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中國建設銀行股份有限公司

CHINA CONSTRUCTION BANK CORPORATION

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

(Stock Code: 939)

INTERIM RESULTS ANNOUNCEMENT

For the Six Months Ended 30 June 2014

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2014, prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules of Hong Kong Stock Exchange") and International Accounting Standard 34 "Interim Financial Reporting". The interim results have been reviewed by the audit committee and external auditors of the Bank.

SUMMARY OF INTERIM RESULTS 2014

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.

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Variance
	2014	2013	(%)
Interest income	**356,473**	313,347	13.76
Interest expense	**(145,181)**	(125,687)	15.51
Net interest income	**211,292**	187,660	12.59
Fee and commission income	**61,854**	56,995	8.53
Fee and commission expense	**(1,674)**	(1,471)	13.80
Net fee and commission income	**60,180**	55,524	8.39
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 operating income, net			
– Other operating income	**13,938**	7,399	88.38
– Other operating expense	**(11,654)**	(41)	28,324.39
Other operating income, net	**2,284**	7,358	(68.96)
Operating income	**276,727**	252,307	9.68
Operating expenses	**(84,139)**	(81,067)	3.79
	192,588	171,240	12.47
Impairment losses on:			
– Loans and advances to customers	**(21,286)**	(16,067)	32.48
– Others	**(1,836)**	13	(14,223.08)
Impairment losses	**(23,122)**	(16,054)	44.03
Share of profits less losses of associates and jointly controlled entities	**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

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Variance
	2014	2013	(%)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	**(154)**	(57)	170.18
Subtotal	**(154)**	(57)	170.18
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)	(2,773.96)
Less: Income tax relating to available-for-sale financial assets	**(5,147)**	273	(1,985.35)
Reclassification adjustments for losses included in profit or loss	**(537)**	(839)	(36.00)
Net gains on cash flow hedges	**168**	193	(12.95)
Exchange difference on translating foreign operations	**1,468**	(836)	(275.60)
Subtotal	**16,595**	(1,981)	(937.71)
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 profit attributable to:			
Equity shareholders of the Bank	**130,662**	119,711	9.15
Non-controlling interests	**308**	253	21.74
	130,970	119,964	9.17
Total comprehensive income attributable to**:**			
Equity shareholders of the Bank	**146,966**	117,709	24.86
Non-controlling interests	**445**	217	105.07
	147,411	117,926	25.00
Basic and diluted earnings per share (in RMB Yuan)	**0.52**	0.48	8.33

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2014	31 December 2013	Variance (%)
Assets:			
Cash and deposits with central banks	**2,578,036**	2,475,001	4.16
Deposits with banks and non-bank financial institutions	**349,098**	321,286	8.66
Precious metals	**50,780**	35,637	42.49
Placements with banks and non-bank financial institutions	**257,659**	152,065	69.44
Financial assets at fair value through profit or loss	**324,072**	364,050	(10.98)
Positive fair value of derivatives	**12,493**	18,910	(33.93)
Financial assets held under resale agreements	**351,660**	281,447	24.95
Interest receivable	**101,551**	80,731	25.79
Loans and advances to customers	**8,952,511**	8,361,361	7.07
Available-for-sale financial assets	**774,800**	760,292	1.91
Held-to-maturity investments	**2,220,584**	2,100,538	5.72
Debt securities classified as receivables	**192,014**	189,737	1.20
Interests in associates and jointly controlled entities	**2,807**	2,624	6.97
Fixed assets	**137,595**	135,678	1.41
Land use rights	**15,874**	15,731	0.91
Intangible assets	**1,895**	2,053	(7.70)
Goodwill	**1,655**	1,610	2.80
Deferred tax assets	**31,245**	38,448	(18.73)
Other assets	**43,461**	26,011	67.09
Total assets	**16,399,790**	15,363,210	6.75

