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中 信 銀 行 股 份 有 限 公 司
China CITIC Bank Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
 (Stock Code: 998)

**INTERIM RESULTS ANNOUNCEMENT
 FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The Board of Directors of China CITIC Bank Corporation Limited is pleased to announce the unaudited consolidated results of the Bank and its subsidiaries for the six months ended 30 June 2014, which have been prepared in accordance with the applicable disclosure requirements under the Hong Kong Listing Rules and in compliance with IAS 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board. The interim results have been reviewed and confirmed by the Audit and Related Party Transactions Control Committee of the Board of Directors.

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

Expressed in Renminbi unless otherwise stated

I. FINANCIAL HIGHLIGHTS

Operating Performance

Unit: RMB million

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

Profitability Indicators

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

Scale Indicators

Unit: RMB million

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

Asset Quality Indicators

Unit: RMB million

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

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

Capital Adequacy Indicators

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

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

Supplementary Financial Indicators

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

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

(2) Discounted bills are included in loans.

II. REPORT OF THE BOARD OF DIRECTORS

Economic, Financial and Regulatory Environments

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

To date, in face with the complicated international and domestic environments, the Chinese central government has taken a firm grasp on the initiative to development, combined stabilization of growth, promotion of reform, adjustment of structure and improvement of livelihood in a scientific and comprehensive manner, made reform and innovation drivers of growth and structural adjustment a strong support to development, while putting the role of the market into full play, and paying more attention to directional control and readjustment. As a result, the Chinese economy enjoyed steady operation in general, progress of restructuring amid stability, and a sound momentum of transformation and upgrading. Gross domestic product (GDP) in the first half of the year recorded RMB26.9044 trillion, representing a growth of 7.4% year-on-year; investment in fixed assets reached RMB21.2770 trillion, up 17.3% year-on-year, a slower growth rate at very high overall investment level; consumption rose steadily, with total retail sales of consumer goods going up to RMB12.4199 trillion, up 12.1% year-on-year; growth of international trade turned from negative to positive with total import and export registering USD2.0209 trillion, an increase of 1.2% year-on-year, and trade surplus standing at USD102.9 billion; consumer price index (CPI) remained stable in essence, up 2.3% year-on-year; producer's price index (PPI) continued on the downward slope, recording a year-on-year decline of 1.8% while purchasing price index of raw material (PPIRM) went down by 2.0% year-on-year.

The financial industry in China operated in a prudent and healthy manner, with the scale of monetary credit and total social financing both enjoying steady moderate growth. For the first half of 2014, total social financing in China registered RMB10.57 trillion, RMB414.6 billion more than the same period of the previous year. By the end of June, the supply of broad money (M2) and that of narrow money (M1) reached RMB120.96 trillion and RMB34.15 trillion respectively, up 14.7% and 8.9% year-on-year respectively. At the end of June, Renminbi loan and deposit balances registered RMB77.63 trillion and RMB113.61 trillion respectively. The first half of 2014 recorded RMB5.74 trillion incremental Renminbi loans, up RMB659.0 billion year-on-year; and RMB9.23 trillion incremental Renminbi deposits, up RMB135.4 billion year-on-year.

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

Operating Results and Overview of Strategic Transformation

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

Rapid growth of business scale: As at the end of the reporting period, the Group’s total assets reached RMB4.311187 trillion, up 18.40% over the end of the previous year, of which total loans and advances to customers stood at RMB2.119144 trillion, up 9.17% over the end of the previous year; and total deposits from customers amounted to RMB3.053213 trillion, up 15.14% over the end of the previous year.

Continuous improvement of profitability: During the reporting period, the Group realized net profit attributable to the Bank’s shareholders of RMB22.034 billion, representing an increase of 8.06% year-on-year; profit before provisioning of RMB41.120 billion, representing an increase of 27.97% year-on-year; net interest income of RMB45.614 billion, representing an increase of 12.70% year-on-year; and net non-interest income of RMB16.487 billion, representing an increase of 71.74% year-on-year.

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

Progress in Strategic Transformation

Very unique corporate finance business

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

Fast development of retail banking

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

Continuous innovation in online financial services

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

Analysis of the Financial Statements

Income Statement Analysis

Unit: RMB million

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

Operating Income

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

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

Net Interest Income

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

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

Unit: RMB million

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

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

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

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

Unit: RMB million

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

Net Interest Margin and Net Interest Spread

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

Interest Income

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

Interest Income from Loans and Advances to Customers

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

Classification by Term

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

Classification by Business

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

Interest Income from Investment in Debt Securities

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

Interest Income from Deposits with the Central Bank

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

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

During the reporting period, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB6.698 billion, up RMB942 million or 16.37% year-on-year, which was mainly due to the 0.71 percentage point increase in the average yield of deposits and placements with banks and non-bank financial institutions.

Interest Income from Amounts under Resale Agreements

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

Interest Income from Receivables Investment and Others

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

Interest Expense

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

Interest Expense on Deposits from Customers

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

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

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

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

Interest Expense on Amounts Under Repurchase Agreements

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

Interest Expense on Issued Debt Certificates and Others

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

Net Non-Interest Income

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

Unit: RMB million

Item	January- June 2014	January- June 2013	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Net fee and commission income	12,807	7,977	4,830	60.55
Net transaction gain	2,712	1,170	1,542	131.79
Net gain from investment securities	800	73	727	995.89
Other net operating gain	168	380	(212)	(55.79)
Total net non-interest income	<u>16,487</u>	<u>9600</u>	<u>6,887</u>	<u>71.74</u>

Net Fee and Commission Income

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

Unit: RMB million

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

Net gain from trading

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

Unit: RMB million

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

Loss on Asset Impairment

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

Unit: RMB million

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

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

Operating Expenses

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

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

Unit: RMB million

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

Income Tax Analysis

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

Balance Sheet Analysis

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

Unit: RMB million

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

Notes: (1) Including financial assets measured at fair value through profit or loss for the current period, available-for-sale financial assets, held-to-maturity investments and investment in associates.

(2) Including precious metal, derivative financial assets, interest receivables, fixed assets, intangible assets, investment properties, goodwill, deferred income tax assets and other assets.

(3) Including financial liabilities measured at fair value through profit or loss for the current period, derivative financial liabilities, staff remunerations payable, tax and fee payables, interest payables, accrued liabilities, other liabilities and so on.

Loan Business

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

The Group

Unit: RMB million

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

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

The Bank

Unit: RMB million

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

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

Investment in Debt Securities and Equity Instruments

Portfolio Analysis of Investment in Debt Securities and Equity Instruments

Unit: RMB million

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

Classification of Debt Securities Investment

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

Unit: RMB million

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

Note: Primarily corporate bonds.

Domestic and Overseas Debt Securities Investment

Unit: RMB million

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

Foreign Currency Denominated Debt Securities Held

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

Breakdown of Major Investments in Financial Debt Securities

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

Unit: RMB million

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

Changes in Provision for Investment Impairment Losses

Unit: RMB million

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

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

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

Classification of Derivatives and Fair Value Analysis

Unit: RMB million

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

On-Balance Sheet Interest Receivables

Unit: RMB million

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

Reposessed Assets

Unit: RMB million

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

Deposits from Customers

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

The Group

Unit: RMB million

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

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

The Bank

Unit: RMB million

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

Breakdown of Deposits from Customers by Currency

Unit: RMB million

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

Breakdown of Deposits by Geographical Location

Unit: RMB million

Item	30 June 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim ^(Note)	793,532	25.9	697,913	26.3
Yangtze River Delta	731,613	24.0	638,334	24.1
Pearl River Delta and West Strait	448,463	14.7	386,531	14.6
Central region	441,829	14.5	373,731	14.1
Western region	412,848	13.5	348,232	13.1
Northeastern region	87,419	2.9	85,365	3.2
Overseas	137,509	4.5	121,572	4.6
Total deposits from customers	3,053,213	100.0	2,651,678	100.0

Note: Including the Head Office.

