a cash dividend of RMB75,003 million for the year ended 31 December 2013 according to the profit distribution plan approved by the Annual General Meeting held on 26 June 2014.

53 Cash and cash equivalents

	30 June 2014	31 December 2013	30 June 2013
Cash	**61,135**	71,756	60,468
Surplus deposit reserves with central banks	**154,966**	129,443	180,820
Demand deposits with banks and non-bank financial institutions	**38,843**	26,527	26,264
Deposits with banks and non-bank financial institutions with original maturity not over three months	**22,031**	162,097	479,554
Placements with banks and non-bank financial institutions with original maturity not over three months	**132,262**	50,950	34,436
Total	**409,237**	440,773	781,542

54 Credit assets securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose vehicles ("SPVs") which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement.

As at 30 June 2014, loans with an original carrying amount of RMB7,177 million (31 December 2013: RMB7,177 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 30 June 2014, the carrying amount of assets that the Group continued to recognise was RMB824 million (31 December 2013: RMB828 million), and liabilities was RMB501 million (31 December 2013: RMB502 million).

55 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

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

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg and Macau and certain subsidiaries operations in Hong Kong, London, Moscow, Dubai, Luxembourg, British Virgin Islands and New Zealand.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

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

– "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

– "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

– "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

– the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

– the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

– the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(Expressed in millions of RMB, unless otherwise stated)

55 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2014								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	30,445	19,012	12,354	25,967	28,462	8,769	82,890	3,393	211,292
Internal net interest income/(expense)	5,346	9,127	20,367	10,091	8,372	4,724	(58,386)	359	–
Net interest income	35,791	28,139	32,721	36,058	36,834	13,493	24,504	3,752	211,292
Net fee and commission income	10,807	9,279	9,912	10,138	7,652	3,108	8,312	972	60,180
Net trading gain	113	52	126	5	76	–	691	530	1,593
Dividend income	3	2	3	186	2	4	1	39	240
Net gain arising from investment securities	227	–	2	–	12	–	732	165	1,138
Other operating income/(loss), net	349	203	498	139	867	99	1,660	(1,531)	2,284
Operating income	47,290	37,675	43,262	46,526	45,443	16,704	35,900	3,927	276,727
Operating expenses	(14,696)	(11,613)	(13,810)	(15,952)	(14,820)	(6,246)	(5,152)	(1,850)	(84,139)
Impairment losses	(9,890)	(3,655)	(1,625)	(3,223)	(2,850)	(1,454)	(2,440)	2,015	(23,122)
Share of profits less gains of associates and joint ventures	–	–	–	5	–	–	–	45	50
Profit before tax	22,704	22,407	27,827	27,356	27,773	9,004	28,308	4,137	169,516
Capital expenditure	1,068	766	1,199	1,954	1,816	800	1,222	1,537	10,362
Depreciation and amortisation	1,380	887	1,271	1,566	1,371	740	1,220	115	8,550
	30 June 2014								
Segment assets	2,776,063	2,343,637	2,996,848	2,554,019	2,604,801	965,343	6,061,762	918,058	21,220,531
Interests in associates and joint ventures	–	–	–	713	–	–	–	2,094	2,807
	2,776,063	2,343,637	2,996,848	2,554,732	2,604,801	965,343	6,061,762	920,152	21,223,338
Deferred tax assets									31,245
Elimination									(4,854,793)
Total assets									16,399,790
Segment liabilities	2,747,562	2,325,785	2,990,841	2,533,722	2,589,311	959,706	5,122,571	837,928	20,107,426
Deferred tax liabilities									145
Elimination									(4,854,793)
Total liabilities									15,252,778
Off-balance sheet credit commitments	608,975	393,672	625,474	288,868	286,218	118,913	7,500	65,135	2,394,755

(Expressed in millions of RMB, unless otherwise stated)

55 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2013								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	28,866	17,436	17,322	20,279	23,317	6,961	71,520	1,959	187,660
Internal net interest income/(expense)	3,769	6,356	10,174	9,398	7,706	4,619	(43,063)	1,041	–
Net interest income	32,635	23,792	27,496	29,677	31,023	11,580	28,457	3,000	187,660
Net fee and commission income	10,857	9,032	9,067	9,221	7,291	3,049	6,220	787	55,524
Net trading gain/(loss)	304	338	238	146	232	66	1,320	(1,374)	1,270
Dividend income	–	1	2	116	47	–	27	–	193
Net gain arising from investment securities	169	–	–	–	–	10	83	40	302
Other operating income, net	4,200	162	212	270	670	2	226	1,616	7,358
Operating income	48,165	33,325	37,015	39,430	39,263	14,707	36,333	4,069	252,307
Operating expenses	(17,888)	(10,600)	(12,474)	(14,041)	(13,655)	(5,908)	(4,913)	(1,588)	(81,067)
Impairment losses	(10,885)	(511)	88	(1,689)	(119)	(722)	(1,037)	(1,179)	(16,054)
Share of profits less gains of associates and joint ventures	–	–	–	(1)	–	–	–	4	3
Profit before tax	19,392	22,214	24,629	23,699	25,489	8,077	30,383	1,306	155,189
Capital expenditure	1,315	1,006	4,185	2,525	1,950	678	1,262	151	13,072
Depreciation and amortisation	1,284	833	1,044	1,395	1,220	651	945	91	7,463
	31 December 2013								
Segment assets	2,639,135	2,158,746	2,737,198	2,410,486	2,500,348	910,474	5,934,221	729,915	20,020,523
Interests in associates and joint ventures	–	–	–	661	–	–	–	1,963	2,624
	2,639,135	2,158,746	2,737,198	2,411,147	2,500,348	910,474	5,934,221	731,878	20,023,147
Deferred tax assets									38,448
Elimination									(4,698,385)
Total assets									15,363,210
Segment liabilities	2,628,866	2,153,610	2,718,912	2,399,890	2,492,392	907,524	5,026,546	659,388	18,987,128
Deferred tax liabilities									138
Elimination									(4,698,385)
Total liabilities									14,288,881
Off-balance sheet credit commitments	555,843	422,332	569,194	283,736	282,660	110,931	13,000	72,531	2,310,227

(Expressed in millions of RMB, unless otherwise stated)

55 Operating segments (continued)

(2) Business segments

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

Corporate banking

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

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

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

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

	Six months ended 30 June 2014				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	110,317	9,010	86,241	5,724	211,292
Internal net interest income/(expenses)	4,569	72,339	(73,676)	(3,232)	–
Net interest income	114,886	81,349	12,565	2,492	211,292
Net fee and commission income	25,966	22,650	10,101	1,463	60,180
Net trading (loss)/gain	(3,708)	(3,854)	8,615	540	1,593
Dividend income	–	–	–	240	240
Net gain arising from investment securities	–	–	609	529	1,138
Other operating income/(expense), net	147	30	2,858	(751)	2,284
Operating income	137,291	100,175	34,748	4,513	276,727
Operating expenses	(32,321)	(45,422)	(2,632)	(3,764)	(84,139)
Impairment losses	(18,122)	(5,457)	(527)	984	(23,122)
Share of profits less losses of associates and joint ventures	–	–	–	50	50
Profit before tax	86,848	49,296	31,589	1,783	169,516
Capital expenditure	2,215	6,168	166	1,814	10,363
Depreciation and amortisation	2,137	5,964	157	292	8,550
	30 June 2014				
Segment assets	6,106,385	2,805,623	6,484,974	1,024,288	16,421,270
Interests in associates and joint ventures	–	–	–	2,807	2,807
	6,106,385	2,805,623	6,484,974	1,027,095	16,424,077
Deferred tax assets					31,245
Elimination					(55,532)
Total assets					16,399,790
Segment liabilities	7,121,547	6,796,136	217,721	1,172,761	15,308,165
Deferred tax liabilities					145
Elimination					(55,532)
Total liabilities					15,252,778
Off-balance sheet credit commitments	1,901,249	428,220	–	65,286	2,394,755

(Expressed in millions of RMB, unless otherwise stated)

55 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2013				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	113,391	287	69,623	4,359	187,660
Internal net interest (expenses)/income	(19,829)	63,338	(42,628)	(881)	–
Net interest income	93,562	63,625	26,995	3,478	187,660
Net fee and commission income	24,027	19,069	11,300	1,128	55,524
Net trading (loss)/gain	(3)	721	1,911	(1,359)	1,270
Dividend income	–	–	–	193	193
Net gain/(loss) arising from investment securities	–	–	322	(20)	302
Other operating income/(expense), net	225	389	(93)	6,837	7,358
Operating income	117,811	83,804	40,435	10,257	252,307
Operating expenses	(31,544)	(40,237)	(2,441)	(6,845)	(81,067)
Impairment losses	(11,469)	(3,950)	627	(1,262)	(16,054)
Share of profits less losses of associates and joint ventures	–	–	–	3	3
Profit before tax	74,798	39,617	38,621	2,153	155,189
Capital expenditure	2,884	6,471	346	3,371	13,072
Depreciation and amortisation	2,167	4,863	260	173	7,463
	31 December 2013				
Segment assets	5,585,454	2,590,881	6,505,051	744,879	15,426,265
Interests in associates and joint ventures	–	–	–	2,624	2,624
	5,585,454	2,590,881	6,505,051	747,503	15,428,889
Deferred tax assets					38,448
Elimination					(104,127)
Total assets					15,363,210
Segment liabilities	6,772,134	6,376,797	389,827	854,112	14,392,870
Deferred tax liabilities					138
Elimination					(104,127)
Total liabilities					14,288,881
Off-balance sheet credit commitments	1,828,104	409,316	–	72,807	2,310,227

(Expressed in millions of RMB, unless otherwise stated)

56 Entrusted lending business

As at the end of the reporting period, the entrusted loans and funds were as follows:

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Entrusted loans	**1,446,333**	1,355,890	**1,441,087**	1,354,778
Entrusted funds	**1,446,333**	1,355,890	**1,441,087**	1,354,778

57 Pledged assets

(1) Assets pledged as security

(a) Carrying value of pledged assets analysed by category

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Discounted bills	**417**	608	**373**	560
Bonds	**3,863**	122,706	**1,215**	116,338
Total	**4,280**	123,314	**1,588**	116,898

(b) Carrying value of pledged assets analysed by classification in the statement of financial position

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Loans and advances to customers	**417**	608	**373**	560
Available-for-sale financial assets	**3,863**	7,809	**1,215**	1,441
Held-to-maturity investments	**–**	114,897	**–**	114,897
Total	**4,280**	123,314	**1,588**	116,898

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 30 June 2014 and 31 December 2013, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of RMB, unless otherwise stated)

58 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Loan commitments				
– with an original maturity under one year	**145,964**	179,790	**142,766**	176,494
– with an original maturity of one year or over	**286,010**	302,109	**281,487**	297,834
Credit card commitments	**458,347**	437,431	**428,220**	409,316
	890,321	919,330	**852,473**	883,644
Bank acceptances	**432,850**	360,499	**432,662**	360,230
Financing guarantees	**119,393**	129,557	**193,499**	193,918
Non-financing guarantees	**535,562**	484,370	**535,220**	483,828
Sight letters of credit	**24,491**	29,243	**24,491**	29,243
Usance letters of credit	**346,661**	351,543	**360,401**	367,774
Others	**45,477**	35,685	**45,472**	35,595
Total	**2,394,755**	2,310,227	**2,444,218**	2,354,232

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics.

	30 June 2014	
	Group	**Bank**
Credit risk-weighted amount of contingent liabilities and commitments	**928,574**	**957,145**

(Expressed in millions of RMB, unless otherwise stated)

58 Commitments and contingent liabilities (continued)

(3) Operating lease commitments

The Group and the Bank lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Within one year	**4,870**	4,596	**4,494**	4,150
After one year but within two years	**3,935**	3,749	**3,666**	3,389
After two years but within three years	**3,082**	2,999	**2,911**	2,712
After three years but within five years	**3,405**	3,557	**3,277**	3,350
After five years	**2,429**	2,543	**2,020**	2,124
Total	**17,721**	17,444	**16,368**	15,725

(4) Capital commitments

As at the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Contracted for	**3,421**	4,618	**3,186**	4,567
Authorised but not contracted for	**4,661**	2,770	**4,576**	2,716
Total	**8,082**	7,388	**7,762**	7,283

(5) Underwriting obligations

As at 30 June 2014, there was no unexpired underwriting commitment of the Group and the Bank (as at 31 December 2013: nil).

(6) Government bonds redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 30 June 2014, were RMB52,317 million (as at 31 December 2013: RMB50,794 million).