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2014	31 December 2013 (Restated)	Variance (%)
Liabilities:			
Borrowings from central banks	**26,217**	79,157	(66.88)
Deposits from banks and non-bank financial institutions	**795,594**	692,095	14.95
Placements from banks and non-bank financial institutions	**258,894**	155,917	66.05
Financial liabilities at fair value through profit or loss	**365,436**	380,380	(3.93)
Negative fair value of derivatives	**11,796**	19,872	(40.64)
Financial assets sold under repurchase agreements	**3,065**	61,873	(95.05)
Deposits from customers	**12,956,956**	12,223,037	6.00
Accrued staff costs	**31,852**	34,080	(6.54)
Taxes payable	**36,985**	60,209	(38.57)
Interest payable	**177,297**	153,627	15.41
Provisions	**5,780**	5,014	15.28
Debt securities issued	**428,524**	357,540	19.85
Deferred tax liabilities	**145**	138	5.07
Other liabilities	**154,237**	65,942	133.90
Total liabilities	**15,252,778**	14,288,881	6.75
Equity:			
Share capital	**250,011**	250,011	-
Capital reserve	**135,537**	135,523	0.01
Investment revaluation reserve	**(4,468)**	(19,290)	(76.84)
Surplus reserve	**107,970**	107,970	-
General reserve	**169,039**	153,835	9.88
Retained earnings	**484,539**	444,084	9.11
Exchange reserve	**(4,714)**	(6,182)	(23.75)
Total equity attributable to equity shareholders of the Bank	**1,137,914**	1,065,951	6.75
Non-controlling interests	**9,098**	8,378	8.59
Total equity	**1,147,012**	1,074,329	6.77
Total liabilities and equity	**16,399,790**	15,363,210	6.75

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	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**

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	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 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

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	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

Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2014	2013
Cash flows from operating activities		
Profit before tax	**169,516**	155,189
Adjustments for:		
– Impairment losses	**23,122**	16,054
– Depreciation and amortisation	**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	**(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	**(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

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2014	2013
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)
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	**440,773**	748,920
Cash and cash equivalents as at 30 June	**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)

Notes:

1 There are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2013.

2 Unless otherwise stated, the financial figures are expressed in millions of RMB.

3 For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan.

4 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

5 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

6 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.

7 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

8 Derivatives

(1) Analysed by type of contract

	As at 30 June 2014			As at 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

(2) Analysed by credit risk-weighted assets

	30 June 2014	31 December 2013
Counterparty credit default risk-weighted assets		
Interest rate contracts	**1,636**	1,387
Exchange rate contracts	**16,981**	17,739
Other contracts	**771**	1,238
Subtotal	**19,388**	20,364
Credit value adjustment	**8,101**	8,688
Total	**27,489**	29,052

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.

8 Derivatives (continued)

(3) Hedge accounting

The following designated hedging instruments are included in the derivate 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)

(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.

9 Deposits from customers

	30 June 2014	31 December 2013
Demand deposits		
– Corporate customers	**4,020,918**	4,167,686
– Personal customers	**2,651,648**	2,525,115
Subtotal	**6,672,566**	6,692,801
Time deposits (including call deposits)		
– Corporate customers	**2,976,517**	2,457,076
– Personal customers	**3,307,873**	3,073,160
Subtotal	**6,284,390**	5,530,236
Total	**12,956,956**	12,223,037

Deposits from customers include:

		30 June 2014	31 December 2013
(1)	Pledged deposits		
	– Deposits for acceptance	**169,081**	129,392
	– Deposits for letter of credit	**59,432**	55,018
	– Deposits for guarantee	**37,480**	36,308
	– Others	**282,891**	199,256
	Total	**548,884**	419,974
(2)	Outward remittance and remittance payables	**18,662**	11,908

10 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.

11 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.