Breakdown of Deposits by Remaining Maturity

The Group

Unit: RMB million

Item	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	1,157,024	38.0	480,771	15.7	575,084	18.8	233,273	7.6	3,098	0.1	2,449,250	80.2
Personal deposits	352,298	11.5	99,654	3.3	117,835	3.9	34,163	1.1	13	—	603,963	19.8
Total	1,509,322	49.5	580,425	19.0	692,919	22.7	267,436	8.7	3,111	0.1	3,053,213	100.0

The Bank

Unit: RMB million

Item	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	1,128,900	38.7	442,119	15.2	561,388	19.3	231,186	7.9	3,098	0.1	2,366,691	81.2
Personal deposits	338,733	11.6	71,582	2.4	103,933	3.6	34,091	1.2	13	—	548,352	18.8
Total	1,467,633	50.3	513,701	17.6	665,321	22.9	265,277	9.1	3,111	0.1	2,915,043	100.0

Shareholders' Equity

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

Unit: RMB million

Item	30 June 2014							
	Share Capital	Share Premium and Other Reserve	Investment Revaluation Reserve	Surplus Reserve and General Risk Provision	Undistributed Profit	Translation Gap of Foreign Currency Statements	Non Controlling Interests	Total Shareholders' Equity
Beginning balance	46,787	49,503	(4,769)	59,835	76,690	(2,445)	5,124	230,725
1. Net profit	—	—	—	—	22,034	—	391	22,425
2. Other comprehensive income	—	(7)	3,373	—	—	76	53	3,495
3. Owner's input or reduction of capital	—	—	—	—	—	—	1,843	1,843
4. Profit distribution	—	—	—	—	(11,790)	—	—	(11,790)
Ending balance	<u>46,787</u>	<u>49,496</u>	<u>(1,396)</u>	<u>59,835</u>	<u>86,934</u>	<u>(2,369)</u>	<u>7,411</u>	<u>246,698</u>

Major Off-Balance Sheet Items

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

Unit: RMB million

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

Capital Adequacy Ratio

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

Unit: RMB million

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

Major Accounting Estimates and Assumptions

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

The basis for compilation of the Group's financial statements are influenced by estimates and judgments in the following main aspects: recognition and measurement of financial instruments (provisions for loan impairment losses and bad debt write-offs, classification of debt securities and equity investments, fair value measurement of trading investments and transactions designated at fair value through profit or loss, fair value measurement of available-for-sale investments, and fair value measurement of derivative financial instruments), affirmation of actuarial obligations for pensions and welfare, and recognition of deferred income tax and income tax expenses.

Measurement of Fair Value

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

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

Segment Report

Business Segments

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

Unit: RMB million

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

Geographical Segments

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

Unit: RMB million

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

Note: Excluding deferred income tax assets.

Unit: RMB million

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

Note: Excluding deferred income tax assets.

Business Review

Corporate Finance Business

Business Overview

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

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

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

Institutional Banking

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

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

Supply Chain Finance

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

Cash Management

The Bank made vigorous efforts to push forward product innovation of cash management. Smart deposit, agency payment, enterprise total-process business services, seller’s online finance backed with pledge of inventories in B2B e-commerce and e-tendering financial service system, etc. realized online operation. Research and development of products such as corporate settlement cards, electronic entrusted loans, online finance backed with pledge of receivables in B2B e-commerce were driven forward. More efforts were made to promote the construction of a multi-bank fund management system and the deployment of cloud service platforms. Following the wave of internet finance development, the Bank continued to refine the Depositary System

for Excess Reserves from Third-Party Payment Institutional Customers and the monetary supervision system for fund sales and settlement, expanded its service provision into the telecom and insurance sectors, and became the exclusive supervisory bank for fund payment of Yu'E Bao and China Telecom Tianyi Bao, substantially upgrading the comprehensive service capacity and market influence of its cash management business.

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

Special Business Area: Factoring Business

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

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

Special Business Area: Asset Custody Business

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

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

Retail Finance

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

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

Wealth Management and Private Banking

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

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

Consumer Finance

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

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

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

Small Enterprise Finance

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

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

Credit Card

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

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

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

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

Online Banking

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

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

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

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

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

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

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

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

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

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

Financial Market Business

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

Financial Market Business

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

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

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

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

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

Investment Banking

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

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

International Business

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

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

Interbank Business

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

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

Special Business Area: Wealth Management

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

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

Integrated Financial Service Platform of CITIC Group

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

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

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

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

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

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

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

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

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

Distribution Channels

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

Branches

The Bank accelerated outlet construction in economically developed cities and key regions by rational planning outlet development and optimization of outlet layout. During the reporting period, the Bank obtained CBRC approval for establishment of a branch at the Shanghai Pilot Free Trade Zone and for the plan of constructing 11 new branches and 23 new sub-branches had opened for business. As at the end of the reporting period, the Bank had 1,096 domestic branches and sub-branches in place, including 42 tier-1 branches, 69 tier-2 branches and 978 sub-branches.

The Bank conducted commercial banking business in Hong Kong SAR and overseas countries and regions via CNCBI, the wholly owned subsidiary of its controlled subsidiary CIFH. As at the end of the reporting period, CNCBI had 36 physical outlets in Hong Kong SAR with 4 overseas branches respectively stationed in Macau SAR, Singapore, New York and Los Angeles.

Self-Service Outlets and Self-Service Terminals

During the reporting period, in parallel with further efforts to reinforce risk prevention of self-service banking transactions, the Bank also expanded the distribution network of self-service banks and terminals and raised the substitution rate of self-service terminals in transactions. As at the end of the reporting period, the Bank had established 2,453 self-service banks and installed 8,740 self-service terminals (ATM, CDM and CRS) in Mainland China, up 3.94% and 3.64% respectively over the end of the previous year.

Telephone Banking

The Bank provides telephone banking services to customers via its Telephone Customer Service Center. During the reporting period, the Service Hotline of the Bank's Customer Service Center received 24.39 million incoming calls, including 20.91 million automated phone answering service calls and 3.48 million manual service calls, achieving a 20 seconds response rate of 83.38% for all manual service calls, a customer satisfaction rate of 98.86%, and a 98.38% satisfaction rate with the handling of customer complaints. The Bank's Customer Service Center exerted greater efforts to make proactive outbound telephone calls to customers, focusing on care for medium to high-end customers, marketing of products and urging for loan repayment, registering 200,700 person-time outbound calls in total.

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

Online Banking

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

Information Technology

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

Subsidiary Business

CITIC International Financial Holdings Limited (CIFH)

CIFH is the main platform for CNCB to conduct overseas business, with CNCB and BBVA holding 70.32% and 29.68% of its equity interests respectively. CIFH specializes in commercial banking business and non-banking financial services with its commercial banking business mainly provided by CNCBI, its wholly-owned subsidiary. CIFH conducts its non-banking financial business through CIAM and CITIC Capital, with CIFH holding 40% equity interests of CIAM and 20.03% of CITIC Capital respectively.

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

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

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

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

China Investment and Finance Limited (CIFL)

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

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

As at the end of the reporting period, CIFL had 9 employees and total assets equivalent to USD187.95 million, down 16.57% over the end of the previous year; and realized net after-tax profit equivalent to USD8.12 million during the reporting period, up 69.17% year-on-year.

Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, the first rural bank established by the Bank, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. As at the end of the reporting period, Lin'an CITIC Rural Bank had 42 employees, and recorded a deposit balance of RMB693 million and a loan balance of RMB598 million. During the reporting period, the rural bank realized a net profit of RMB4 million and was free of cases and material accidents.

Risk Management

Credit Risk Management

Risk Management of Corporate Loans

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

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

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

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

Risk Management of Small Enterprise Loans

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

The Bank emphasized the small enterprise business model of “planning first, marketing in batches”, reinforced market planning, conducted all-round analysis of competitive industrial clusters in combination with regional economic features and industry policies, took the lead to make accession rules for relevant industries, markets and clusters, and embedded customer access management into its credit granting process to control access of batch customers from the sources.