(7) Outstanding litigation and disputes

As at 30 June 2014, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,529 million (as at 31 December 2013: RMB3,167 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 44). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies.

(Expressed in millions of RMB, unless otherwise stated)

59 Related party relationships and transactions

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 30 June 2014, Huijin directly held 57.26% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under general commercial terms.

The Group has issued subordinated debts with a nominal value of RMB148 billion (as at 31 December 2013: RMB160 billion). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) *Transactions with parent companies*

In the ordinary course of the business, material transactions that the Group and the Bank entered into with parent companies are as follows:

Amounts

	Six months ended 30 June			
	2014		2013	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**289**	**0.08%**	289	0.09%
Interest expense	**61**	**0.04%**	300	0.24%

Balances outstanding as at the end of the reporting period

		30 June 2014		31 December 2013	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Interest receivable		**471**	**0.46%**	189	0.23%
Held-to-maturity investments		**16,680**	**0.75%**	16,680	0.79%
Available-for-sale financial assets		**–**	**–**	180	0.02%
Deposits from customers		**12,322**	**0.10%**	13,063	0.11%
Interest payable		**28**	**0.02%**	3	0.00%
Other liabilities	(i)	**42,948**	**27.85%**	–	–
Credit commitments		**–**	**–**	288	0.01%

(i) Other liabilities as at 30 June 2014 represents cash dividends payable to Huijin approved by the 2013 Annual General Meeting.

(Expressed in millions of RMB, unless otherwise stated)

59 Related party relationships and transactions (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) *Transactions with the affiliates of parent companies*

In the ordinary course of the business, material transactions that the Group and the Bank entered into with the affiliates of parent companies are as follows:

Amounts

	Note	Six months ended 30 June 2014 Amount	2014 Ratio to similar transactions	2013 Amount	2013 Ratio to similar transactions
Interest income		**20,884**	**5.86%**	16,757	5.35%
Interest expense		**709**	**0.49%**	612	0.49%
Fee and commission income		**164**	**0.27%**	209	0.37%
Operating expenses	(i)	**767**	**1.15%**	590	0.97%

Balances outstanding as at the end of the reporting period

	Note	30 June 2014 Balance	30 June 2014 Ratio to similar transactions	31 December 2013 Balance	31 December 2013 Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**24,578**	**7.04%**	35,103	10.93%
Placements with banks and non-bank financial institutions		**99,881**	**38.76%**	60,734	39.94%
Financial assets at fair value through profit or loss		**3,221**	**0.99%**	13,856	3.81%
Positive fair value of derivatives		**858**	**6.87%**	1,507	7.97%
Financial assets held under resale agreements		**12,743**	**3.62%**	32,194	11.44%
Interest receivable		**17,086**	**16.83%**	16,541	20.49%
Loans and advances to customers		**50,413**	**0.56%**	43,790	0.52%
Available for sale financial assets		**237,044**	**30.59%**	213,549	28.09%
Held-to-maturity investments		**567,837**	**25.57%**	515,295	24.53%
Debt securities classified as receivables		**57,200**	**29.79%**	64,700	34.10%
Other assets	(ii)	**4**	**0.01%**	2	0.01%
Deposits from banks and non-bank financial institutions	(iii)	**52,144**	**6.55%**	53,318	7.70%
Placements from banks and non-bank financial institutions		**51,591**	**19.93%**	34,501	22.13%
Negative fair value of derivatives		**463**	**3.93%**	1,187	5.97%
Financial assets sold under repurchase agreements		**1,420**	**46.33%**	37,747	61.01%
Deposits from customers		**47,872**	**0.37%**	42,397	0.35%
Financial liabilities at fair value through profit or loss		**27**	**0.01%**	1,160	0.30%
Interest payable		**101**	**0.06%**	80	0.05%
Other liabilities		**658**	**0.43%**	658	1.00%
Credit commitments		**10,480**	**0.58%**	23,762	1.09%

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under general commercial terms.

(Expressed in millions of RMB, unless otherwise stated)

59 Related party relationships and transactions (continued)

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under general commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	Six months ended 30 June	
	2014	2013
Interest income	**10**	12
Fee and commission income	**–**	37
Interest expense	**1**	1

Balances outstanding as at the end of the reporting period

	30 June 2014	31 December 2013
Loans and advances to customers	**1,862**	1,860
Deposits from customers	**461**	694

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 2(3).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	Six months ended 30 June	
	2014	2013
Interest income	**1,031**	304
Interest expense	**431**	142
Fee and commission income	**398**	318
Fee and commission expense	**16**	4
Net trading loss	**(13)**	–
Dividend income	**22**	573
Other operating income, net	**(163)**	(5)

Balances outstanding as at the end of the reporting period are presented in Note 34.

As at 30 June 2014, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB2,929 million (as at 31 December 2013: RMB66,975 million).

For the six months ended 30 June 2014, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 30 June 2014, the balances of the above transactions were RMB2,275 million (as at 31 December 2013: RMB2,646 million) and RMB1.63 million (as at 31 December 2013: RMB395 million) respectively.

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. 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; purchase, sale, 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 the customers are state-owned entities or not. Having due regard to 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.

59 Related party relationships and transactions (continued)

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the six months ended 30 June 2014 and the year ended 31 December 2013.

As at 30 June 2014, RMB4,059 million of the Group's supplementary retirement benefit plan assets (31 December 2013: RMB4,113 million) were managed by CCB Principal and management fees payable to CCB Principal was RMB4.82 million (31 December 2013: nil).

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2014 and for the year ended 31 December 2013, there were no material transactions and balances with key management personnel.

(7) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

60 Risk management

The Group has exposures to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk
- operational risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board of Directors carries out their responsibilities according to the articles of association and other related regulatory requirements. The Board of Directors of the Bank established the Risk Management Committee to be responsible for formulating risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has overseen the establishment of the overall risk management system and the carrying out of risk management responsibilities by the Board of Directors and senior management. Senior management is responsible for carrying out the risk management strategies established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints the Chief Risk Officer who assists the president with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk Management Department is in charge of the overall business risk management. Credit Management Department is in charge of the overall credit risk management. Credit Approval Department is in charge of the overall credit business approval. Internal Control and Compliance Department coordinates operating risk management, internal control and compliance. Other departments are responsible for managing various corresponding risks.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

60 Risk management (continued)

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading and is responsible for the special assets resolutions. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Credit Approval Department is responsible for the group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Group Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risks and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually carries out post-lending monitoring, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. 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 recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Credit grading classification

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

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 able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' abilities to service their loans are apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain 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.

The Group has also applied the same grading criteria and management approach in classifying the off-balance sheet credit-related operations.

Treasury business

For risk management purposes, credit risk arising from debt securities and derivatives exposures is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Deposits with central banks	**2,516,901**	2,403,245	**2,504,134**	2,398,040
Deposits with banks and non-bank financial institutions	**349,098**	321,286	**365,767**	328,640
Placements with banks and non-bank financial institutions	**257,659**	152,065	**288,610**	233,574
Debt investments at fair value through profit or loss	**318,983**	357,530	**318,733**	356,854
Positive fair value of derivatives	**12,493**	18,910	**10,285**	16,503
Financial assets held under resale agreements	**351,660**	281,447	**350,812**	280,959
Interest receivable	**101,551**	80,731	**99,597**	79,025
Loans and advances to customers	**8,952,511**	8,361,361	**8,615,664**	8,025,415
Available-for-sale debt securities	**760,394**	746,626	**718,702**	708,413
Held-to-maturity investments	**2,220,584**	2,100,538	**2,215,237**	2,095,741
Debt securities classified as receivables	**192,014**	189,737	**177,168**	182,252
Other financial assets	**38,593**	21,130	**67,499**	53,635
Total	**16,072,441**	15,034,606	**15,732,208**	14,759,051
Off-balance sheet credit commitments	**2,394,755**	2,310,227	**2,444,218**	2,354,232
Maximum credit risk exposure	**18,467,196**	17,344,833	**18,176,426**	17,113,283

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows:

		Group		Bank	
	Note	**30 June 2014**	31 December 2013	**30 June 2014**	31 December 2013
Individually assessed and impaired gross amount		**86,026**	77,152	**85,495**	76,779
Allowances for impairment losses		**(53,994)**	(52,137)	**(53,703)**	(51,885)
Subtotal		**32,032**	25,015	**31,792**	24,894
Collectively assessed and impaired gross amount		**9,642**	8,112	**9,510**	8,002
Allowances for impairment losses		**(6,461)**	(5,532)	**(6,426)**	(5,512)
Subtotal		**3,181**	2,580	**3,084**	2,490
Overdue but not impaired					
– not more than 90 days		**32,212**	14,517	**31,398**	13,969
– between 90 and 180 days		**–**	3	**–**	–
– more than 180 days		**149**	472	**149**	472
Gross amount		**32,361**	14,992	**31,547**	14,441
Allowances for impairment losses	(i)	**(4,564)**	(2,267)	**(4,547)**	(2,248)
Subtotal		**27,797**	12,725	**27,000**	12,193
Neither overdue nor impaired					
– Unsecured loans		**2,446,859**	2,322,572	**2,267,987**	2,125,833
– Guaranteed loans		**1,743,428**	1,615,091	**1,666,454**	1,564,696
– Loans secured by tangible assets other than monetary assets		**3,959,734**	3,693,429	**3,897,481**	3,618,121
– Loans secured by monetary assets		**912,551**	858,709	**892,925**	844,248
Gross amount		**9,062,572**	8,489,801	**8,724,847**	8,152,898
Allowances for impairment losses	(i)	**(173,071)**	(168,760)	**(171,059)**	(167,060)
Subtotal		**8,889,501**	8,321,041	**8,553,788**	7,985,838
Total		**8,952,511**	8,361,361	**8,615,664**	8,025,415

(i) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued):

Group

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	30 June 2014		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	7,355	11,646	15,118
Portion not covered	7,852	5,508	70,908
Total	15,207	17,154	86,026

	31 December 2013		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	330	8,256	12,048
Portion not covered	1,049	5,357	65,104
Total	1,379	13,613	77,152

Bank

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	30 June 2014		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	7,187	11,323	15,063
Portion not covered	7,657	5,380	70,432
Total	14,844	16,703	85,495

	31 December 2013		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	158	8,020	12,004
Portion not covered	984	5,279	64,775
Total	1,142	13,299	76,779

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations*

Group

	30 June 2014			31 December 2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,551,321**	**16.88%**	**562,991**	1,432,219	16.67%	546,250
– Transportation, storage and postal services	**1,055,733**	**11.49%**	**402,548**	993,243	11.56%	390,131
– Production and supply of electric power, heat, gas and water	**615,961**	**6.70%**	**177,900**	594,603	6.92%	167,539
– Real estate	**571,241**	**6.22%**	**471,907**	541,252	6.30%	455,172
– Leasing and commercial services	**558,144**	**6.07%**	**256,037**	478,259	5.57%	220,972
– Wholesale and retail trade	**488,742**	**5.32%**	**198,578**	469,584	5.47%	186,592
– Water, environment and public utility management	**295,729**	**3.22%**	**161,609**	273,513	3.19%	143,236
– Construction	**285,051**	**3.10%**	**99,254**	243,975	2.84%	93,032
– Mining	**243,903**	**2.66%**	**33,510**	234,837	2.74%	31,743
– Agriculture, forestry, farming, fishing	**122,660**	**1.33%**	**54,412**	105,021	1.22%	46,000
– Public management, social securities and social organisation	**120,981**	**1.32%**	**56,317**	117,599	1.37%	56,196
– Education	**76,903**	**0.84%**	**22,078**	71,714	0.83%	21,173
– Others	**334,862**	**3.63%**	**71,218**	386,386	4.50%	69,653
Total corporate loans and advances	**6,321,231**	**68.78%**	**2,568,359**	5,942,205	69.18%	2,427,689
Personal loans and advances	**2,716,971**	**29.56%**	**2,371,339**	2,504,838	29.16%	2,173,315
Discounted bills	**152,399**	**1.66%**	**–**	143,014	1.66%	–
Total loans and advances to customers	**9,190,601**	**100.00%**	**4,939,698**	8,590,057	100.00%	4,601,004

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	30 June 2014				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the period**	**Written off during the period**
Manufacturing	**43,395**	**(26,522)**	**(35,924)**	**9,223**	**2,138**
Transportation, storage and postal services	**6,645**	**(3,926)**	**(24,061)**	**601**	**291**