	30 June 2014	31 December 2013
Loan commitments		
– with an original maturity within one year	**145,964**	179,790
– with an original maturity of one year or over	**286,010**	302,109
Credit card commitments	**458,347**	437,431
	890,321	919,330
Bank acceptances	**432,850**	360,499
Financing guarantees	**119,393**	129,557
Non-financing guarantees	**535,562**	484,370
Sight letters of credit	**24,491**	29,243
Usance letters of credit	**346,661**	351,543
Others	**45,477**	35,685
Total	**2,394,755**	2,310,227

(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
Credit risk-weighted amount of contingent liabilities and commitments	**928,574**

11 Commitments and contingent liabilities(continued)

(3) Operating lease commitments

The Group leases 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:

	30 June 2014	31 December 2013
Within one year	**4,870**	4,596
After one year but within two years	**3,935**	3,749
After two years but within three years	**3,082**	2,999
After three years but within five years	**3,405**	3,557
After five years	**2,429**	2,543
Total	**17,721**	17,444

(4) Capital commitments

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

	30 June 2014	31 December 2013
Contracted for	**3,421**	4,618
Authorised but not contracted for	**4,661**	2,770
Total	**8,082**	7,388

(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) 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, but not yet matured as at 30 June 2014, were RMB52,317 million (as at 31 December 2013: RMB50,794 million)

11 Commitments and contingent liabilities(continued)

(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. The Group considers that the provisions made are reasonable and adequate.

(8) Provisions 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.

12 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.

12 Operating segments(continued)

(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.

12 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

12 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

12 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.

12 Operating segments(continued)

(2) Business segments (continued)

	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

12 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

Unaudited supplementary financial information

(a) 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 31December 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.

(b) 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

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.

(c) 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.

(d) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 innovations. 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			Six months ended 30 June 2013		
	Average balance	Interest income/ expense	Annualised average yield/cost (%)	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.

(In millions of RMB, except percentages)	Six months ended 30 June 2014			Six months ended 30 June 2013		
	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.

(In millions of RMB, except percentage)	As at 30 June 2014		As at 31 December 2013	
	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.

(In millions of RMB, except percentages)	As at 30 June 2014		As at 31 December 2013	
	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		As at 31 December 2013	
	Amount	**% of total**	**Amount**	**% 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

(In millions of RMB)	Six months ended 30 June 2014			
	Allowances for loans and advances which are collectively assessed	**Allowances for impaired loans and advances**		**Total**
		Which are collectively assessed	**Which are individually assessed**	
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.

(In millions of RMB, except percentages)	As at 30 June 2014		As at 31 December 2013	
	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.

(In millions of RMB, except percentages)	As at 30 June 2014		As at 31 December 2013	
	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.

(In millions of RMB, except percentages)	As at 30 June 2014		As at 31 December 2013	
	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		As at 31 December 2013	
	Amount	**% of total**	**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		As at 31 December 2013	
	Amount	% of total	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.

(In millions of RMB, except percentages)	As at 30 June 2014		As at 31 December 2013	
	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.

(In millions of RMB, except percentages)	As at 30 June 2014			As at 31 December 2013		
	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.

(In millions of RMB, except percentages)	As at 30 June 2014				As at 31 December 2013			
	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.

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		Six months ended 30 June 2013	
	Amount	**% of total**	**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

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. In 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 innovations. 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

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. In 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. In 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

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 over investment banking, in order to promote sound and sustainable development in the arena. In 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, rename 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 Loans and advances	% of total	NPLs	NPL ratio (%)	As at 31 December 2013 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:

(In millions of RMB, except percentages)	As at 30 June 2014 Amount	% of total	As at 31 December 2013 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). In 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.

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.

(In millions of RMB)	Six months ended 30 June 2014			
	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 unlisted 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.

OTHER INFORMATION

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.

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.

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 up to 30 June 2014.

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.

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Zhang Jianguo

Vice chairman, executive director and president

29 August 2014

As of the date of this announcement, the Bank's executive directors are Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Zhu Hongbo and Mr. Hu Zheyi; non-executive directors are Mr. Qi Shouyin, Ms. Chen Yuanling, Mr. Xu Tie, Mr. Guo Yanpeng and Mr. Dong Shi; and independent non-executive directors are 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.