The Bank adopted multiple means to reinforce risk monitoring and inspection of credit grants to small businesses. Efforts were made to set up a mechanism for monitoring and analysis of credit risk of small businesses whereby regular analysis and assessment would be conducted of the risks of credit grants to small businesses from multiple perspectives including geographic region, sector, product and guarantee. Meanwhile, the Bank reinforced specialized risk monitoring and inspection of special business areas.

Risk Management of Credit Card Business

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

Risk Management in Financial Market Business

During the reporting period, the Bank prudently conducted its securities investment business and provided customers with risk mitigation and value added services. With regard to Renminbi denominated bond investment, the Bank focused on premium enterprises in relevant sectors as key credit investment targets. With regard to foreign currency denominated bond investment, the Bank regarded bonds issued overseas by premium Chinese issuers as key credit investment targets.

Loan Monitoring and Post-Lending Management

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

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

1. *Effectively reinforced risk process management and control and stabilized loan asset quality*
 - (1) Explicitly defined loan asset quality control targets and monitored branch attainment of the targets on a monthly basis;
 - (2) Improved the performance evaluation method with more emphasis placed on assessment of loan asset quality;
 - (3) Strengthened on-site guidance and experience exchanges for branches with regard to risk dissolution;
 - (4) Tightened accountability for NPLs.
2. *Effectively strengthened risk monitoring of key areas and proactively prevented and dissolved systemic risk*
 - (1) Constructed and improved the bank-wide risk early warning system based on the risk monitoring and dissolution mechanism targeting “ten customers of priority concern” for better capacity of risk early warning and risk dissolution;
 - (2) Prioritized efforts to toughen risk monitoring and screening of key areas and key businesses, e.g., overcapacity industries such as steel, coal, coking, paper making and PV, subsidiaries of central SOEs, local large SOEs, large private companies closely connected with the government, trade finance, mutual and joint guarantee, personal business loans, small and micro enterprises, etc., and distributing PBC information on enterprises’ non-performing and delinquent loans bank-wide on a weekly basis;
 - (3) Made more vigorous efforts to achieve proactive exit and structural adjustment: the Bank took the initiative to exit from 1,434 accounts of risky loans totaling RMB35.9 billion in value;
 - (4) Carried out on-site inspection of key branches and key credit-grant business areas and bank-wide quality inspection of loan classification in the first half of 2014.
3. *Effectively reinforced institutional development and process optimization for construction and improvement of a long-term effective work mechanism*

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

4. *Effectively promoted IT development for gradual enhancement of loan management tools and approaches*
- (1) Sped up the construction and application of the loan management system;
 - (2) Completed online operation, upgrading and optimization of the collaterals management system; and
 - (3) Initiated the risk early warning consulting project, with Phase I of the risk early warning management system to be completed by the end of the year.
5. *Effectively enhanced human resources development for loan management, with the level of specialized professional management enjoying constant improvement*

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

Credit Risk Analysis

Distribution of Loans

Concentration of Loans by Geographic Region

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

The Group

Unit: RMB million

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

Note: Including the Head Office.

The Bank

Unit: RMB million

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

Note: Including the Head Office.

Concentration of Loans by Product

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

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

Concentration of Loans by Sector

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

The Group

Unit: RMB million

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

Unit: RMB million

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

Breakdown of Loans by Type of Guarantee

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

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

Concentration of Borrowers of Corporate Loans

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

The Group

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

Notes: (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.
(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.

The Group

Unit: RMB million

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

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

Loan Quality Analysis

Five-Class Loan Classification

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

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

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

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

The Group

Unit: RMB million

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

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

Unit: RMB million

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

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

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

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

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

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

Migration of Loans

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

The Bank

Item	30 June 2014	31 December 2013	31 December 2012
Migration ratio from normal loans (%)	1.24	1.51	1.16
Migration ratio from special mention loans (%)	25.43	27.20	6.35
Migration ratio from sub-standard loans (%)	41.35	45.98	24.06
Migration ratio from doubtful loans (%)	11.54	17.94	5.70
Migration ratio from performing to non-performing loans (%)	0.48	0.67	0.36

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

Loans Overdue

The Group

Unit: RMB million

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

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

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

The Bank

Unit: RMB million

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

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

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

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

Breakdown of NPLs by Product

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

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

Breakdown of NPLs by Geographic Location

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

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

Breakdown of Corporate NPLs by Sector

The Group

Unit: RMB million

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

Unit: RMB million

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

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

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

Analysis of Provision for Loan Impairment

Changes in Provision for Loan Impairment

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

The Group

Unit: RMB million

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

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

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

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

The Bank

Unit: RMB million

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

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

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

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

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

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

Management of Market Risk

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

Management of Interest Rate Risk

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

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

The Group

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total assets	88,805	2,310,985	1,532,489	305,897	73,011	4,311,187
Total liabilities	99,635	2,688,837	889,709	341,430	44,878	4,064,489
Asset-liability gap	(10,830)	(377,852)	642,780	(35,533)	28,133	246,698

The Bank

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total assets	90,175	2,172,786	1,514,684	298,136	72,639	4,148,420
Total liabilities	91,637	2,590,987	852,576	335,664	41,584	3,912,448
Asset-liability gap	(1,462)	(418,201)	662,108	(37,528)	31,055	235,972

Management of Exchange Rate Risk

The Bank measures exchange rate risk mainly through the analysis of foreign exchange exposure that consists of trading and non-trading exposures. Trading exposure mainly results from the position in foreign exchange trading, while non-trading exposure mainly arises from foreign currency capital and foreign currency profit. The Bank manages exchange rate risk by matching foreign currency denominated assets with corresponding foreign currency denominated liabilities as well as the appropriate use of derivative financial instruments. For businesses with potential exchange rate risk, the Bank sets corresponding limits on foreign exchange exposures to control its exchange rate risk under acceptable level.

Analysis of Exchange Rate Risk

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

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

Liquidity Risk Management

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

Liquidity Risk Management Objectives and Structure

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

The Bank has set up a liquidity risk governance structure that has the Board of Directors, the Board of Supervisors, the senior management, and the Assets and Liabilities Management Committee as its decision-making and supervision layer, relevant business and management departments as its executing layer and the compliance and audit departments as its supervisory layer, and has clearly defined division of duties for each and every component in the structure. The Bank pursues a unified liquidity risk management model. The Head Office is responsible for formulating liquidity risk management policies of the Group and its legal-person institutions, and

managing liquidity risk at the legal-person institution level in a centralized manner. Domestic branches of the Bank, in accordance with requirements of the Head Office, are responsible for fund management within their respective jurisdictions in accordance with their authorized mandates. All domestic and overseas subsidiaries of the Bank are responsible for developing their own strategies and procedures on liquidity risk management and implementing such strategies and procedures in accordance with the requirements of local regulators and the Group.

Contents of Daily Liquidity Risk Management

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

The Group

Unit: RMB million

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

The Bank

Unit: RMB million

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

Internal control and operation risk management

Internal Control

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

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

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

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

Boosting information exchange and communication: The Bank reinforced its management over the reporting of major risk incidents, built up its capacity of responding to major risk incidents, effectively prevented and dissolved risks and, with a tough hand, held accountable those responsible for losing the best risk resolving opportunity or causing material losses due to untimely risk reporting. With the use of internal platforms, the Bank shared experiences and released risk reminders. Efforts were also made to improve information disclosure and management of investor relations, such as quarterly/yearly submission of the Report on Important Internal Control Matters, for greater transparency of information on internal control.

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

Internal Audit

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

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

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

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

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

Operation Risk Management

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

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

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

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

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

Capital Management

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

Capital adequacy ratio is one of the core areas for the Bank's capital management, reflecting the capacity of the Bank for prudent operation and risk prevention. From 2013 onward, the Bank calculates, manages and discloses its capital adequacy ratio according to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC in June 2012. Regulatory requirements on capital adequacy ratio of commercial banks include: minimum capital requirements, capital conservation buffer requirement and counter cyclical capital requirement, plus additional capital surcharge on systemically important banks. As at the end of the reporting period, the Bank's capital adequacy ratio complied with all statutory regulatory requirements, ahead of the required deadlines.