	31 December 2013				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	38,179	(24,308)	(34,324)	13,402	4,028
Transportation, storage and postal services	5,414	(3,816)	(24,002)	3,515	11

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations (continued)*

Bank

	30 June 2014			31 December 2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,453,388**	**16.42%**	**558,562**	1,388,973	16.82%	532,533
– Transportation, storage and postal services	**1,018,933**	**11.51%**	**390,928**	967,057	11.72%	381,743
– Production and supply of electric power, heat, gas and water	**599,948**	**6.78%**	**175,768**	583,007	7.06%	165,704
– Real estate	**532,878**	**6.02%**	**446,124**	507,855	6.15%	430,554
– Leasing and commercial services	**554,774**	**6.27%**	**256,480**	476,888	5.78%	221,452
– Wholesale and retail trade	**449,058**	**5.07%**	**193,798**	437,443	5.30%	178,123
– Water, environment and public utility management	**295,353**	**3.34%**	**161,550**	273,072	3.32%	143,176
– Construction	**279,955**	**3.16%**	**98,981**	241,019	2.92%	92,752
– Mining	**236,902**	**2.68%**	**33,093**	230,507	2.80%	31,561
– Agriculture, forestry, farming, fishing	**121,133**	**1.37%**	**54,286**	103,773	1.26%	45,869
– Public management, social securities and social organisation	**120,860**	**1.37%**	**56,195**	117,461	1.42%	56,069
– Education	**76,830**	**0.87%**	**22,032**	71,638	0.87%	21,124
– Others	**282,834**	**3.18%**	**68,459**	245,923	2.98%	66,851
Total corporate loans and advances	**6,022,846**	**68.04%**	**2,516,256**	5,644,616	68.40%	2,367,511
Personal loans and advances	**2,676,389**	**30.24%**	**2,340,948**	2,464,662	29.87%	2,143,251
Discounted bills	**152,164**	**1.72%**	**–**	142,842	1.73%	–
Total loans and advances to customers	**8,851,399**	**100.00%**	**4,857,204**	8,252,120	100.00%	4,510,762

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	30 June 2014				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the period**	**Written off during the period**
Manufacturing	**43,288**	**(26,450)**	**(35,572)**	**9,070**	**2,126**
Transportation, storage and postal services	**6,504**	**(3,824)**	**(23,557)**	**470**	**291**

	31 December 2013				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	38,091	(24,252)	(34,046)	13,341	4,023
Transportation, storage and postal services	5,297	(3,715)	(23,636)	3,312	11

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

Group

	30 June 2014			31 December 2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,859,048**	**20.23%**	**1,200,059**	1,781,649	20.74%	1,142,213
Bohai Rim	**1,576,590**	**17.15%**	**716,658**	1,442,213	16.79%	642,830
Western	**1,565,039**	**17.03%**	**924,163**	1,461,129	17.01%	859,316
Central	**1,479,243**	**16.10%**	**882,168**	1,358,192	15.81%	798,619
Pearl River Delta	**1,278,833**	**13.91%**	**858,083**	1,220,420	14.21%	811,547
Northeastern	**537,999**	**5.85%**	**289,267**	507,751	5.91%	269,978
Head office	**294,969**	**3.21%**	**407**	280,597	3.27%	407
Overseas	**598,880**	**6.52%**	**68,893**	538,106	6.26%	76,094
Gross loans and advances to customers	**9,190,601**	**100.00%**	**4,939,698**	8,590,057	100.00%	4,601,004

Details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	30 June 2014		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**41,963**	**(24,062)**	**(40,387)**
Central	**14,729**	**(7,850)**	**(29,946)**
Pearl River Delta	**14,722**	**(8,114)**	**(28,434)**
Bohai Rim	**8,394**	**(4,763)**	**(31,095)**
Western	**7,417**	**(5,004)**	**(33,812)**
Northeastern	**4,670**	**(3,099)**	**(12,104)**
Head Office	**3,100**	**(783)**	**(7,051)**
Overseas	**673**	**(319)**	**(1,267)**
Total	**95,668**	**(53,994)**	**(184,096)**

	31 December 2013		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	40,844	(25,356)	(39,041)
Central	12,052	(7,109)	(28,126)
Pearl River Delta	10,680	(6,045)	(27,414)
Bohai Rim	6,695	(4,339)	(30,144)
Western	7,221	(4,940)	(31,375)
Northeastern	4,551	(3,236)	(11,094)
Head Office	2,645	(785)	(6,074)
Overseas	576	(327)	(3,291)
Total	85,264	(52,137)	(176,559)

The definitions of geographical segments are set out in note 55(1).

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

Bank

	30 June 2014			31 December 2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,850,046**	**20.90%**	**1,196,252**	1,773,136	21.49%	1,138,800
Bohai Rim	**1,500,463**	**16.95%**	**687,865**	1,381,443	16.74%	619,733
Western	**1,564,754**	**17.68%**	**924,079**	1,460,804	17.70%	859,222
Central	**1,478,267**	**16.70%**	**881,843**	1,357,198	16.45%	798,306
Pearl River Delta	**1,278,833**	**14.45%**	**858,083**	1,220,420	14.79%	811,547
Northeastern	**537,876**	**6.08%**	**289,171**	507,649	6.15%	269,895
Head office	**294,969**	**3.33%**	**407**	280,597	3.40%	407
Overseas	**346,191**	**3.91%**	**19,504**	270,873	3.28%	12,852
Gross loans and advances to customers	**8,851,399**	**100.00%**	**4,857,204**	8,252,120	100.00%	4,510,762

Details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	30 June 2014		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**41,818**	**(24,016)**	**(40,136)**
Central	**14,722**	**(7,847)**	**(29,908)**
Pearl River Delta	**14,722**	**(8,114)**	**(28,434)**
Bohai Rim	**8,250**	**(4,657)**	**(29,848)**
Western	**7,417**	**(5,004)**	**(33,804)**
Northeastern	**4,670**	**(3,099)**	**(12,102)**
Head Office	**3,100**	**(783)**	**(7,051)**
Overseas	**306**	**(183)**	**(749)**
Total	**95,005**	**(53,703)**	**(182,032)**

	31 December 2013		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	40,783	(25,342)	(38,803)
Central	12,046	(7,107)	(28,093)
Pearl River Delta	10,680	(6,045)	(27,414)
Bohai Rim	6,558	(4,236)	(29,162)
Western	7,221	(4,940)	(31,368)
Northeastern	4,551	(3,236)	(11,092)
Head Office	2,645	(785)	(6,074)
Overseas	297	(194)	(2,814)
Total	84,781	(51,885)	(174,820)

The definitions of geographical segments are set out in note 55(1).

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by types of collateral

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Unsecured loans	**2,462,443**	2,336,298	**2,282,738**	2,139,243
Guaranteed loans	**1,788,460**	1,652,755	**1,711,457**	1,602,115
Loans secured by tangible assets other than monetary assets	**4,019,898**	3,734,986	**3,957,041**	3,659,209
Loans secured by monetary assets	**919,800**	866,018	**900,163**	851,553
Gross loans and advances to customers	**9,190,601**	8,590,057	**8,851,399**	8,252,120

(f) Rescheduled loans and advances to customers

As at 30 June 2014 and 31 December 2013, the balance of rescheduled loans and advances were not significant.

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Individually assessed and impaired gross amount	**38**	38	**35**	35
Allowances for impairment losses	**(34)**	(34)	**(31)**	(31)
Subtotal	**4**	4	**4**	4
Neither overdue nor impaired				
– grade A to AAA	**878,136**	656,824	**933,200**	745,727
– grade B to BBB	**4,821**	3,688	**3,719**	3,231
– unrated	**75,456**	94,282	**68,266**	94,211
Subtotal	**958,413**	754,794	**1,005,185**	843,169
Total	**958,417**	754,798	**1,005,189**	843,173

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group and the Bank have not assigned internal credit ratings.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investments portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

Group

	30 June 2014					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	815	–	–	–	2,188	3,003
– Other enterprises	2,308	2,815	–	–	–	5,123
Total	3,123	2,815	–	–	2,188	8,126
Allowances for impairment losses						(2,756)
Subtotal						5,370
Neither overdue nor impaired						
– Government	1,078,026	1,547	22,323	1,008	–	1,102,904
– Central banks	183,588	920	2,561	–	2,342	189,411
– Policy banks	492,346	–	1,093	63	–	493,502
– Banks and non-bank financial institutions	1,187,381	52,926	14,750	9,738	5,084	1,269,879
– Cinda	18,852	–	–	–	–	18,852
– Public sector entities	–	19	–	–	–	19
– Other enterprises	59,827	348,324	6,125	1,971	451	416,698
Total	3,020,020	403,736	46,852	12,780	7,877	3,491,265
Allowances for impairment losses						(4,660)
Subtotal						3,486,605
Total						3,491,975

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Group (continued)

	31 December 2013					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	1,562	–	–	397	3,472	5,431
– Other enterprises	812	2,677	–	–	–	3,489
Total	2,374	2,677	–	397	3,472	8,920
Allowances for impairment losses						(3,947)
Subtotal						4,973
Neither overdue nor impaired						
– Government	1,052,672	2,583	20,061	218	–	1,075,534
– Central banks	189,460	3,989	2,600	–	2,332	198,381
– Policy banks	445,322	–	465	63	–	445,850
– Banks and non-bank financial institutions	1,094,536	56,994	10,062	7,167	3,364	1,172,123
– Cinda	18,852	–	–	–	–	18,852
– Public sector entities	–	19	79	–	–	98
– Other enterprises	71,413	392,075	16,290	2,117	826	482,721
Total	2,872,255	455,660	49,557	9,565	6,522	3,393,559
Allowances for impairment losses						(4,101)
Subtotal						3,389,458
Total						3,394,431

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Bank

	30 June 2014					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	815	–	–	–	2,188	3,003
– Other enterprises	11	2,815	–	–	–	2,826
Total	826	2,815	–	–	2,188	5,829
Allowances for impairment losses						(2,628)
Subtotal						3,201
Neither overdue nor impaired						
– Government	1,076,346	1,539	5,542	629	–	1,084,056
– Central banks	181,868	920	1,600	–	2,342	186,730
– Policy banks	492,346	–	–	63	–	492,409
– Banks and non-bank financial institutions	1,183,241	49,579	5,144	7,623	4,567	1,250,154
– Cinda	18,852	–	–	–	–	18,852
– Other enterprises	52,174	340,198	4,859	1,448	419	399,098
Total	3,004,827	392,236	17,145	9,763	7,328	3,431,299
Allowances for impairment losses						(4,660)
Subtotal						3,426,639
Total						3,429,840

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Bank (continued)

	31 December 2013					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	1,562	–	–	397	3,472	5,431
– Other enterprises	12	2,677	–	–	–	2,689
Total	1,574	2,677	–	397	3,472	8,120
Allowances for impairment losses						(3,811)
Subtotal						4,309
Neither overdue nor impaired						
– Government	1,052,672	925	2,422	218	–	1,056,237
– Central banks	189,068	986	2,365	–	2,332	194,751
– Policy banks	445,322	–	–	63	–	445,385
– Banks and non-bank financial institutions	1,089,076	53,295	6,089	6,105	3,364	1,157,929
– Cinda	18,852	–	–	–	–	18,852
– Public sector entities	–	–	79	–	–	79
– Other enterprises	66,634	385,015	15,799	1,576	795	469,819
Total	2,861,624	440,221	26,754	7,962	6,491	3,343,052
Allowances for impairment losses						(4,101)
Subtotal						3,338,951
Total						3,343,260

60 Risk management (continued)

(1) Credit risk (continued)

(i) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Risk Management Department is responsible for formulating standardised market risk management policies and rules and supervising their implementation in the Bank. The Asset and Liability Management Department (the "ALM") and the International Business Department are responsible for managing the size and structure of the assets and liabilities in response to non-trading market risk. The Financial Market Department manages the Head Office's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions on a trade-by-trade basis with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(2) Market risk (continued)

(a) *VaR analysis (continued)*

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective periods is as follows:

	Six months ended 30 June 2014			
	30 June	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio	**47**	**84**	**137**	**47**
– Interest rate risk	**24**	**31**	**115**	**9**
– Foreign exchange risk[i]	**39**	**75**	**119**	**38**
– Commodity risk	**–**	**1**	**5**	**–**

	Six months ended 30 June 2013			
	30 June	Average	Maximum	Minimum
VaR of trading portfolio	75	34	75	14
– Interest rate risk	86	21	86	6
– Foreign exchange risk[i]	15	26	57	12
– Commodity risk	2	2	18	–

(i) The VaR in relation to bullion is included in foreign exchange risk above.