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

Securities Investment

Shareholdings in Other Listed Companies and Financial Enterprises

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

Unit: RMB

No.	Stock code	Stock name	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in shareholder's equity during the reporting period	Accounting item	Source of investment
1	00762	China Unicom (HK)	7,020,000.00	—	3,803,924.36	—	3,648,201.81	155,722.55	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,509,605.39	—	65,634,824.75	46,920.95	68,698,961.41	(3,064,136.66)	Available-for-sale financial assets	Gift/Bonus share
3	MA	Mastercard International	201,629.69	—	3,425,942.34	8,175.85	3,860,489.40	(434,547.06)	Available-for-sale financial assets	Bonus share
Total			<u>14,731,235.08</u>		<u>72,864,691.45</u>	<u>55,096.80</u>	<u>76,207,652.62</u>	<u>(3,342,961.17)</u>		

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

Unit: RMB

Name of Company	Initial investment amount	Number of shares held (share)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Changes in shareholder's equity during the reporting Period	Accounting item	Source of investment
China Union Pay Co. Ltd.	113,750,000.00	87,500,000	2.99%	113,750,000.00	—	—	Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	35	—	497,691.48	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,088,901.15	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	12,859,677.46	—	—	Available-for-sale financial assets	Bonus share
Total	<u>132,710,234.79</u>	<u> </u>	<u> </u>	<u>131,196,270.09</u>	<u>—</u>	<u>—</u>		

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with a net value of RMB197 million as at the end of the reporting period.

Management of Financial Statement Consolidation

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

Funds Raised

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

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

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

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

Formulation of Cash Dividend Distribution Policy and Its Implementation

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

Outlook

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

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

will focus more on directional control and readjustment, i.e., reinforcing “structural optimization” through directional fine tuning, and reducing financing cost of specified areas through directional injection of liquidity. It is expected that the Chinese economy as a whole will stabilize and rebound during the latter half of the year, with investment in capital construction continuing to exert its effect, and property investment remaining a major factor affecting economic growth.

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

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

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

III. SIGNIFICANT EVENTS

Purchase, Sales or Redemption of Shares

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

Material Acquisitions, Disposals or Restructurings of Assets

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

Material Contracts and their Performance

During the reporting period, the Bank did not have any material custody, contracting or leasing of any assets of other companies that took place during the reporting period or that took place in previous periods but went on to the reporting period; nor did other companies custody, contract or lease any material assets of the Bank.

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

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

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

Appropriation of Funds by the Controlling Shareholder

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

Material Related Party Transactions

When entering into related party transactions with the related parties during its ordinary and usual course of business, the Bank followed general commercial principles and executed the transactions with terms available to related parties being no more favorable than those available to or from independent third parties. Please refer to Note 58 Related Party to the Financial Statements for detailed data about the related party transactions.

Related Party Transactions involving Disposal and Acquisition of Assets

According to the Agreement of Intent entered into by the Bank and CITIC Heye, a wholly-owned subsidiary of CITIC Group, in March 2014 and approved by the 2013 Annual General Meeting, CITIC Heye agreed to sell and the Bank agreed to acquire the Lot Z15 located in the center of the Beijing core CBD, third east ring in Chaoyang District, Beijing (the “Property”). The gross floor area of the Property is approximately 165,193 m², and the provisional consideration payable by the Bank for the acquisition of the Property is RMB10,407.1586 million. The Property is yet to be developed and expected to be completed in 2019. According to the preliminary appraisal by Beijing Pan-China Assets Appraisal Co., Ltd., the PRC independent professional valuer engaged by the Bank, the indicative value of the Property was RMB11,175.7308 million as at 1 February 2014 (assuming the Property has been completed as of the date). Meanwhile, according to the preliminary appraisal by Grant Sherman Appraisal Limited, the international independent professional valuer engaged by the Bank, the indicative value of the Property was RMB11,175.70 million as at 1 February 2014 (assuming the Property has been completed as of the date). The above-mentioned total consideration was determined based on the valuation reports issued by qualified independent valuers engaged by the Bank, and on arm’s length negotiation between the Bank and CITIC Heye. According to the Agreement of Intent, the final total consideration shall be determined based on the measurement of gross floor area by a qualified surveyor’s surveying and mapping of the Property upon delivery, as well as the unit price agreed in the Agreement of Intent. When there is any discrepancy between the final consideration of the Property and the provisional consideration agreed in the Agreement of Intent, the parties shall make up or refund the difference (as the case may be) according to the unit price as agreed in the Agreement of Intent. It is expected that CITIC Heye shall deliver the Property to the Bank on 31 March 2019. The transaction was conducted addressing the business need of the Bank and according to the principle of impartiality and fairness, which had no significant impact on the normal operation and financial position of the Bank. For details of the payment schedule and other related information please refer to the announcement published by the Bank on 27 March 2014 on the website of the SEHK.

Credit Extension Related Party Transactions

The Bank attached great importance to the day-to-day monitoring and management of related party transactions involving credit extension and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as process-oriented management, risk review and approval, and post-lending management. As at the end of the reporting period, the balance of credit extended to related parties by the Bank totaled RMB8.588 billion, of which the credit balance to CITIC Group and its subsidiaries totaled RMB6.995 billion and that to BBVA and its subsidiaries totaled RMB1.593 billion. With sound underlying quality, all of the above-mentioned credit granted to related shareholders together with the risk exposures thereof were normal bank loans and therefore will not have any material effect on the normal operation of the Bank in terms of transaction volume, structure and quality.

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

Non-Credit Extension Continuing Connected Transactions

In 2014, the Bank entered into framework agreements on seven categories of continuing connected transactions respectively with CITIC Group and its associates, as well as BBVA and its associates, and conducted transactions within the corresponding approved annual caps of 2014. According to the applicable provisions of Chapter 14A of the Hong Kong Listing Rules and Chapter 10 of the Shanghai Listing Rules, we hereby provide details on the above-mentioned continuing connected transactions as follows.

Non-credit extension continuing connected transactions with CITIC Group and its associates

Third-Party Escrow Services

According to the Third-Party Escrow Service Framework Agreement concluded between the Bank and CITIC Group in March 2014, the third-party escrow services between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to or from independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined on the basis of relevant market rates and subject to periodic reviews. In 2014, the annual cap for the Bank's transactions under the Third-Party Escrow Service Framework Agreement was RMB60 million while the actual amount incurred under this framework agreement as at the end of the reporting period did not exceed the Bank's approved cap of the year.

Asset Custody Services

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

Financial Consulting and Asset Management Services

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

Capital Transactions

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

Comprehensive Services

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

Asset Transfer

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

Wealth Management and Investment Services

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

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

Capital Transactions

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

Connected Transactions in Joint External Investment

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

Material Litigations, Arbitrations and Events Questioned by the Media

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

During the reporting period, the Bank was not aware of any events that were widely questioned by public media.

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

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

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

No new undertakings were made by the shareholders holding 5% or more shares in the Bank during the reporting period. The number of ongoing undertakings remains the same as those disclosed in the 2013 Annual Report. The Bank is not aware of any violation of the original undertakings on the part of the shareholders that hold 5% or more shares in the Bank.

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

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

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

Note: (L) — long position

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

Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules throughout the six months ended 30 June 2014, except for the following:

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

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

Given the changes in the external business environment, regulatory requirements, and the business scope and scale of the Bank, all banks need to make lasting efforts to improve their internal control. As such, the Bank will follow the requirements of external regulators, the requirements for listed companies and the criteria of leading banks in the world to continuously optimize its internal control management.

Securities Transactions by Directors, Supervisors and Senior Management

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

The Bank has made special inquiries with all directors, supervisors and senior management in this regard, while all directors, supervisors and senior management have confirmed that they have strictly complied with the above mentioned Model Code provisions regarding securities transactions conducted by directors and supervisors throughout the first half of 2014.

Notes on Amendments to Business Plan

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

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

The Bank is not aware of any situation that would lead to the forecast of possible losses or substantial year-on-year changes to be recorded in cumulative net profit from the beginning of 2014 to the end of the next reporting period.

Review of Interim Results

The Audit and Related Party Transactions Control Committee and the senior management of the Bank have jointly reviewed the accounting policies and practices adopted by the Bank, discussed matters related to internal control and financial reporting, and reviewed this interim results announcement, and were of the opinion that, the preparation basis of this interim results announcement were consistent with the accounting policies adopted for the preparation of the financial report of the Group for the year 2013, except for the following accounting standards including Amendments to IFRS 10- Consolidated financial statements, IFRS 12- Disclosure of interests in other entities and IAS 27- Separate financial statements, Investment entities, Amendments to IAS 32- Financial instruments: presentation, Offsetting financial assets and financial liabilities, Amendments to IAS 36- Impairment of assets, Recoverable amount disclosures for non-financial assets, Amendments to IAS 39- Financial instruments: recognition and measurement, Novation of derivatives and continuation of hedge accounting, IFRIC 21, Levies. The aforementioned changes in accounting policies had no significant impact on the interim financial statements of 2014.

IV.CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

Changes in share capital

Unit: share

Item	Before the change		Changes (+,-)					After the change	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
I. Shares subject to restrictions on sale:	0	0				0	0	0	0
II. Shares not subject to restrictions on sale:	46,787,327,034	100.00				0	0	46,787,327,034	100.00
1. Renminbi denominated ordinary shares	31,905,164,057	68.19				0	0	31,905,164,057	68.19
2. Overseas-listed foreign shares	14,882,162,977	31.81				0	0	14,882,162,977	31.81
III. Total shares	46,787,327,034	100.00				0	0	46,787,327,034	100.00

Information on Shareholders

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

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

Unit: Share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of shares held	Shareholding percentage (%)	Balance of shares subject to restrictions on sale	Increase or decrease of shareholding during the reporting period	Shares pledged or frozen
1	CITIC Corporation Limited (formerly known as CITIC Limited) ⁽²⁾	State-owned	A-share, H-share	31,325,081,973	66.95	0	0	0
2	Hong Kong Securities Clearing Company Nominee Limited	Foreign	H-share	12,005,185,847	25.66	0	4,633,235,911	Unknown
3	NSSF ⁽³⁾	State-owned	A-share, H-share	338,513,209	0.72	0	0	Unknown
4	China Construction Bank	State-owned	H-share	168,599,268	0.36	0	0	Unknown
5	NSSF Portfolio 108	State-owned	A-share	106,040,604	0.23	0	106,040,604	Unknown
6	Mizuho Corporate Bank	Foreign	H-share	81,910,800	0.18	0	0	Unknown
7	Agricultural Bank of China-Baoying Strategic Growth Equity Fund	Other	A-share	58,000,000	0.12	0	58,000,000	Unknown
7	Bank of China Limited-Baoying Core Advantage Flexibly Allocated Hybrid Equity Fund	Other	A-share	58,000,000	0.12	0	58,000,000	Unknown
9	Bank of China-Dacheng Blue Chip Prudent-investment Equity Fund	Other	A-share	52,399,478	0.11	0	52,399,478	Unknown
10	NSSF Portfolio 113	State-owned	A-share	45,394,612	0.10	0	45,394,612	Unknown

Note: (1) The shareholdings of H-share holders is calculated based on the Bank's share register maintained with the H-share registrar of the Bank.

(2) CITIC Corporation Limited (formerly known as CITIC Limited) holds both A shares and H shares in the Bank totaling 31,325,081,973 shares, including 28,938,928,294 A shares and 2,386,153,679 H shares.

(3) The NSSF holds both A shares and H shares in the Bank totaling 338,513,209 shares, including 256,602,409 A shares and 81,910,800 H shares.

(4) Note on connected relations or concerted actions of the above shareholders: as at the end of the reporting period, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

(5) BBVA has confirmed that it holds 4,631,945,376 H shares in the Bank via Hong Kong Securities Clearing Company Nominee Limited, taking up 9.9% of the Bank's total shares.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

Name	Number of Shares Held	Shareholding Percentage of the Issued Share Capital of the Same Class (%)	Class of Shares
BBVA	9,664,697,966(L) 2,689,393,270(S)	64.94(L) 18.07(S)	H-share
BBVA	24,329,608,919(L)	76.26(L)	A-share
CITIC Group	9,604,697,966(L) 28,938,928,294(L)	64.54(L) 90.70(L)	H-share, A-share
CITIC Pacific ⁽²⁾	7,018,099,055(L) 28,938,928,294(L)	47.16(L) 90.70(L)	H-share, A-share
CITIC Corporation Limited (formerly known as CITIC Limited) ⁽²⁾	7,018,099,055(L) 28,938,928,294(L)	47.16(L) 90.70(L)	H-share, A-share

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

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

Save as disclosed above, as at 30 June 2014, there were no other interests or short positions of any other person or company in the shares or underlying shares of the Bank recorded in the register that the Bank had maintained pursuant to Section 336 of the Securities and Futures Ordinance requiring disclosure in accordance with Sections II and III in Part XV of the Securities and Futures Ordinance.

Controlling Shareholder and De Facto Controller of the Bank

Changes in Controlling Shareholder and De Facto Controller

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

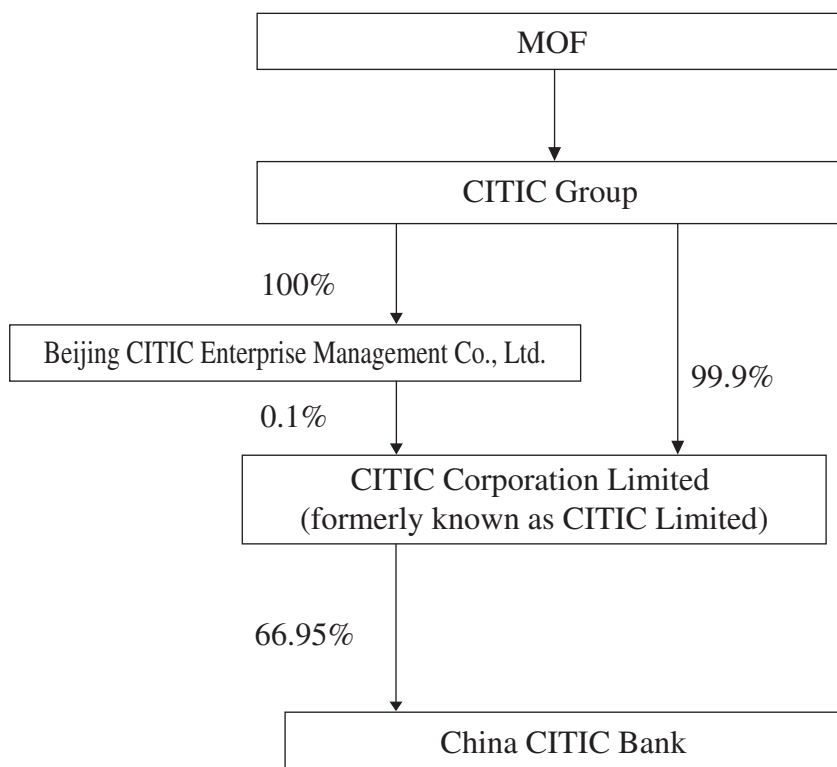
Information about the Controlling Shareholder and De Facto Controller

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

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

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

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



V. PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

Both the Chinese and English versions of this results announcement are available on the websites of the Bank (bank.ecitic.com) and SEHK (www.hkexnews.hk). The 2014 interim report of the Bank containing all the information required by the Hong Kong Listing Rules will be published on the websites of the Bank (bank.ecitic.com) and SEHK (www.hkexnews.hk) in due course. In the event of any discrepancies in interpretations between the English version and the Chinese version, the Chinese version shall prevail. The Bank also prepared the 2014 interim report in Chinese in accordance with the PRC GAAP, which is available on the websites of the Bank (bank.ecitic.com) and SSE (www.sse.com.cn).

VI. FINANCIAL REPORT

Auditor's Opinion

KPMG, the Group's external auditor, has reviewed the interim financial report of the Group for the six months ended 30 June 2014, and opined that based on its review, nothing has come to the auditor's attention that causes them to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with International IAS 34, Interim Financial Reporting.