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

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) *Net interest income sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB50,143 million (as at 31 December 2013: RMB40,135 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB20,653 million (as at 31 December 2013: RMB31,468 million).

The above interest rate sensitivity is for illustration purpose only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the effective interest rate ("EIR") for the respective period, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

Group

		30 June 2014						
	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	130,592	2,447,444	–	–	–	2,578,036
Deposits and placements with banks and non-bank financial institutions		4.66%	–	445,214	155,455	6,088	–	606,757
Financial assets held under resale agreements		5.40%	–	293,594	58,066	–	–	351,660
Loans and advances to customers	(ii)	5.83%	–	2,426,023	6,382,229	68,306	75,953	8,952,511
Investments	(iii)	4.03%	22,302	504,339	483,202	1,405,768	1,098,666	3,514,277
Other assets		–	396,549	–	–	–	–	396,549
Total assets		4.72%	549,443	6,116,614	7,078,952	1,480,162	1,174,619	16,399,790
Liabilities								
Borrowings from central banks		2.67%	–	1,816	24,401	–	–	26,217
Deposits and placements from banks and non-bank financial institutions		3.55%	–	831,756	217,230	5,502	–	1,054,488
Financial liabilities at fair value through profit or loss		1.45%	17,420	271,688	76,328	–	–	365,436
Financial assets sold under repurchase agreements		1.75%	–	3,031	34	–	–	3,065
Deposits from customers		1.90%	95,949	8,750,407	2,907,278	1,195,240	8,082	12,956,956
Debt securities issued		3.05%	–	118,038	147,598	50,512	112,376	428,524
Other liabilities		–	418,092	–	–	–	–	418,092
Total liabilities		2.10%	531,461	9,976,736	3,372,869	1,251,254	120,458	15,252,778
Asset-liability gap		2.62%	17,982	(3,860,122)	3,706,083	228,908	1,054,161	1,147,012

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

Group (continued)

		31 December 2013						
	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	120,044	2,354,957	–	–	–	2,475,001
Deposits and placements with banks and non-bank financial institutions		3.85%	–	320,488	146,374	6,489	–	473,351
Financial assets held under resale agreements		4.22%	–	279,292	2,155	–	–	281,447
Loans and advances to customers	(ii)	5.79%	–	4,432,346	3,800,494	58,818	69,703	8,361,361
Investments	(iii)	3.74%	22,811	522,349	542,287	1,277,382	1,052,412	3,417,241
Other assets		–	354,809	–	–	–	–	354,809
Total assets		4.54%	497,664	7,909,432	4,491,310	1,342,689	1,122,115	15,363,210
Liabilities								
Borrowings from central banks		3.61%	–	75,197	3,960	–	–	79,157
Deposits and placements from banks and non-bank financial institutions		2.45%	–	770,665	71,116	6,231	–	848,012
Financial liabilities at fair value through profit or loss		1.37%	24,186	267,224	88,970	–	–	380,380
Financial assets sold under repurchase agreements		3.70%	–	61,807	66	–	–	61,873
Deposits from customers		1.89%	74,794	8,587,466	2,462,729	1,089,647	8,401	12,223,037
Debt securities issued		3.29%	–	110,950	103,031	5,699	137,860	357,540
Other liabilities		–	338,882	–	–	–	–	338,882
Total liabilities		1.98%	437,862	9,873,309	2,729,872	1,101,577	146,261	14,288,881
Asset-liability gap		2.56%	59,802	(1,963,877)	1,761,438	241,112	975,854	1,074,329

(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 "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB58,468 million as at 30 June 2014 (31 December 2013: RMB33,014 million).

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

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

Bank

	Note	30 June 2014						
		Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	121,570	2,443,451	–	–	–	2,565,021
Deposits and placements with banks and non-bank financial institutions		4.10%	–	483,298	170,279	800	–	654,377
Financial assets held under resale agreements		5.39%	–	292,746	58,066	–	–	350,812
Loans and advances to customers	(ii)	5.92%	–	2,255,207	6,224,460	60,776	75,221	8,615,664
Investments	(iii)	4.04%	27,818	491,936	465,824	1,382,746	1,089,333	3,457,657
Other assets		–	410,624	–	–	–	–	410,624
Total assets		4.73%	560,012	5,966,638	6,918,629	1,444,322	1,164,554	16,054,155
Liabilities								
Borrowings from central banks		2.65%	–	1,756	23,939	–	–	25,695
Deposits and placements from banks and non-bank financial institutions		3.47%	–	825,003	184,641	4,281	–	1,013,925
Financial liabilities at fair value through profit or loss		1.45%	15,979	271,539	75,263	–	–	362,781
Financial assets sold under repurchase agreements		3.20%	–	339	34	–	–	373
Deposits from customers		1.91%	70,195	8,650,611	2,845,875	1,192,049	8,012	12,766,742
Debt securities issued		3.13%	–	109,191	120,049	39,819	109,895	378,954
Other liabilities		–	377,443	–	–	–	–	377,443
Total liabilities		2.10%	463,617	9,858,439	3,249,801	1,236,149	117,907	14,925,913
Asset-liability gap		2.63%	96,395	(3,891,801)	3,668,828	208,173	1,046,647	1,128,242

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

Bank (continued)

		31 December 2013						
	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.56%	118,085	2,351,412	–	–	–	2,469,497
Deposits and placements with banks and non-bank financial institutions		3.55%	–	396,196	164,017	2,001	–	562,214
Financial assets held under resale agreements		4.21%	–	278,899	2,060	–	–	280,959
Loans and advances to customers	(ii)	5.86%	–	4,183,932	3,719,832	52,504	69,147	8,025,415
Investments	(iii)	3.76%	28,336	513,309	522,551	1,263,447	1,043,953	3,371,596
Other assets		–	373,716	–	–	–	–	373,716
Total assets		4.56%	520,137	7,723,748	4,408,460	1,317,952	1,113,100	15,083,397
Liabilities								
Borrowings from central banks		3.62%	–	74,913	3,820	–	–	78,733
Deposits and placements from banks and non-bank financial institutions		2.36%	–	770,385	50,264	6,317	–	826,966
Financial liabilities at fair value through profit or loss		1.37%	21,627	267,134	88,970	–	–	377,731
Financial assets sold under repurchase agreements		3.93%	–	55,408	49	–	–	55,457
Deposits from customers		1.89%	52,003	8,485,968	2,422,140	1,087,339	8,327	12,055,777
Debt securities issued		3.37%	–	98,178	81,607	4,761	137,860	322,406
Other liabilities		–	307,726	–	–	–	–	307,726
Total liabilities		1.98%	381,356	9,751,986	2,646,850	1,098,417	146,187	14,024,796
Asset-liability gap		2.58%	138,781	(2,028,238)	1,761,610	219,535	966,913	1,058,601

(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 "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB57,375 million as at 30 June 2014 (31 December 2013: RMB32,281 million).

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

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the Treasury Department's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

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

Group

		30 June 2014			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,501,258	55,139	21,639	2,578,036
Deposits and placements with banks and non-bank financial institutions	(i)	784,852	130,151	43,414	958,417
Loans and advances to customers		8,151,113	645,460	155,938	8,952,511
Investments		3,444,822	34,130	35,325	3,514,277
Other assets		316,454	70,698	9,397	396,549
Total assets		15,198,499	935,578	265,713	16,399,790
Liabilities					
Borrowings from central banks		7,862	6,394	11,961	26,217
Deposits and placements from banks and non-bank financial institutions	(ii)	758,408	235,713	63,432	1,057,553
Financial liabilities at fair value through profit or loss		318,299	45,472	1,665	365,436
Deposits from customers		12,313,023	454,822	189,111	12,956,956
Debt securities issued		253,317	130,313	44,894	428,524
Other liabilities		405,083	4,730	8,279	418,092
Total liabilities		14,055,992	877,444	319,342	15,252,778
Net position		1,142,507	58,134	(53,629)	1,147,012
Net notional amount of derivatives		(19,322)	(5,140)	69,117	44,655

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

Group (continued)

		As at 31 December 2013			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,413,749	42,686	18,566	2,475,001
Deposits and placements with banks and non-bank financial institutions	(i)	690,739	41,085	22,974	754,798
Loans and advances to customers		7,638,028	578,993	144,340	8,361,361
Investments		3,347,244	37,588	32,409	3,417,241
Other assets		274,723	25,181	54,905	354,809
Total assets		14,364,483	725,533	273,194	15,363,210
Liabilities					
Borrowings from central banks		64,036	12,204	2,917	79,157
Deposits and placements from banks and non-bank financial institutions	(ii)	673,603	159,230	77,052	909,885
Financial liabilities at fair value through profit or loss		342,910	34,499	2,971	380,380
Deposits from customers		11,796,856	262,112	164,069	12,223,037
Debt securities issued		229,256	93,641	34,643	357,540
Other liabilities		325,287	11,355	2,240	338,882
Total liabilities		13,431,948	573,041	283,892	14,288,881
Net position		932,535	152,492	(10,698)	1,074,329
Net notional amount of derivatives		63,418	(122,067)	99,519	40,870

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank

	Note	As at 30 June 2014			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,497,183	55,131	12,707	2,565,021
Deposits and placements with banks and non-bank financial institutions	(i)	785,097	175,918	44,174	1,005,189
Loans and advances to customers		7,985,857	551,269	78,538	8,615,664
Investments		3,418,859	15,631	23,167	3,457,657
Other assets		326,394	80,260	3,970	410,624
Total assets		15,013,390	878,209	162,556	16,054,155
Liabilities					
Borrowings from central banks		7,340	6,394	11,961	25,695
Deposits and placements from banks and non-bank financial institutions	(ii)	726,625	223,246	64,427	1,014,298
Financial liabilities at fair value through profit or loss		317,174	45,449	158	362,781
Deposits from customers		12,250,464	422,690	93,588	12,766,742
Debt securities issued		231,077	108,753	39,124	378,954
Other liabilities		368,175	7,388	1,880	377,443
Total liabilities		13,900,855	813,920	211,138	14,925,913
Net position		1,112,535	64,289	(48,582)	1,128,242
Net notional amount of derivatives		(4,771)	249	49,503	44,981

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank (continued)

	Note	31 December 2013 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,410,124	42,676	16,697	2,469,497
Deposits and placements with banks and non-bank financial institutions	(i)	738,662	79,246	25,265	843,173
Loans and advances to customers		7,474,265	473,228	77,922	8,025,415
Investments		3,331,288	20,031	20,277	3,371,596
Other assets		287,936	35,823	49,957	373,716
Total assets		14,242,275	651,004	190,118	15,083,397
Liabilities					
Borrowings from central banks		63,612	12,204	2,917	78,733
Deposits and placements from banks and non-bank financial institutions	(ii)	652,822	154,232	75,369	882,423
Financial liabilities at fair value through profit or loss		342,994	34,473	264	377,731
Deposits from customers		11,740,978	240,597	74,202	12,055,777
Debt securities issued		209,022	81,192	32,192	322,406
Other liabilities		298,675	8,403	648	307,726
Total liabilities		13,308,103	531,101	185,592	14,024,796
Net position		934,172	119,903	4,526	1,058,601
Net notional amount of derivatives		48,626	(76,668)	68,576	40,534

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(3) Liquidity risk

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or obtain sufficient funds at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM Department. The ALM Department is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

– adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;

– optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and

– managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment as at the end of the reporting period:

Group

	30 June 2014							
	Indefinite	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,362,350	215,686	–	–	–	–	–	2,578,036
Deposits and placements with banks and non-bank financial institutions	–	38,982	137,700	264,172	153,457	12,185	261	606,757
Financial assets held under resale agreements	–	–	130,406	163,188	58,066	–	–	351,660
Loans and advances to customers	58,029	293,952	310,416	682,838	2,265,862	2,305,100	3,036,314	8,952,511
Investments								
– Financial assets at fair value through profit or loss	5,089	–	112,204	97,962	103,118	4,928	771	324,072
– Available-for-sale financial assets	17,376	–	25,943	48,420	89,425	377,387	216,249	774,800
– Held-to-maturity investments	1,895	–	15,370	46,809	131,384	1,185,589	839,537	2,220,584
– Debt securities classified as receivables	1,058	–	702	1,950	15,653	64,956	107,695	192,014
– Investments in associates and joint ventures	2,807	–	–	–	–	–	–	2,807
Other assets	191,281	47,418	27,105	61,176	59,942	8,261	1,366	396,549
Total assets	2,639,885	596,038	759,846	1,366,515	2,876,907	3,958,406	4,202,193	16,399,790
Liabilities								
Borrowings from central banks	–	–	1,270	546	24,401	–	–	26,217
Deposits and placements from banks and non-bank financial institutions	–	418,172	192,136	219,492	217,340	7,348	–	1,054,488
Financial liabilities at fair value through profit or loss	–	17,420	105,934	165,754	76,328	–	–	365,436
Financial assets sold under repurchase agreements	–	–	2,767	264	34	–	–	3,065
Deposits from customers	–	6,717,469	1,042,597	1,083,011	2,883,395	1,214,330	16,154	12,956,956
Debt securities issued								
– Certificates of deposit issued	–	–	41,924	50,597	150,851	19,378	639	263,389
– Bonds issued	–	–	–	–	1,080	13,705	2,481	17,266
– Subordinated bonds issued	–	–	–	10,000	–	27,974	109,895	147,869
Other liabilities	145	88,199	109,653	41,286	132,507	41,764	4,538	418,092
Total liabilities	145	7,241,260	1,496,281	1,570,950	3,485,936	1,324,499	133,707	15,252,778
Long/(short) position	2,639,740	(6,645,222)	(736,435)	(204,435)	(609,029)	2,633,907	4,068,486	1,147,012
Notional amount of derivatives								
– Interest rate contracts	–	–	4,475	62,681	91,894	50,208	2,994	212,252
– Exchange rate contracts	–	–	364,731	447,941	1,036,924	34,932	6,208	1,890,736
– Other contracts	–	–	8,981	6,213	14,066	660	31	29,951
Total	–	–	378,187	516,835	1,142,884	85,800	9,233	2,132,939

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Group (continued)

	31 December 2013							
	Indefinite	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,273,802	201,199	–	–	–	–	–	2,475,001
Deposits and placements with banks and non-bank financial institutions	–	27,128	186,236	103,997	143,951	11,770	269	473,351
Financial assets held under resale agreements	–	–	275,970	3,322	2,155	–	–	281,447
Loans and advances to customers	32,338	270,466	294,347	603,488	2,230,532	2,108,254	2,821,936	8,361,361
Investments								
– Financial assets at fair value through profit or loss	6,521	–	77,927	137,091	101,473	38,201	2,837	364,050
– Available-for-sale financial assets	17,355	–	13,207	36,722	139,628	341,617	211,763	760,292
– Held-to-maturity investments	544	–	10,462	35,385	176,412	1,073,751	803,984	2,100,538
– Debt securities classified as receivables	1,058	–	2	7,100	5,322	70,432	105,823	189,737
– Investments in associates and joint ventures	2,624	–	–	–	–	–	–	2,624
Other assets	196,990	33,127	23,729	41,044	53,038	5,466	1,415	354,809
Total assets	2,531,232	531,920	881,880	968,149	2,852,511	3,649,491	3,948,027	15,363,210
Liabilities								
Borrowings from central banks	–	–	70,311	4,886	3,960	–	–	79,157
Deposits and placements from banks and non-bank financial institutions	–	458,703	239,605	71,784	71,689	6,231	–	848,012
Financial liabilities at fair value through profit or loss	–	24,186	107,428	159,796	88,970	–	–	380,380
Financial assets sold under repurchase agreements	–	–	60,356	1,451	66	–	–	61,873
Deposits from customers	–	6,653,089	944,140	1,060,733	2,458,328	1,093,697	13,050	12,223,037
Debt securities issued								
– Certificates of deposit issued	–	–	37,525	42,833	98,893	13,867	631	193,749
– Bonds issued	–	–	–	–	499	3,434	–	3,933
– Subordinated bonds issued	–	–	–	12,000	9,998	–	137,860	159,858
Other liabilities	138	107,215	32,631	42,494	116,335	38,671	1,398	338,882
Total liabilities	138	7,243,193	1,491,996	1,395,977	2,848,738	1,155,900	152,939	14,288,881
Long/(short) position	2,531,094	(6,711,273)	(610,116)	(427,828)	3,773	2,493,591	3,795,088	1,074,329
Notional amount of derivatives								
– Interest rate contracts	–	–	6,575	38,615	167,937	45,075	4,252	262,454
– Exchange rate contracts	–	–	470,675	363,364	873,156	26,844	5,946	1,739,985
– Other contracts	–	–	3,978	2,459	8,684	653	–	15,774
Total	–	–	481,228	404,438	1,049,777	72,572	10,198	2,018,213

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank

	30 June 2014							
	Indefinite	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,359,918	205,103	–	–	–	–	–	2,565,021
Deposits and placements with banks and non-bank financial institutions	–	56,214	150,854	269,929	170,223	6,896	261	654,377
Financial assets held under resale agreements	–	–	129,558	163,188	58,066	–	–	350,812
Loans and advances to customers	55,744	290,822	278,200	633,104	2,134,534	2,202,722	3,020,538	8,615,664
Investments								
– Financial assets at fair value through profit or loss	–	–	111,950	97,946	104,136	3,993	708	318,733
– Available-for-sale financial assets	8,751	–	24,658	45,215	76,251	357,569	212,071	724,515
– Held-to-maturity investments	449	–	15,370	45,622	131,374	1,184,876	837,546	2,215,237
– Debt securities classified as receivables	368	–	149	–	14,515	57,735	104,401	177,168
– Investments in subsidiaries	22,004	–	–	–	–	–	–	22,004
Other assets	216,794	42,685	26,436	60,127	57,795	5,420	1,367	410,624
Total assets	2,664,028	594,824	737,175	1,315,131	2,746,894	3,819,211	4,176,892	16,054,155
Liabilities								
Borrowings from central banks	–	–	1,260	496	23,939	–	–	25,695
Deposits and placements from banks and non-bank financial institutions	–	423,371	186,054	215,525	184,694	4,281	–	1,013,925
Financial liabilities at fair value through profit or loss	–	15,979	105,846	165,693	75,263	–	–	362,781
Financial assets sold under repurchase agreements	–	–	82	257	34	–	–	373
Deposits from customers	–	6,692,070	994,189	1,029,016	2,824,312	1,211,043	16,112	12,766,742
Debt securities issued								
– Certificates of deposit issued	–	–	40,396	47,087	121,471	17,495	639	227,088
– Bonds issued	–	–	–	–	499	3,498	–	3,997
– Subordinated bonds issued	–	–	–	10,000	–	27,974	109,895	147,869
Other liabilities	10	86,086	106,192	34,920	104,169	41,536	4,530	377,443
Total liabilities	10	7,217,506	1,434,019	1,502,994	3,334,381	1,305,827	131,176	14,925,913
Long/(short) position	2,664,018	(6,622,682)	(696,844)	(187,863)	(587,487)	2,513,384	4,045,716	1,128,242
Notional amount of derivatives								
– Interest rate contracts	–	–	4,665	60,930	90,885	47,967	2,994	207,441
– Exchange rate contracts	–	–	295,867	391,922	860,198	22,560	6,208	1,576,755
– Other contracts	–	–	8,981	6,031	13,684	–	–	28,696
Total	–	–	309,513	458,883	964,767	70,527	9,202	1,812,892

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank (continued)

	31 December 2013							
	Indefinite	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,271,563	197,934	–	–	–	–	–	2,469,497
Deposits and placements with banks and non-bank financial institutions	–	34,693	206,969	146,795	166,207	7,281	269	562,214
Financial assets held under resale agreements	–	–	275,879	3,020	2,060	–	–	280,959
Loans and advances to customers	30,494	270,259	254,957	514,890	2,132,335	2,015,925	2,806,555	8,025,415
Investments								
– Financial assets at fair value through profit or loss	–	–	77,841	136,925	102,392	36,965	2,731	356,854
– Available-for-sale financial assets	9,987	–	9,626	33,969	125,033	327,363	208,767	714,745
– Held-to-maturity investments	544	–	10,462	35,385	174,609	1,072,803	801,938	2,095,741
– Debt securities classified as receivables	368	–	–	7,000	5,022	67,652	102,210	182,252
– Investments in subsidiaries	22,004	–	–	–	–	–	–	22,004
Other assets	223,224	29,724	23,262	40,219	51,782	4,090	1,415	373,716
Total assets	2,558,184	532,610	858,996	918,203	2,759,440	3,532,079	3,923,885	15,083,397
Liabilities								
Borrowings from central banks	–	–	70,212	4,701	3,820	–	–	78,733
Deposits and placements from banks and non-bank financial institutions	–	463,411	241,523	64,968	50,747	6,317	–	826,966
Financial liabilities at fair value through profit or loss	–	21,627	107,297	159,837	88,970	–	–	377,731
Financial assets sold under repurchase agreements	–	–	55,161	247	49	–	–	55,457
Deposits from customers	–	6,627,593	898,020	1,005,768	2,420,030	1,091,390	12,976	12,055,777
Debt securities issued								
– Certificates of deposit issued	–	–	35,709	35,080	75,050	13,083	631	159,553
– Bonds issued	–	–	–	–	499	2,496	–	2,995
– Subordinated bonds issued	–	–	–	12,000	9,998	–	137,860	159,858
Other liabilities	–	102,470	30,244	37,658	97,572	38,385	1,397	307,726
Total liabilities	–	7,215,101	1,438,166	1,320,259	2,746,735	1,151,671	152,864	14,024,796
Long/(short) position	2,558,184	(6,682,491)	(579,170)	(402,056)	12,705	2,380,408	3,771,021	1,058,601
Notional amount of derivatives								
– Interest rate contracts	–	–	6,264	35,983	164,528	43,752	4,252	254,779
– Exchange rate contracts	–	–	414,744	290,086	768,642	22,146	5,946	1,501,564
– Other contracts	–	–	3,925	2,314	7,420	–	–	13,659
Total	–	–	424,933	328,383	940,590	65,898	10,198	1,770,002

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group and the Bank as at the end of the reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	30 June 2014							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	26,217	26,785	–	1,281	551	24,953	–	–
Deposits and placements from banks and non-bank financial institutions	1,054,488	1,064,857	418,191	193,086	221,152	224,732	7,696	–
Financial liabilities at fair value through profit or loss	365,436	372,638	17,420	106,720	169,133	79,365	–	–
Financial assets sold under repurchase agreements	3,065	3,067	–	2,767	266	34	–	–
Deposits from customers	12,956,956	13,312,911	6,718,842	1,058,231	1,112,770	3,011,582	1,392,991	18,495
Debt securities issued								
– Certificates of deposit issued	263,389	271,143	–	41,998	50,927	153,492	24,126	600
– Bonds issued	17,266	18,750	–	–	56	1,522	14,651	2,521
– Subordinated bonds issued	147,869	198,320	–	–	10,736	6,356	55,040	126,188
Other financial liabilities	157,449	157,449	80,480	75,201	239	1,028	–	501
Total	14,992,135	15,425,920	7,234,933	1,479,284	1,565,830	3,503,064	1,494,504	148,305
Off-balance sheet loan commitments and credit card commitments (Note)		890,321	728,389	27,515	23,660	63,680	38,024	9,053
Guarantees, acceptances and other credit commitments (Note)		1,504,434	–	451,890	269,078	479,266	255,986	48,214

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow (continued)*

Group (continued)

	31 December 2013							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	79,157	79,537	–	70,576	4,909	4,052	–	–
Deposits and placements from banks and non-bank financial institutions	848,012	852,612	459,039	240,148	72,900	74,164	6,361	–
Financial liabilities at fair value through profit or loss	380,380	387,188	24,186	108,270	162,019	92,713	–	–
Financial assets sold under repurchase agreements	61,873	61,891	–	60,372	1,453	66	–	–
Deposits from customers	12,223,037	12,543,365	6,654,567	956,794	1,089,270	2,564,169	1,262,662	15,903
Debt securities issued								
– Certificates of deposit issued	193,749	196,291	–	37,609	43,047	100,127	14,721	787
– Bonds issued	3,933	4,234	–	–	–	627	3,607	–
– Subordinated bonds issued	159,858	211,824	–	–	13,504	15,972	27,040	155,308
Other financial liabilities	81,203	81,203	78,978	233	289	1,201	–	502
Total	14,031,202	14,418,145	7,216,770	1,474,002	1,387,391	2,853,091	1,314,391	172,500
Off-balance sheet loan commitments and credit card commitments (Note)		919,330	690,271	75,850	29,924	74,029	45,692	3,564
Guarantees, acceptances and other credit commitments (Note)		1,390,897	–	386,481	285,487	421,491	252,247	45,191