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2014

(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June	
		2014	2013
	<i>Note</i>	Unaudited	Unaudited
Interest income		102,280	75,198
Interest expense		(56,666)	(34,724)
Net interest income	3	45,614	40,474
Fee and commission income		13,497	8,581
Fee and commission expense		(690)	(604)
Net fee and commission income	4	12,807	7,977
Net trading gain	5	2,712	1,170
Net gain from investment securities	6	800	73
Other operating income		168	380
Operating income		62,101	50,074
Operating expenses		(21,086)	(17,940)
Operating Profit before impairment		41,015	32,134
Impairment losses on			
– Loans and advances to customers	7	(10,914)	(4,719)
– Others	7	(703)	(170)
Total impairment losses		(11,617)	(4,889)
Revaluation (loss)/gain on investment properties		(1)	1
Share of gain/(loss) of associates		106	(3)
Profit before tax		29,503	27,243
Income tax	8	(7,078)	(6,600)
Net profit		22,425	20,643

Consolidated statement of profit or loss and other comprehensive income (continued)

For the six months ended 30 June 2014

(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June	
		2014	2013
	<i>Note</i>	Unaudited	Unaudited
Net profit		<u>22,425</u>	<u>20,643</u>
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss when specific conditions are met (<i>net of tax</i>)			
Available-for-sale financial assets:			
net movement in fair value reserve		3,399	(480)
Exchange difference on translating foreign operations		148	(266)
Other comprehensive income of associates		(45)	12
Items that will not be reclassified to profit or loss (<i>net of tax</i>)			
Net changes on the measurement of defined benefit plans		<u>(7)</u>	<u>—</u>
Other comprehensive income/(loss), net of tax		<u>3,495</u>	<u>(734)</u>
Total comprehensive income		<u>25,920</u>	<u>19,909</u>
Net profit attributable to:			
Shareholders of the Bank		22,034	20,391
Non-controlling interests		<u>391</u>	<u>252</u>
		<u>22,425</u>	<u>20,643</u>
Total comprehensive income attribute to:			
Shareholders of the Bank		25,476	19,769
Non-controlling interests		<u>444</u>	<u>140</u>
		<u>25,920</u>	<u>19,909</u>
Basic and diluted earnings per share (RMB)	9	<u>0.47</u>	<u>0.44</u>

Consolidated statement of financial position
as at 30 June 2014
(Expressed in millions of Renminbi unless otherwise stated)

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

Consolidated statement of financial position (continued)
as at 30 June 2014
(Expressed in millions of Renminbi unless otherwise stated)

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

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

Chang Zhenming
Chairman

Li Qingping
President

Cao Guoqiang
*Vice President in charge of
finance function*

Lu Wei
*General Manager of Budget and
Finance Department*

Company stamp

Statement of financial position*as at 30 June 2014**(Expressed in millions of Renminbi unless otherwise stated)*

	30 June 2014 Unaudited	31 December 2013 Audited
Assets		
Cash and balances with central bank	595,904	494,316
Deposits with banks and non-bank financial institutions	136,844	124,860
Precious metals	673	–
Placements with banks and non-bank financial institutions	86,542	98,414
Financial assets at fair value through profit or loss	20,021	10,966
Positive fair value of derivatives	4,905	5,866
Financial assets held under resale agreements	384,382	286,816
Interest receivable	20,811	14,976
Loans and advances to customers	1,952,085	1,798,983
Available-for-sale financial assets	165,701	160,636
Held-to-maturity investments	158,781	154,788
Investment classified as receivables	563,697	300,158
Investment in subsidiaries	9,986	9,986
Fixed assets	12,976	13,188
Intangible assets	357	363
Deferred tax assets	8,524	8,410
Other assets	26,231	10,251
Total assets	<u>4,148,420</u>	<u>3,492,977</u>
Liabilities		
Deposits from banks and non-bank financial institutions	803,775	571,234
Placements from banks and non-bank financial institutions	38,791	38,512
Financial liabilities at fair value through profit or loss	615	–
Negative fair value of derivatives	4,807	5,620
Financial assets sold under repurchase agreements	7,327	6,468
Deposits from customers	2,915,043	2,529,488
Accrued staff costs	8,717	10,043
Taxes payable	4,437	4,199
Interest payable	34,529	27,552
Provisions	35	71
Debt certificates issued	67,801	56,439
Other liabilities	26,571	19,995
Total liabilities	<u>3,912,448</u>	<u>3,269,621</u>

Statement of financial position (continued)
as at 30 June 2014
(Expressed in millions of Renminbi unless otherwise stated)

	30 June 2014 Unaudited	31 December 2013 Audited
Equity		
Share capital	46,787	46,787
Share premium and other reserve	51,630	51,637
Investment revaluation reserve	(1,401)	(4,750)
Surplus reserve	15,495	15,495
General reserve	44,250	44,250
Retained earnings	79,211	69,937
Total equity	<u>235,972</u>	<u>223,356</u>
Total liabilities and equity	<u>4,148,420</u>	<u>3,492,977</u>

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

Chang Zhenming
Chairman

Li Qingping
President

Cao Guoqiang
*Vice President in charge of
finance function*

Lu Wei
*General Manager of Budget and
Finance Department*

Company stamp

Consolidated statement of changes in equity — unaudited
For the six months ended 30 June 2014
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Share capital	Share premium	Other reserve	Investment Revaluation Reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non controlling interests	Total equity
As at 1 January 2014		46,787	49,214	289	(4,769)	15,495	44,340	76,690	(2,445)	5,124	230,725
Movements during the period											
(I) Net profit		-	-	-	-	-	-	22,034	-	391	22,425
(II) Other comprehensive income		-	-	(7)	3,373	-	-	-	76	53	3,495
Total comprehensive income		-	-	(7)	3,373	-	-	22,034	76	444	25,920
(III) Capital contribution by owners											
1. Capital contributed by holders of other equity instruments		-	-	-	-	-	-	-	-	1,825	1,825
2. Non controlling interest of a new tie 2 subsidiary		-	-	-	-	-	-	-	-	18	18
(IV) Profit appropriations											
Appropriations to shareholders	12	-	-	-	-	-	-	(11,790)	-	-	(11,790)
As at 30 June 2014		<u>46,787</u>	<u>49,214</u>	<u>282</u>	<u>(1,396)</u>	<u>15,495</u>	<u>44,340</u>	<u>86,934</u>	<u>(2,369)</u>	<u>7,411</u>	<u>246,698</u>

		Share Capital	Share premium	Other reserve	Investment Revaluation Reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 31 December 2012		46,787	49,214	274	(185)	11,709	35,326	57,351	(2,120)	4,730	203,086
Changes in accounting policy		-	-	18	-	-	-	(18)	-	-	-
As at 1 January 2013		46,787	49,214	292	(185)	11,709	35,326	57,333	(2,120)	4,730	203,086
Movements during the period											
(I) Net profit		-	-	-	-	-	-	20,391	-	252	20,643
(II) Other comprehensive income		-	-	(2)	(442)	-	-	-	(178)	(112)	(734)
Total comprehensive income		-	-	(2)	(442)	-	-	20,391	(178)	140	19,909
(III) Profit appropriations											
1. Appropriations to shareholders		-	-	-	-	-	-	(7,018)	-	-	(7,018)
As at 30 June 2013		<u>46,787</u>	<u>49,214</u>	<u>290</u>	<u>(627)</u>	<u>11,709</u>	<u>35,326</u>	<u>70,706</u>	<u>(2,298)</u>	<u>4,870</u>	<u>215,977</u>

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

Consolidated cash flow statement*For the six months ended 30 June 2014**(Expressed in millions of Renminbi unless otherwise stated)*

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

Consolidated cash flow statement (continued)
For the six months ended 30 June 2014
(Expressed in millions of Renminbi unless otherwise stated)

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

Notes:

Certain notes to the interim financial report of the Group are set out below, please refer to the interim report of the Group for all the notes to the interim financial report.