Bank

	30 June 2014							
	Carrying amount	**Gross cash outflow**	**Repayable on demand**	**Within one month**	**Between one to three months**	**Between three months to one year**	**Between one to five years**	**More than five years**
Non-derivative financial liabilities								
Borrowings from central banks	**25,695**	**26,248**	**–**	**1,271**	**500**	**24,477**	**–**	**–**
Deposits and placements from banks and non-bank financial institutions	**1,013,925**	**1,021,912**	**423,483**	**186,910**	**217,075**	**190,039**	**4,405**	**–**
Financial liabilities at fair value through profit or loss	**362,781**	**369,947**	**15,979**	**106,632**	**169,072**	**78,264**	**–**	**–**
Financial assets sold under repurchase agreements	**373**	**375**	**–**	**82**	**259**	**34**	**–**	**–**
Deposits from customers	**12,766,742**	**13,121,601**	**6,693,437**	**1,009,780**	**1,058,523**	**2,951,757**	**1,389,651**	**18,453**
Debt securities issued								
– Certificates of deposit issued	**227,088**	**234,396**	**–**	**40,467**	**47,399**	**123,688**	**22,242**	**600**
– Bonds issued	**3,997**	**4,281**	**–**	**–**	**33**	**632**	**3,616**	**–**
– Subordinated bonds issued	**147,869**	**198,320**	**–**	**–**	**10,736**	**6,356**	**55,040**	**126,188**
Other financial liabilities	**120,785**	**120,785**	**43,973**	**75,178**	**212**	**921**	**–**	**501**
Total	**14,669,255**	**15,097,865**	**7,176,872**	**1,420,320**	**1,503,809**	**3,376,168**	**1,474,954**	**145,742**
Off-balance sheet loan commitments and credit card commitments (Note)		**852,473**	**698,263**	**25,120**	**23,411**	**63,126**	**33,715**	**8,838**
Guarantees, acceptances and other credit commitments (Note)		**1,591,745**	**–**	**463,166**	**284,922**	**528,409**	**266,983**	**48,265**

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank (continued)

	31 December 2013							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	78,733	79,104	–	70,475	4,720	3,909	–	–
Deposits and placements from banks and non-bank financial institutions	826,966	829,855	463,560	242,119	65,737	51,932	6,507	–
Financial liabilities at fair value through profit or loss	377,731	384,540	21,627	108,139	162,061	92,713	–	–
Financial assets sold under repurchase agreements	55,457	55,473	–	55,175	249	49	–	–
Deposits from customers	12,055,777	12,375,042	6,629,070	910,625	1,034,089	2,525,313	1,260,117	15,828
Debt securities issued								
– Certificates of deposit issued	159,553	161,643	–	35,790	35,257	75,937	13,872	787
– Bonds issued	2,995	3,235	–	–	–	597	2,638	–
– Subordinated bonds issued	159,858	211,824	–	–	13,504	15,972	27,040	155,308
Other financial liabilities	54,767	54,767	52,722	219	245	1,079	–	502
Total	13,771,837	14,155,483	7,166,979	1,422,542	1,315,862	2,767,501	1,310,174	172,425
Off-balance sheet loan commitments and credit card commitments (Note)		883,644	690,271	45,608	29,725	73,060	41,416	3,564
Guarantees, acceptances and other credit commitments (Note)		1,470,588	–	392,496	314,952	453,868	264,030	45,242

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amount to be paid.

(4) Operational risk

Operational risk refers to the risks that resulted from flawed or erroneous internal processes, people and systems, or external events.

In the first half of 2014, the Group continued to standardise and strengthen operational risk management. Through integrated application of tools and methods such as operational risk self-assessments, the key risk indicators and the assessments over key risk, the Group continued to establish risk monitoring, risk assessment and inspection over significant business lines and key areas. The Group also strengthened operational risk prevention and control over key business areas and key positions.

– For risk changes in practice, the Group continued to examine and improve the development and management of the system of incompatible positions (duties) and emphasised on the rigid mandatory restrictions over checks and balances.

– The Group continued to optimise the information system of operational risk management and further promote its support functions such as self-assessments for risk and control, events of internal and external losses, key risk indicators, scenario analysis, capital measurement and business continuity management.

– In order to guarantee the safety and stability of the operation in respective business lines, the Group continued to promote its business continuity management system, established overall self-assessment in the management of business continuity management system and steadily promoted the development of contingency plans and emergency drills.

– The Group continued to implement the anti-money laundering (AML) policies and improved the system mechanisms and internal controls, focusing on the establishment of AML guidance. The Group has further developed the specialised control for AML, researched on and improved suspicious transactions identification policies, established AML nature analysis, organised the implementation of measures such as AML risk assessments about products and services, etc. to improve the Group's ability to prevent money laundering activities and terrorism financing activities.

60 Risk management (continued)

(5) Fair value of financial instruments

(a) Valuation technique, input and process

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors is in charge of supervising the performance of the Board and Senior Management. According to the requirements of the Board and the Board of Supervisors, Senior Management's responsibility is to organise and implement the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting for valuation results.

For the six months ended 30 June 2014, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2013.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

– Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

– Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(c) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, held-to-maturity investments and debt securities classified as receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

The following table shows the carrying values and the fair values of the debt securities classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values. The Group measures the fair values of debt securities classified as receivables and held-to-maturity investments using the Level 2 or Level 3 of the fair value hierarchy.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments not measured at fair value (continued)

(i) Financial assets (continued)

Group

	Carrying value		Fair value	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Debt securities classified as receivables	**192,014**	189,737	**180,791**	174,379
Held-to-maturity investments	**2,220,584**	2,100,538	**2,193,136**	1,998,696
Total	**2,412,598**	2,290,275	**2,373,927**	2,173,075

Bank

	Carrying value		Fair value	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
Debt securities classified as receivables	**177,168**	182,252	**166,634**	166,587
Held-to-maturity investments	**2,215,237**	2,095,741	**2,187,777**	1,993,931
Total	**2,392,405**	2,277,993	**2,354,411**	2,160,518

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values as at the end of the reporting period, except that the fair value of subordinated bonds issued as at 30 June 2014 was RMB143,552 million (31 December 2013: RMB146,810 million), which was lower than their carrying value of RMB147,869 million (31 December 2013: RMB159,858 million). The Group measures the fair values of subordinated bonds issued using the Level 2 of the fair value hierarchy.

(d) Financial instruments measured at fair value

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

	30 June 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	**282**	**13,357**	**–**	**13,639**
– Equity instruments and funds	**1,010**	**5**	**–**	**1,015**
Financial assets designated as at fair value through profit or loss				
– Debt securities	**794**	**–**	**1,169**	**1,963**
– Equity instruments	**1,839**	**–**	**2,235**	**4,074**
– Other debt instruments	**–**	**303,381**	**–**	**303,381**
Positive fair value of derivatives	**–**	**11,326**	**1,167**	**12,493**
Available-for-sale financial assets				
– Debt securities	**31,610**	**724,493**	**4,291**	**760,394**
– Equity instruments and funds	**7,266**	**1,465**	**4,217**	**12,948**
Total	**42,801**	**1,054,027**	**13,079**	**1,109,907**
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	**–**	**363,994**	**1,442**	**365,436**
Negative fair value of derivatives	**–**	**10,629**	**1,167**	**11,796**
Total	**–**	**374,623**	**2,609**	**377,232**

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(5) Fair value of financial instruments (continued)

(d) Financial instruments measured at fair value (continued)

Group (continued)

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	236	76,296	–	76,532
– Equity instruments and funds	562	55	–	617
Financial assets designated as at fair value through profit or loss				
– Debt securities	788	–	1,644	2,432
– Equity instruments	1,958	–	3,945	5,903
– Other debt instruments	–	278,566	–	278,566
Positive fair value of derivatives	–	17,921	989	18,910
Available-for-sale financial assets				
– Debt securities	33,912	708,501	4,213	746,626
– Equity instruments and funds	7,912	285	4,041	12,238
Total	45,368	1,081,624	14,832	1,141,824
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	377,820	2,560	380,380
Negative fair value of derivatives	–	18,883	989	19,872
Total	–	396,703	3,549	400,252

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(5) Fair value of financial instruments (continued)

(d) Financial instruments measured at fair value (continued)

Bank

	30 June 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	**–**	**13,352**	**–**	**13,352**
Financial assets designated as at fair value through profit or loss				
– Other debt instruments	**–**	**305,381**	**–**	**305,381**
Positive fair value of derivatives	**–**	**9,118**	**1,167**	**10,285**
Available-for-sale financial assets				
– Debt securities	**12,770**	**703,806**	**2,126**	**718,702**
– Equity instruments and funds	**4,741**	**–**	**9**	**4,750**
Total	**17,511**	**1,031,657**	**3,302**	**1,052,470**
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	**–**	**362,781**	**–**	**362,781**
Negative fair value of derivatives	**–**	**8,868**	**1,167**	**10,035**
Total	**–**	**371,649**	**1,167**	**372,816**

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	–	76,288	–	76,288
Financial assets designated as at fair value through profit or loss				
– Other debt instruments	–	280,566	–	280,566
Positive fair value of derivatives	–	15,514	989	16,503
Available-for-sale financial assets				
– Debt securities	9,795	695,864	2,754	708,413
– Equity instruments and funds	5,321	–	19	5,340
Total	15,116	1,068,232	3,762	1,087,110
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	377,731	–	377,731
Negative fair value of derivatives	–	15,807	989	16,796
Total	–	393,538	989	394,527

For the six months ended 30 June 2014 and for the year ended 31 December 2013, there were no significant transfers between level 1 and level 2 of the fair value hierarchy.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(5) Fair value of financial instruments (continued)

(d) Financial instruments measured at fair value (continued)

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

Group

	Six months ended 30 June 2014								
	Financial assets designated as at fair value through profit or loss			Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2014	1,644	3,945	989	4,213	4,041	14,832	(2,560)	(989)	(3,549)
Total gains or losses:									
In profit or loss	(9)	5	186	247	83	512	85	(186)	(101)
In other comprehensive income	–	–	–	(133)	(55)	(188)	–	–	–
Purchases	18	3,299	–	1,214	1,204	5,735	–	–	–
Sales and settlements	(484)	(5,014)	(8)	(1,055)	(1,119)	(7,680)	2,073	8	2,081
Transfer in/out	–	–	–	(195)	63	(132)	(1,040)	–	(1,040)
As at 30 June 2014	1,169	2,235	1,167	4,291	4,217	13,079	(1,442)	(1,167)	(2,609)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(34)	(48)	186	19	(3)	120	126	(186)	(60)

	2013								
	Financial assets designated as at fair value through profit or loss			Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2013	3,141	4,760	1,831	4,333	472	14,537	(2,718)	(1,831)	(4,549)
Total gains or losses:									
In profit or loss	(179)	(449)	(724)	420	(55)	(987)	158	724	882
In other comprehensive income	–	–	–	(158)	26	(132)	–	–	–
Purchases	207	3,904	–	2,509	3,638	10,258	–	–	–
Sales and settlements	(1,525)	(4,272)	(118)	(2,891)	(48)	(8,854)	–	118	118
Transfer in	–	2	–	–	8	10	–	–	–
As at 31 December 2013	1,644	3,945	989	4,213	4,041	14,832	(2,560)	(989)	(3,549)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(35)	(245)	(724)	385	(55)	(674)	158	724	882

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(5) Fair value of financial instruments (continued)

(d) Financial instruments measured at fair value (continued)

Bank

	Six months ended 30 June 2014					
		Available-for-sale financial assets				
	Positive fair value of derivatives	**Debt securities**	**Equity instruments and funds**	**Total assets**	**Negative fair value of derivatives**	**Total liabilities**
As at 1 January 2014	**989**	**2,754**	**19**	**3,762**	**(989)**	**(989)**
Total gains or losses:						
In profit or loss	**186**	**242**	**(3)**	**425**	**(186)**	**(186)**
In other comprehensive income	**–**	**(247)**	**(7)**	**(254)**	**–**	**–**
Sales and settlements	**(8)**	**(623)**	**–**	**(631)**	**8**	**8**
As at 30 June 2014	**1,167**	**2,126**	**9**	**3,302**	**(1,167)**	**(1,167)**
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	**186**	**14**	**(3)**	**197**	**(186)**	**(186)**

	2013					
		Available-for-sale financial assets				
	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Negative fair value of derivatives	Total liabilities
As at 1 January 2013	1,831	1,608	67	3,506	(1,831)	(1,831)
Total gains or losses:						
In profit or loss	(724)	458	(38)	(304)	724	724
In other comprehensive income	–	(182)	(10)	(192)	–	–
Purchases	–	1,301	–	1,301	–	–
Sales and settlements	(118)	(431)	–	(549)	118	118
As at 31 December 2013	989	2,754	19	3,762	(989)	(989)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(724)	423	(38)	(339)	724	724

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

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. Certain financial assets and financial liabilities of the Group which are subject to enforceable master netting arrangements or similar agreements are not offset in accordance with IFRS.

As at 30 June 2014, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(7) Capital management

The Group has implemented a comprehensive capital management policy, covering the management of regulatory capital, economic capital and accounting capital, including but not limited to management of capital adequacy ratio, capital planning, capital raising and economic capital.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with CBRC's "Measures for Capital Management of Commercial Banks (trial)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%. Systemically important domestic banks should also meet the 1% additional capital requirement, with their Common Equity Tier 1 capital. Meanwhile, in accordance with CBRC's "Notice of relevant transitional arrangement for implementation of Measures for Capital Management of Commercial Banks (trial)", a capital conservation buffer will be introduced progressively during the transitional period, which will be raised through Common Equity Tier 1 capital. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, accumulating internal capital and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group and the Bank are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group has fully been complying with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need. The Group regularly compares its position with its capital adequacy ratio target to ensure capital will be adequate for future or otherwise to plan for supplementation of capital.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking in account capital planning and operating environment. This helps to optimise the Group's total capital amount and structure, as well as improve the competitiveness of the Group's cost of capital.

In April 2014, CBRC has officially approved the implementation of the advanced approach of capital management by the Bank. In this approach, the Bank has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure, IRB approach for retail risk exposure, internal models approach for market risk and standardised approach for operational risk exposure.

The Group's consolidated regulatory capital positions calculated in accordance with the "Measures for Capital Management of Commercial Banks (trial)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	**30 June 2014**	31 December 2013
Common Equity Tier 1 ratio	(a)(b)	**11.21%**	10.75%
Tier 1 ratio	(a)(b)	**11.21%**	10.75%
Total capital ratio	(a)(b)	**13.89%**	13.34%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve and investment revaluation reserve		**131,097**	116,321
– Surplus reserve		**107,970**	107,970
– General reserve		**169,029**	153,825
– Retained earnings		**482,613**	442,554
– Non-controlling interest given recognition in Common Equity Tier 1 capital		**3,491**	3,729
– Foreign exchange reserve		**(4,489)**	(5,948)
Deductions for Common Equity Tier 1 capital			
– Goodwill	(c)	**1,460**	1,415
– Other intangible assets (excluding land use right)	(c)	**1,456**	1,609
– Cash-flow hedge reserve		**20**	(148)
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,902**	3,902
Additional Tier 1 capital			
– Non-controlling interest given recognition in Additional Tier 1 capital		**34**	16
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related stock surplus		**127,868**	144,000
– Provisions in Tier 2	(d)	**143,724**	110,918
– Non-controlling interest given recognition in Tier 2 capital		**127**	106
Common Equity Tier 1 capital after deduction	(e)	**1,132,884**	1,061,684
Tier 1 capital after deduction	(e)	**1,132,918**	1,061,700
Total capital after deduction	(e)	**1,404,637**	1,316,724
Risk-weighted assets	(f)	**10,109,495**	9,872,790

(Expressed in millions of RMB, unless otherwise stated)

60 Risk management (continued)

(7) Capital management (continued)

Notes:

(a) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total Capital ratio is calculated by dividing the Total capital after deduction by risk-weighted assets.

(b) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).

(c) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(d) Since 30 June 2014, eligible excessive loan provisions was measured based on new regulatory rules.

(e) Common Equity Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deduction is calculated by netting off the corresponding deduction items from the total capital.

(f) Risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excessive risk-weighted assets due to the application of capital floor. As at 31 December 2013, the Group used risk-weighted approach for credit risk-weighted assets, standardised approach for market risk-weighted assets and standard index evaluating method for operational risk weighted assets.

61 Events after the reporting period

There are no significant events after the reporting period.

62 Comparative figures

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

63 Ultimate parent

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

64 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2014 and which have not been adopted in the financial statements.

Standards	**Effective for annual period beginning on or after**
IFRS 9, “Financial instruments”	1 January 2018
IFRS 15, “Revenue from Contracts with Customers”	1 January 2017

The Group is in the process of making an assessment on the impact of these new and revised IFRSs upon initial application.

(Expressed in millions of RMB unless otherwise stated)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the six months ended 30 June 2014 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the six months ended 30 June 2014 or total equity as at 30 June 2014 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations respectively.

2 Liquidity ratios

	As at 30 June 2014	**Average for the six months ended 30 June 2014**	As at 31 December 2013	Average for the year ended 31 December 2013
RMB current assets to RMB current liabilities	**47.72%**	**47.15%**	46.57%	49.25%
Foreign currency current assets to foreign currency current liabilities	**56.70%**	**55.95%**	55.20%	49.16%

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which is the arithmetic mean of each calendar month's liquidity ratio. The Group prepared the liquidity ratios on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

3 Currency concentrations

	30 June 2014			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**885,931**	**162,579**	**89,964**	**1,138,474**
Spot liabilities	**(821,552)**	**(207,265)**	**(104,029)**	**(1,132,846)**
Forward purchases	**890,643**	**57,202**	**88,419**	**1,036,264**
Forward sales	**(934,374)**	**(5,417)**	**(62,091)**	**(1,001,882)**
Net options position	**372**	**–**	**–**	**372**
Net long position	**21,020**	**7,099**	**12,263**	**40,382**
Net structural position	**8,134**	**1,596**	**(1,628)**	**8,103**

	31 December 2013			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	731,627	141,255	71,352	944,234
Spot liabilities	(540,063)	(174,454)	(117,234)	(831,751)
Forward purchases	740,072	57,311	105,430	902,813
Forward sales	(924,064)	(11,030)	(55,931)	(991,025)
Net options position	200	–	–	200
Net long position	7,772	13,082	3,617	24,471
Net structural position	5,775	3,775	(1,645)	7,905

(Expressed in millions of RMB unless otherwise stated)

3 Currency concentrations (continued)

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

4 Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if claims are guaranteed by a party in a country which is different from that of the counterparty or if claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2014			
	Banks and non-bank financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**33,342**	**1,639**	**258,896**	**293,877**
– of which attributed to Hong Kong	**23,108**	**27**	**200,608**	**223,743**
Europe	**3,310**	**66**	**11,337**	**14,713**
North and South America	**12,564**	**226**	**75,767**	**88,557**
Total	**49,216**	**1,931**	**346,000**	**397,147**

	31 December 2013			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	18,759	1,760	166,365	186,884
– of which attributed to Hong Kong	9,142	322	138,643	148,107
Europe	2,471	74	15,389	17,934
North and South America	15,232	239	61,755	77,226
Total	36,462	2,073	243,509	282,044

The above cross-border claims are disclosed in accordance with the requirements of the Rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

(Expressed in millions of RMB unless otherwise stated)

5 Overdue loans and advances to customers by geographical sector

	30 June 2014	31 December 2013
Yangtze River Delta	**34,050**	31,208
Pearl River Delta	**10,515**	7,253
Central	**9,526**	6,950
Bohai Rim	**6,218**	4,139
Western	**5,634**	4,702
Northeastern	**4,087**	4,470
Head office	**3,099**	2,642
Overseas	**296**	263
Total	**73,425**	61,627

The above analysis represents the gross amount of loans and advances overdue for more than three months.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

6 Non-bank Mainland China exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 30 June 2014, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

Appendix: Composition of Capital

In accordance with the *regulatory requirements for the disclosure of information on capital composition of commercial banks* issued by CBRC, the following table shows the Group's composition of capital, minimum regulatory capital requirements, as well as their connections with the balance sheets under the scope of regulatory consolidation as at 30 June 2014.

	(In millions of RMB, except percentages)	Code	As at 30 June 2014	As at 31 December 2013
Common Equity Tier 1 capital:				
1	Qualifying common share capital	l	**250,011**	250,011
2	Retained earnings		**759,612**	704,349
2a	Surplus reserve	p	**107,970**	107,970
2b	General reserve	q	**169,029**	153,825
2c	Undistributed profits	r	**482,613**	442,554
3	Accumulated other comprehensive income and undisclosed reserves		**126,608**	110,373
3a	Capital reserve	m+o	**131,097**	116,321
3b	Others	s	**(4,489)**	(5,948)
4	Amount given recognition in Common Equity Tier 1 capital (Only applicable to unlisted companies, while banks of joint-stock companies to be completed with "0")		**–**	–
5	Minority interest given recognition in Common Equity Tier 1 capital	t	**3,491**	3,729
6	Common Equity Tier 1 capital before regulatory adjustment		**1,139,722**	1,068,462
Common Equity Tier 1 capital: Regulatory adjustment				
7	Prudent valuation adjustment		**–**	–
8	Goodwill (excluding deferred tax liabilities)	i	**1,460**	1,415
9	Other intangible assets (excluding land use rights) (excluding deferred tax liabilities)	h	**1,456**	1,609
10	Net deferred tax assets relying on future profits and arising from operating losses		**–**	–
11	Cash-flow hedge reserves	n	**20**	(148)
12	Gaps of loan loss provisions		**–**	–
13	Gains from sales of asset securitisation		**–**	–
14	Unrealised profit/loss arising from the changes in own credit risk on fair values of liability		**–**	–
15	Net defined-benefit pension assets (excluding deferred tax liabilities)		**–**	–
16	Directly or indirectly investments in own shares		**–**	–
17	Reciprocal cross-holdings in common equity		**–**	–
18	Non-significant investments in capital of financial institutions outside the scope of regulatory consolidation(amount above 10% threshold)		**–**	–
19	Significant investments in capital of financial institutions outside the scope of regulatory consolidation(amount above 10% threshold)		**–**	–
20	Mortgage-servicing rights	N/A	**N/A**	N/A
21	Other deferred tax assets relying on the Bank's future profitability(amount above 10% threshold)		**–**	–
22	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other deferred tax assets that rely on the Bank's future profitability after all regulatory adjustment (amount exceeding the 15% threshold)		**–**	–
23	of which: significant investments in the capital of financial institutions		**–**	–
24	of which: Mortgage-servicing rights		**N/A**	N/A
25	of which: Other deferred tax assets that rely on the Bank's future profitability		**–**	–
26a	Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	f	**3,902**	3,902
26b	Gaps of common equity of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
26c	Total regulatory adjustments to Common Equity Tier 1 capital		**–**	–
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		**–**	–
28	**Total regulatory adjustment in Common Equity Tier 1 capital**		**6,838**	6,778
29	**Common Equity Tier 1 capital after regulatory adjustment**		**1,132,884**	1,061,684
Additional Tier 1 capital:				
30	Directly issued qualifying Additional Tier 1 capital instruments including related stock surplus		**–**	–
31	of which: classified as equity		**–**	–
32	of which: classified as liabilities		**–**	–
33	of which: Instruments not given recognition in Additional Tier 1 capital after the transition period		**–**	–
34	Minority interest given recognition in Additional Tier 1 capital	u	**34**	16
35	of which: Portions not given recognition in Additional Tier 1 capital after the transition period		**–**	–
36	**Additional Tier 1 capital before regulatory adjustment**		**34**	16