1 Significant accounting policies

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

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

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

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

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

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

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

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

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

IFRIC 21, Levies

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

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

2 Interim financial report and audited financial statements

The interim financial report has been reviewed by the Audit and Related Party Transactions Control committee of the Bank, and was approved by the Board of Directors of the Bank on 28 August 2014. The interim financial report is unaudited, but has been reviewed by the Bank's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

The financial information for the year ended 31 December 2013 that is included in the interim financial report as previously reported information does not constitute the Group's audited financial statements for that year but is derived from those financial statements. The auditor has expressed unqualified audit opinion on those statements in the report dated 27 March 2014.

3 Net interest income

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

Notes:

- (a) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB 235 million for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB 130 million).

4 Net fee and commission income

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

Note:

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

5 Net trading gain

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

6 Net gain from investment securities

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

7 Impairment losses on assets

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

8 Income tax

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

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

(b) Reconciliation between income tax expense and accounting profit

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

Note:

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

9 Earnings per share

Earnings per share information for the six months ended 30 June 2014 and 2013 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2014 and 2013.

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

10 Movements of allowances for impairment losses

The Group

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

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

10 Movements of allowances for impairment losses (continued)

The Bank

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

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

Note:

Transfer in/(out) includes the effect of exchange rate and disposals during the period/year. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet items. Details are disclosed in Notes 7.

11 Commitments and contingent liabilities

(a) Credit commitments

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

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

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

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

(b) Credit commitments analysed by credit risk weighted amount

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

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

11 Commitments and contingent liabilities (continued)

(c) Capital commitments

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

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

(d) Operating lease commitments

The Group leases certain properties and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the leases when all terms are renegotiated. At 30 June 2014 and at 31 December 2013, the Group's future minimum lease payments under non-cancellable operating leases were as follows:

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

(e) Outstanding litigations and disputes

As at 30 June 2014, the Group was the defendant in certain pending litigations with gross claims of RMB 266 million (as at 31 December 2013: RMB 358 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB 39 million (as at 31 December 2013: RMB 71 million). The Group believes that these provisions are reasonable and adequate.

11 Commitments and contingent liabilities (continued)

(f) Bonds redemption obligations

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

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

	The Group and the Bank	
	30 June 2014	31 December 2013
Bonds redemption obligations	<u>3,634</u>	<u>3,792</u>

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

(g) Provision against commitments and contingent liabilities

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

12 Profit appropriations

In accordance with the resolution approved in the Annual General Meeting of the Bank on 21 May 2014, a total amount of approximately RMB 11,790 million (RMB 252 cents per 10 shares) were distributed in the form of cash dividend to the Bank's shareholders on 17 July 2014.

13 Segment reporting

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

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

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

13 Segment reporting (continued)

(a) *Business segments*

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others and unallocated

These represent the non-banking business provided by the Group's subsidiaries, CIFH and CIFL, head office assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

Changes in disclosure of segment results and assets and liabilities

The Group has further strengthened the centralized operations management and optimized the resource allocation at Group level during the reporting period. In addition, the Group has reorganized the trade financing and investment banking from Corporate banking to Treasury business, and further specified the nature and business attribution for a few unallocated items in the previous years. The disclosure of the respected segments therefore has been changed accordingly. Compared to the prior years, the current segment structure better reflects current management model in the Group. The 2013 comparative figures have been restated accordingly.

13 Segment reporting (continued)

(a) Business segments (continued)

	Six months ended 30 June 2014				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income	23,896	9,315	11,800	603	45,614
Internal net interest income/(expense)	<u>4,822</u>	<u>(2,408)</u>	<u>(1,524)</u>	<u>(890)</u>	<u>–</u>
Net interest income	28,718	6,907	10,276	(287)	45,614
Net fee and commission income	2,868	4,505	5,358	76	12,807
Other net income (<i>note i</i>)	<u>137</u>	<u>42</u>	<u>2,738</u>	<u>763</u>	<u>3,680</u>
Operating income	31,723	11,454	18,372	552	62,101
Operating expenses					
– depreciation and amortization	(619)	(191)	(204)	(41)	(1,055)
– others	(9,852)	(8,150)	(1,544)	(485)	(20,031)
Impairment losses	(7,861)	(2,762)	(554)	(440)	(11,617)
Revaluation loss on investment properties	–	–	–	(1)	(1)
Share of gain of associates	<u>–</u>	<u>–</u>	<u>–</u>	<u>106</u>	<u>106</u>
Profit/(loss) before tax	<u>13,391</u>	<u>351</u>	<u>16,070</u>	<u>(309)</u>	<u>29,503</u>
Capital expenditure	<u>173</u>	<u>266</u>	<u>14</u>	<u>118</u>	<u>571</u>
	30 June 2014				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	1,848,443	654,409	1,678,980	118,576	4,300,408
Investment in joint ventures and associates	–	–	–	2,260	2,260
Deferred tax assets					<u>8,519</u>
Total asset					<u>4,311,187</u>
Segment liabilities	2,510,246	629,664	847,815	76,764	<u>4,064,489</u>
Total liabilities					<u>4,064,489</u>
Off-balance sheet credit commitments	<u>1,222,598</u>	<u>120,317</u>	<u>–</u>	<u>–</u>	<u>1,342,915</u>

13 Segment reporting (continued)

(a) Business segments (continued)

	Six months ended 30 June 2013				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
External net interest income	22,271	7,741	10,034	428	40,474
Internal net interest income/(expense)	<u>5,864</u>	<u>(1,133)</u>	<u>(5,316)</u>	<u>585</u>	<u>–</u>
Net interest income	28,135	6,608	4,718	1,013	40,474
Net fee and commission income/(expense)	1,326	2,955	3,709	(13)	7,977
Other net income (<i>note i</i>)	<u>97</u>	<u>45</u>	<u>1,254</u>	<u>227</u>	<u>1,623</u>
Operating income	29,558	9,608	9,681	1,227	50,074
Operating expenses					
– depreciation and amortization	(387)	(356)	(64)	(58)	(865)
– others	(8,845)	(6,350)	(1,479)	(401)	(17,075)
Impairment losses	(3,303)	(1,219)	(173)	(194)	(4,889)
Revaluation gain on investment properties	–	–	–	1	1
Share of loss of associates	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3)</u>	<u>(3)</u>
Profit before tax	<u>17,023</u>	<u>1,683</u>	<u>7,965</u>	<u>572</u>	<u>27,243</u>
Capital expenditure	<u>394</u>	<u>363</u>	<u>41</u>	<u>20</u>	<u>818</u>
	31 December 2013				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
Segment assets	1,705,515	595,217	1,307,446	22,405	3,630,583
Investment in joint ventures and associates	–	–	–	2,176	2,176
Deferred tax assets					<u>8,434</u>
Total asset					<u>3,641,193</u>
Segment liabilities	2,166,596	537,464	632,937	73,471	<u>3,410,468</u>
Total liabilities					<u>3,410,468</u>
Off-balance sheet credit commitments	<u>1,147,987</u>	<u>95,217</u>	<u>–</u>	<u>–</u>	<u>1,243,204</u>

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

13 Segment reporting (continued)

(b) *Geographical segments*

The Group operates principally in Mainland China with branches and sub-branches located in 30 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are registered and operating in Hong Kong. Another subsidiary, Lin'an Rural Bank is registered in Mainland China.

In presenting information by geographical segment, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

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

- “Yangtze River Delta” refers to the following areas where tier-1 branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo, Wuxi and Wenzhou, as well as Lin'an Rural Bank;
- “Pearl River Delta and West Strait” refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, Haikou, Quanzhou and Foshan;
- “Bohai Rim” refers to the following areas where tier-1 branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan;
- “Central” region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;
- “Western” region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining and Yinchuan;
- “Northeastern” region refers to the following areas where tier-1 branch of the Group is located: Shenyang, Changchun and Harbin;
- “Head Office” refers to the headquarter of the Bank and the Credit Card Center; and
- “Hong Kong” includes all the operations of CIFL, CIFH and its subsidiaries.