(In millions of RMB, except percentages)		Code	As at 30 June 2014	As at 31 December 2013
Additional Tier 1 capital: regulatory adjustments				
37	Directly or indirectly investments in own Additional Tier 1 instruments		**–**	–
38	Reciprocal cross-holdings in Additional Tier 1 instruments		**–**	–
39	Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation(amount above 10% threshold)		**–**	–
40	Significant investments in the Additional Tier 1 capital of financial institutions outside the scope of regulatory consolidation		**–**	–
41a	Investments in Additional Tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
41b	Gaps of Additional Tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
41c	Other deductions from Additional Tier 1 capital		**–**	–
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**–**	–
43	**Total regulatory adjustments to Additional Tier 1 capital**		**–**	–
44	**Additional Tier 1 capital after regulatory adjustment**		**34**	16
45	**Tier 1 capital after regulatory adjustment (Common Equity Tier 1 capital after regulatory adjustment + Additional Tier 1 capital after regulatory adjustment)**		**1,132,918**	1,061,700
Tier 2 capital:				
46	Directly issued qualifying Tier 2 instruments plus stock surplus	k×80%	**127,868**	144,000
47	of which: Portions not given recognition in Tier 2 capital after the transition period	k×80%	**127,868**	144,000
48	Minority interest given recognition in Tier 2 capital	v	**127**	106
49	of which: Portions not given recognition after the transition period		**–**	–
50	Provisions in Tier 2	–b	**143,724**	110,918
51	**Tier 2 capital before regulatory adjustments**		**271,719**	255,024
Tier 2 capital: regulatory adjustments				
52	Directly or indirectly investments in own Tier 2 instruments		**–**	–
53	Reciprocal cross-holdings in Tier 2 instruments		**–**	–
54	Non-significant investments in capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
55	Significant investments in the Tier 2 capital of financial institutions outside the scope of regulatory consolidation		**–**	–
56a	Investments in Tier 2 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
56b	Gaps of Tier 2 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
56c	Other deductions from Tier 2 capital		**–**	–
57	**Total regulatory adjustments in Tier 2 capital**		**–**	–
58	**Tier 2 capital after regulatory adjustment**		**271,719**	255,024
59	**Total capital after regulatory adjustment (Tier 1 capital after regulatory adjustment + Tier 2 capital after regulatory adjustment)**		**1,404,637**	1,316,724
60	**Total risk-weighted assets**		**10,109,495**	9,872,790
Capital adequacy ratio and reserve capital requirements				
61	**Common Equity Tier 1 ratio**		**11.21%**	10.75%
62	**Tier 1 ratio**		**11.21%**	10.75%
63	**Total Capital ratio**		**13.89%**	13.34%
64	Specific buffer requirements of regulators		**0.50%**	0.50%
65	of which: capital conservation buffer requirements		**0.50%**	0.50%
66	of which: countercyclical buffer requirements		**0.00%**	0.00%
67	of which: Additional buffer requirements of global systemically important Banks		**0.00%**	0.00%
68	Common Equity Tier 1 capital available to meet buffers as a percentage of risk-weighted assets		**6.21%**	5.75%
Domestic minimum regulatory capital requirements				
69	Common Equity Tier 1 ratio		**5.00%**	5.00%
70	Tier 1 ratio		**6.00%**	6.00%
71	Total Capital ratio		**8.00%**	8.00%
Amounts below the threshold deductions				
72	Non-significant investments in the capital of other financial institutions outside of the scope of regulatory consolidation	c+d+e	**45,920**	53,425
73	Significant investments in the capital of other financial institutions outside of the scope of regulatory consolidation	g	**173**	156
74	Mortgage-servicing rights (net of deferred tax liabilities)		**N/A**	N/A
75	Other deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	j	**31,144**	38,331

(In millions of RMB, except percentages)		Code	As at 30 June 2014	As at 31 December 2013
Limit of provisions in Tier 2 capital				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to regulatory weight approach (prior to the application of cap)		**N/A**	155,948
77	Provisions eligible for inclusion in Tier 2 capital under regulatory weight approach		**N/A**	110,918
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap)	–a	**143,724**	N/A
79	Provisions eligible for inclusion in Tier 2 capital under internal ratings-based approach	–b	**143,724**	N/A
Capital instruments subject to phase-out arrangements				
80	Amount given recognition in current-period Common Equity Tier 1 capital due to transitional arrangements		**–**	–
81	Amount not given recognition in current-period Common Equity Tier 1 capital due to transitional arrangements		**–**	–
82	Amount given recognition in current-period Additional Tier 1 capital due to transitional arrangements		**–**	–
83	Amount not given recognition in current-period Additional Tier 1 capital due to transitional arrangements		**–**	–
84	Amount given recognition in current-period Tier 2 capital due to transitional arrangements	k×80%	**127,867**	144,000
85	Amount not given recognition in current-period Tier 2 capital due to transitional arrangements	k×20%	**31,967**	16,000

The following table shows the balance sheet of the accounting and regulatory consolidation as at 30 June 2014.

(In millions of RMB)	As at 30 June 2014 Balance sheet of the accounting consolidation	Balance sheet of the regulatory consolidation
Assets		
Cash and deposits with central banks	2,578,036	2,577,979
Deposits with banks and non-bank financial institutions	349,098	342,679
Precious metals	50,780	50,780
Placements with banks and non-bank financial institutions	257,659	259,669
Financial assets at fair value through profit or loss	324,072	319,671
Positive fair value of derivatives	12,493	12,487
Financial assets held under resale agreements	351,660	350,868
Interest receivable	101,551	100,954
Loans and advances to customers	8,952,511	8,951,484
Available-for-sale financial assets	774,800	767,094
Held-to-maturity investments	2,220,584	2,217,975
Debt securities classified as receivables	192,014	177,858
Investments to subsidiaries	–	5,676
Interests in associates and jointly controlled entities	2,807	867
Fixed assets	137,595	136,660
Land use rights	15,874	15,874
Intangible assets	1,895	1,456
Goodwill	1,655	1,460
Deferred tax assets	31,245	31,144
Other assets	43,461	45,054
Total assets	**16,399,790**	**16,367,689**
Liabilities		
Borrowings from central banks	26,217	26,217
Deposits from banks and non-bank financial institutions	795,594	795,594
Placements from banks and non-bank financial institutions	258,894	261,231
Financial liabilities at fair value through profit or loss	365,436	365,437
Negative fair value of derivatives	11,796	10,883
Financial assets sold under repurchase agreements	3,065	1,645
Deposits from customers	12,956,956	12,961,445
Accrued staff costs	31,852	31,685
Taxes payable	36,985	36,768
Interest payable	177,297	177,536
Provisions	5,780	5,777
Debt securities issued	428,524	428,524
Deferred tax liabilities	145	18
Other liabilities	154,237	123,734
Total liabilities	**15,252,778**	**15,226,494**
Equity		
Share capital	250,011	250,011
Capital reserve	135,537	135,511
Investment revaluation reserve	(4,468)	(4,414)
Surplus reserve	107,970	107,970
General reserve	169,039	169,029
Retained earnings	484,539	482,613
Exchange reserve	(4,714)	(4,489)
Total equity attributable to equity shareholders of the Bank	1,137,914	1,136,231
Minority interests	9,098	4,964
Total equity	**1,147,012**	**1,141,195**

The following table shows the information related to the expanded balance sheet under regulatory scope of consolidation as at 30 June 2014.

(In millions of RMB)	As at 30 June 2014 Balance sheet of the regulatory consolidation	Code
Assets		
Cash and deposits with central banks	2,577,979	
Deposits with banks and non-bank financial institutions	342,679	
Precious metals	50,780	
Placements with banks and non-bank financial institutions	259,669	
Financial assets at fair value through profit or loss	319,671	
Positive fair value of derivatives	12,487	
Financial assets held under resale agreements	350,868	
Interest receivable	100,954	
Loans and advances to customers	8,951,484	
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap)	(143,724)	a
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach	(143,724)	b
Available-for-sale financial assets	767,094	
of which: non-significant investments in the capitals of other financial institutions outside of the scope of regulatory consolidation	4,948	c
Held-to-maturity investments	2,217,975	
of which: non-significant investments in the capitals of other financial institutions outside of the scope of regulatory consolidation	13,387	d
Debt securities classified as receivables	177,858	
of which: non-significant investments in the capitals of other financial institutions outside of the scope of regulatory consolidation	27,585	e
Investments to subsidiaries	5,676	
of which: investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	3,902	f
Interests in associates and jointly controlled entities	867	
of which: significant investments in the Common Equity Tier 1 capital of other financial institutions outside of the scope of regulatory consolidation	173	g
Fixed assets	136,660	
Land use rights	15,874	
Intangible assets	1,456	h
Goodwill	1,460	i
Deferred tax assets	31,144	j
Other assets	45,054	
Total assets	**16,367,689**	
Liabilities		
Borrowings from central banks	26,217	
Deposits from banks and non-bank financial institutions	795,594	
Placements from banks and non-bank financial institutions	261,231	
Financial liabilities at fair value through profit or loss	365,437	
Negative fair value of derivatives	10,883	
Financial assets sold under repurchase agreements	1,645	
Deposits from customers	12,961,445	
Accrued staff costs	31,685	
Taxes payable	36,768	
Interest payable	177,536	
Provisions	5,777	
Debt securities issued	428,524	
of which: subordinated bonds issued[1]	159,834	k
Deferred tax liabilities	18	
Other liabilities	123,734	
Total liabilities	**15,226,494**	
Equity		
Share capital	250,011	l
Capital reserve	135,511	m
of which: deferred hedging reserves	20	n
Investment revaluation reserve	(4,414)	o
Surplus reserve	107,970	p
General reserve	169,029	q
Retained earnings	482,613	r
Exchange reserve	(4,489)	s
Total equity attributable to equity shareholders of the Bank	1,136,231	
Minority interests	4,964	
of which: minority interest given recognition in common equity tier 1 capital	3,491	t
of which: minority interest given recognition in other equity tier 1 capital	34	u
of which: minority interest given recognition in tier 2 capital	127	v
Total equity	**1,141,195**	

1. In accordance with the *regulatory requirements for the disclosure of information on capital composition of commercial banks* issued by CBRC, the base for reducing the recognition amount of Tier 2 capital on a yearly basis is the amount of the unqualified Tier 2 capital instruments outstanding on January 1, 2013. Therefore, the amount might be different from the book value of subordinated bonds issued as at the date indicated.

Main features of qualified regulatory capital instruments

The following table shows the information related to main features of various kinds of qualified regulatory capital instruments issued by the Group as at 30 June 2014.

No.	Main features of qualified regulatory capital instruments	H Share	A Share	Rights issues
1	Issuer	CCB	CCB	CCB
2	Unique identifier	0939.HK	601939.SH	0939.HK,601939.SH
3	Governing law(s)	the laws of Hong Kong, China	the laws of People's Republic of China	the laws of People's Republic of China/Hong Kong, China
	Regulatory treatment			
4	of which:transitional rules under the *Measures for Capital Management of Commercial Banks (Trial)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital
5	of which: post-transitional rules under the *Measures for Capital Management of Commercial Banks (Trial)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital
6	of which: eligible at solo/group/ group&solo	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Equity instruments	Equity instruments	Equity instruments
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	72,550	57,119	61,159
9	Par value of instrument	RMB30,459 million	RMB9,000 million	RMB16,322 million
10	Accounting classification	RMB30,459 million is recognised in share capital, and RMB42,091 million arising from stock surplus is recognised in capital reserve	RMB9,000 million is recognised in share capital, and RMB48,119 million arising from stock surplus is recognised in capital reserve	RMB16,322 million is recognised in share capital, and RMB44,837 million arising from stock surplus is recognised in capital reserve
11	Original date of issuance	27 October 2005	25 September 2007	19 November 2010, 16 December 2010
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	of which: original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No	No
15	of which: optional call date, contingent call dates and redemption amount	N/A	N/A	N/A
16	of which: subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons/dividends			
17	of which: fixed or floating dividend/coupon	Floating	Floating	Floating
18	of which: coupon rate and any related index	N/A	N/A	N/A
19	of which: existence of a dividend stopper	N/A	N/A	N/A
20	of which: fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	of which: existence of step up or other incentive to redeem	No	No	No
22	of which: non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	N/A	N/A
24	of which: if convertible, conversion trigger (s)	N/A	N/A	N/A
25	of which: if convertible, fully or partially	N/A	N/A	N/A
26	of which: if convertible, conversion rate	N/A	N/A	N/A
27	of which: if convertible, mandatory or optional conversion	N/A	N/A	N/A
28	of which: if convertible, specify instrument type convertible into	N/A	N/A	N/A
29	of which: if convertible, specify issuer of instrument it converts into	N/A	N/A	N/A

30	Write-down feature	N/A	N/A	N/A
31	of which: if write-down, write-down trigger(s)	N/A	N/A	N/A
32	of which: if write-down, full or partial	N/A	N/A	N/A
33	of which: if write-down, permanent or temporary	N/A	N/A	N/A
34	of which: if temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	the lowest priority of all claims	the lowest priority of all claims	the lowest priority of all claims
36	Non-compliant transitioned features	No	No	No
37	of which: if yes, specify non-compliant features	N/A	N/A	N/A

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. We use words such as “will”, “may”, “expect”, “try”, “strive”, and similar expressions to identify forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in forward-looking statements. These factors include, among others: changes in general economic conditions in the markets in which the Group operates, changes in the government’s adjustments and control policies and in laws and regulations, and factors specific to the Group.

During the reporting period, we proactively took measures to effectively manage various risks. For more information, please refer to “Management Discussion and Analysis-Risk Management” in this half-year report.