13 Segment reporting (continued)

(b) Geographical segments (continued)

	Six months ended 30 June 2014									
	Pearl River Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	7,443	6,355	5,127	5,477	5,203	1,108	13,788	1,113	-	45,614
Internal net interest income/(expense)	1,333	(436)	3,324	866	566	143	(6,387)	591	-	-
Net interest income	8,776	5,919	8,451	6,343	5,769	1,251	7,401	1,704	-	45,614
Net fee and commission income	2,057	1,392	2,149	1,297	1,414	300	3,798	400	-	12,807
Other net income (note i)	572	237	515	99	134	25	1,642	456	-	3,680
Operating income	11,405	7,548	11,115	7,739	7,317	1,576	12,841	2,560	-	62,101
Operating expense										
– depreciation and amortisation	(170)	(112)	(201)	(116)	(121)	(33)	(210)	(92)	-	(1,055)
– others	(3,961)	(2,538)	(3,977)	(2,614)	(2,474)	(554)	(2,952)	(961)	-	(20,031)
Impairment losses	(5,343)	(2,223)	(2,396)	(656)	(493)	(361)	(132)	(13)	-	(11,617)
Revaluation loss on investment properties	-	-	-	-	-	-	-	(1)	-	(1)
Share of profit of associates	-	-	-	-	-	-	-	106	-	106
Profit before tax	1,931	2,675	4,541	4,353	4,229	628	9,547	1,599	-	29,503
Capital expenditure	61	69	62	73	29	13	218	46	-	571
30 June 2014										
	Pearl River Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	958,992	623,960	958,837	526,064	573,491	108,108	1,444,932	186,626	(1,080,602)	4,300,408
Interests in joint ventures and associates	-	-	-	-	-	-	-	2,260	-	2,260
Deferred tax assets										8,519
Total assets										4,311,187
Segment liabilities	953,923	619,848	950,850	521,251	567,911	106,689	1,256,467	168,381	(1,080,831)	4,064,489
Total liabilities										4,064,489
Off-balance sheet credit commitment	318,767	171,313	275,308	200,165	152,963	28,060	114,094	82,245	-	1,342,915

13 Segment reporting (continued)

(b) Geographical segments (continued)

Six months ended 30 June 2013										
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	6,509	4,680	5,334	4,420	4,913	1,276	12,402	940	–	40,474
Internal net interest income/(expense)	<u>2,133</u>	<u>576</u>	<u>2,643</u>	<u>1,180</u>	<u>76</u>	<u>15</u>	<u>(6,887)</u>	<u>264</u>	<u>–</u>	<u>–</u>
Net interest income	8,642	5,256	7,977	5,600	4,989	1,291	5,515	1,204	–	40,474
Net fee and commission income	1,504	576	1,462	932	823	283	2,121	276	–	7,977
Other net income (note i)	<u>273</u>	<u>135</u>	<u>296</u>	<u>101</u>	<u>55</u>	<u>18</u>	<u>316</u>	<u>429</u>	<u>–</u>	<u>1,623</u>
Operating income	10,419	5,967	9,735	6,633	5,867	1,592	7,952	1,909	–	50,074
Operating expense										
– depreciation and amortisation	(154)	(83)	(171)	(89)	(89)	(26)	(174)	(79)	–	(865)
– others	(3,865)	(2,188)	(3,335)	(2,312)	(2,005)	(484)	(2,078)	(808)	–	(17,075)
Impairment (losses)/reversal	<u>(2,876)</u>	<u>(623)</u>	<u>(770)</u>	<u>(265)</u>	<u>(366)</u>	<u>(34)</u>	<u>68</u>	<u>(23)</u>	<u>–</u>	<u>(4,889)</u>
Revaluation gain on investment properties	–	–	–	–	–	–	–	1	–	1
Share of loss of associates	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3)</u>	<u>–</u>	<u>(3)</u>
Profit before tax	<u>3,524</u>	<u>3,073</u>	<u>5,459</u>	<u>3,967</u>	<u>3,407</u>	<u>1,048</u>	<u>5,768</u>	<u>997</u>	<u>–</u>	<u>27,243</u>
Capital expenditure	<u>43</u>	<u>29</u>	<u>65</u>	<u>32</u>	<u>498</u>	<u>9</u>	<u>112</u>	<u>30</u>	<u>–</u>	<u>818</u>
31 December 2013										
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	771,024	549,279	851,490	455,064	446,164	99,848	1,114,858	168,881	(826,025)	3,630,583
Interests in joint ventures and associates	–	–	–	–	–	–	–	2,176	–	2,176
Deferred tax assets										<u>8,434</u>
Total assets										<u>3,641,193</u>
Segment liabilities	767,235	542,146	839,582	447,303	438,613	97,957	949,745	153,933	(826,046)	3,410,468
Total liabilities										<u>3,410,468</u>
Off-balance sheet credit commitment	<u>296,680</u>	<u>162,977</u>	<u>280,094</u>	<u>184,939</u>	<u>131,909</u>	<u>24,515</u>	<u>89,589</u>	<u>72,501</u>	<u>–</u>	<u>1,243,204</u>

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

14 Events after the reporting date

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

On 26 August 2014, the Bank issued tier-2 capital bonds of RMB 37 billion with a fixed coupon rate of 6.13%. The bonds have a tenor of 10 years and the Bank has conditional early redemption right. Upon the approval of the CBRC, the Bank can redeem all or part of the bonds at the end of the fifth year.

VII. DEFINITIONS

Unless otherwise explained, the following terms mentioned in this results announcement assume the implications indicated in the following table:

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
Board of Directors	Board of directors of the Bank
Board of Supervisors	Board of supervisors of the Bank
CBRC	China Banking Regulatory Commission
Central Bank/PBC	The People's Bank of China
China AMC	China Asset Management Co., Ltd.
China Securities	China Securities Co., Ltd.
China UnionPay	China UnionPay Company Limited
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CIFL	China Investment and Finance Limited
CITIC Capital	CITIC Capital Holdings Limited
CITIC Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited)
CITIC Futures	CITIC Futures Co., Ltd.
CITIC Group	CITIC Group Corporation, formerly known as CITIC Group which was renamed CITIC Group Corporation on 27 December 2011 after restructuring
CITIC Heye	CITIC Heye Investment Co., Ltd

CITIC Limited	CITIC Limited (the Bank was notified on 6 August 2014 that CITIC Limited had changed its name into CITIC Corporation Limited)
CITIC Press	CITIC Press Corporation
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Limited
CITIC-Prudential Insurance	CITIC-Prudential Life Insurance Company Ltd.
CITIC Real Estate	CITIC Real Estate Corporation Limited
CITIC Securities	CITIC Securities Co., Ltd.
CITIC Securities (Zhejiang)	CITIC Securities (Zhejiang) Co., Ltd.
CITIC Tourism	CITIC Tourism Group Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
CNCBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
Group	China CITIC Bank Corporation Limited and its subsidiaries
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Joint-stock Banks	Including China CITIC Bank, China Merchants Bank, Minsheng Bank, Industrial Bank, Pudong Development Bank, China Everbright Bank, Huaxia Bank, Ping'an Bank, Guangdong Development Bank, China Zheshang Bank, China Bohai Bank and Evergrowing Bank
KPMG Huazhen	KPMG Huazhen (Special General Partnership)
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank

MOF	Ministry of Finance of the People's Republic of China
NSSF	National Council for Social Security Fund
reporting period	The six months ended 30 June 2014
RMB	RMB Yuan
SEHK	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China
Tencent	Tencent Holdings Limited
Tianan Insurance	Tianan Insurance Company Limited of China

By order of the Board of
China CITIC Bank Corporation Limited
Chang Zhenming
Chairman

Beijing, the PRC
28 August 2014

As at the date of this announcement, the executive directors of the Bank are Ms. Li Qingping and Mr. Sun Deshun; the non-executive directors are Mr. Chang Zhenming, Dr. Chen Xiaoxian, Dr. Zhu Xiaohuang, Mr. Dou Jianzhong, Mr. Guo Ketong, Mr. Zhang Xiaowei and Mr. Gonzalo José Toraño Vallina; and the independent non-executive directors are Mr. Li Zheping, Dr. Xing Tiancai, Ms. Liu Shulan, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew.