中国建设银行
China Construction Bank

Half-Year Report 2012

China Construction Bank Corporation

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

Stock Code: 939

Contents

Financial Highlights

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

(Expressed in millions of RMB unless otherwise stated)	**Six months ended 30 June 2012**	Six months ended 30 June 2011	**Change (%)**	Year ended 31 December 2011
Current period				
Net interest income	**169,692**	145,706	16.46	304,572
Net fee and commission income	**49,243**	47,671	3.30	86,994
Operating income	**227,812**	197,246	15.50	399,403
Profit before tax	**138,512**	120,789	14.67	219,107
Net profit	**106,494**	92,953	14.57	169,439
Net profit attributable to equity shareholders of the Bank	**106,283**	92,825	14.50	169,258
Per share (in RMB)				
Basic and diluted earnings per share	**0.43**	0.37	16.22	0.68
Profitability indicators (%)			**Change+/(-)**	
Annualised return on average assets	**1.65**	1.65	–	1.47
Annualised return on average equity	**24.56**	24.98	(0.42)	22.51
Net interest spread	**2.53**	2.55	(0.02)	2.57
Net interest margin	**2.71**	2.66	0.05	2.70
Net fee and commission income to operating income	**21.62**	24.17	(2.55)	21.78
Cost-to-income ratio	**32.73**	31.72	1.01	36.19

(Expressed in millions of RMB unless otherwise stated)	**As at 30 June 2012**	As at 31 December 2011	**Change (%)**	As at 31 December 2010
At period-end				
Net loans and advances to customers	**6,876,580**	6,325,194	8.72	5,526,026
Total assets	**13,505,745**	12,281,834	9.97	10,810,317
Deposits from customers	**10,940,837**	9,987,450	9.55	9,075,369
Total liabilities	**12,636,340**	11,465,173	10.21	10,109,412
Total equity attributable to equity shareholders of the Bank	**863,526**	811,141	6.46	696,792
Share capital	**250,011**	250,011	–	250,011
Core capital	**819,734**	750,660	9.20	634,683
Net capital	**999,776**	924,506	8.14	762,449
Risk-weighted assets	**7,236,586**	6,760,117	7.05	6,015,329
Per share (in RMB)				
Net assets per share	**3.48**	3.27	6.42	2.80
Capital adequacy indicators (%)			**Change +/(-)**	
Core capital adequacy ratio[1]	**11.19**	10.97	0.22	10.40
Capital adequacy ratio[1]	**13.82**	13.68	0.14	12.68
Total equity to total assets	**6.44**	6.65	(0.21)	6.48
Assets quality indicators (%)				
Non-performing loan ratio	**1.00**	1.09	(0.09)	1.14
Allowances to non-performing loans	**262.38**	241.44	20.94	221.14
Allowances to total loans	**2.62**	2.64	(0.02)	2.52

1. Calculated in accordance with the *Measures for Capital Adequacy Ratio Management of Commercial Banks* and related regulations promulgated by the CBRC.

Corporate Information

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as "中國建設銀行")
Legal name and abbreviation in English	China Construction Bank Corporation (abbreviated as "CCB")
Legal representative	Wang Hongzhang
Authorised representatives	Zhang Jianguo Cheng Pui Ling, Cathy
Secretary to the Board	Chen Caihong
Representative of securities affairs	Xu Manxia
Company secretary	Cheng Pui Ling, Cathy
Qualified accountant	Yuen Yiu Leung
Registered address/business address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Internet website	www.ccb.com
Email address	ir@ccb.com
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Newspapers for information disclosure	China Securities Journal and Shanghai Securities News
Website of the Shanghai Stock Exchange for publishing the half-year report prepared in accordance with PRC GAAP	www.sse.com.cn
Website of Hong Kong Stock Exchange for publishing the half-year report prepared in accordance with IFRS	www. hkex.com.hk
Place where copies of this half-year report are kept	Board of directors office of the Bank
Contact information	Address: No. 25, Financial Street, Xicheng District, Beijing Telephone: 86-10-66215533 Facsimile: 86-10-66218888
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939
Date and place of change in registration	13 February 2012 State Administration for Industry & Commerce of the People's Republic of China
Registration number of the corporate legal person business license	100000000039122
Organisation code	10000444-7

Financial license institution number	B0004H111000001
Taxation registration number	京税證字110102100004447
Certified public accountants	PricewaterhouseCoopers Zhong Tian CPAs Limited Company Address: 11/F, PricewaterhouseCoopers Centre, 202 Hu Bin Road, Shanghai PricewaterhouseCoopers Address: 22/F, Prince's Building, Central, Hong Kong
Legal advisor as to PRC laws	Jun He Law Offices Address: China Resources Building, 20/F 8 Jianguomenbei Avenue, Dongcheng District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 28/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Dear shareholders,

In the first half of 2012, the economy of Europe and the United States slowed down substantially, the growth rate of emerging markets fell, and the domestic economy was faced with downward pressure. Facing the complex and fast-changing domestic and international environment, the Group earnestly followed the government's macroeconomic control measures and regulatory requirements, and actively served the real economy. We made great efforts to promote business transformation, improve business structure, and strengthen risk control. As a result, various businesses maintained sound and stable growth, and the operating results achieved sustained growth. The Group's major financial indicators continued to lead among peers.

In the first half of 2012, the Group made a net profit of RMB106,494 million, up 14.57% over the same period last year. The annualised return on average assets was 1.65%, while the annualised return on average equity was 24.56%. The net interest margin rose to 2.71%. Both non-performing loans ("NPLs") and NPL ratio decreased compared to the end of 2011. The capital adequacy ratio further rose to 13.82% and the core capital adequacy ratio to 11.19%.

Credit structure continued to improve with steady and balanced credit growth. In the first half of 2012, the Group persisted in serving the real economy, with reasonable control over the size, structure and pace of credit growth. More than 30% of the increase in corporate loans was granted to the infrastructure sector. Loans to small and micro business, agriculture-related areas and livelihood sectors kept rapid growth. Loans to local government financing vehicles, property sector and industries with excess capacity either decreased or maintained low growth rate. The Group ranked first in terms of loan balance and increase in residential mortgages, with leading asset quality in the market. Our traditional advantage in housing finance continued to be strengthened.

With the strategy of "large industries, large systems, large cities and high-end customers", the Group actively expanded its customer base. We paid close attention to the demand of customers in large industries including energy, transportation, electric power, and telecommunications, and provided a package of financial services for upstream and downstream industries and different-sized customers, through coordinated efforts of its branch network. Marketing efforts towards customers in public finance, social security, education, health and other large systems were also strengthened, fully exploiting the radiant effect of such institutional customers. The Group enhanced its preferential policies for and allocated more resources to large cities, in order to encourage business development in major cities. The last but not the least, on the basis of improving the financial services for general customers, the Group strived to provide its high-end customers with life-long all-encompassing and whole process financial services.

We maintained steady progress in comprehensive operations and emerging strategic businesses, with accelerated steps towards a global bank. At present, the variety of financial business licenses owned by the Group is leading among peers, covering investment banking, insurance, mutual fund, trust, financial leasing, and housing savings. In the first half of 2012, our subsidiaries grew quickly, with total assets of RMB245,400 million, an increase of RMB46,405 million over the end of 2011. In this amount, CCB Trust and Sino-German Bausparkasse developed rapidly and net profits rose by more than 100% compared to the same period last year; CCB Life succeeded in attracting social security funds to raise its capital in the first half of 2012, laying the foundation for future business development. The Group's overseas business adhered to the strategies of "following the customers" and "localisation", and achieved notable effects. The total assets of our overseas entities increased by 22.37% over the end of last year to RMB542,340 million, with decreases in both NPLs and NPL ratio. The work related to applications for opening new subsidiary banks in Dubai and Russia and branches in Toronto and Taipei progressed smoothly.

The building of a multi-functional bank and the development of strategic new businesses continued to advance with more diversified sources of income. In the first half of 2012, albeit income from certain products fell slightly as affected by regulatory policies, market conditions and other factors, wealth management products, cost advisory service and precious metal business grew rapidly. Traditional businesses such as individual settlement and international settlement service maintained steady growth. Investment banking recorded strong growth, with the underwriting amount and income from debt financing instruments, and the underwriting amount of commercial papers and private placement notes achieving first position in the market. Electronic banking service gained increasing popularity, with the ratio of the number of transactions through electronic banking to that through front desk reaching 228.50%, up 22 percentage points over the end of 2011. Multiple indicators in terms of online banking, mobile phone banking and application of products led in the market. Credit card business developed rapidly, with core business indicators maintaining a leading position in the market. The Bank recorded 36.04 million credit cards, and realised an increase of over 30% in intermediary income compared to the same period last year. We made rapid progress in cross-border RMB business, and the cross-border RMB settlement volume totalled RMB356,589 million, an increase of 216.37% over the same period last year.

Internal control and risk management capabilities continued to improve, and asset quality remained stable. In the first half of 2012, the Group focused on improving the foresightedness and effectiveness of risk management, and enhanced lending criteria and risk surveillance. An internal control and compliance department was established, specialising in internal control and compliance management. The Group also continued to promote its credit structure adjustments, strengthened risk control in key and potential risk areas, reinforced market risk management, and further standardised and strengthened its operational risk management. The Group continued to push forward the application for implementation of the New Basel Capital Accord. In accordance with the latest capital regulatory requirements, we strengthened capital management system and process development in order to meet the capital requirements and achieve business development under risk management. At the end of June 2012, the NPLs decreased to RMB70,417 million by RMB498 million, and the NPL ratio decreased by 0.09 percentage points to 1.00% from the end of last year.

In the first half of 2012, the Group's good performance in various aspects was widely recognised by the market and the community, with over 30 major awards from renowned local and international institutions. The Group ranked 6th in "Top 1000 World Banks 2012" by *The Banker*, up two places from 2011. Our ranking in *Fortune*'s "Global 500" rose to 77th, up 31 places; in "Global 2000" by *Forbes*, we ranked 13th, up four places. The Group was the only listed domestic company that won the "Corporate Governance Asia Recognition Award" issued by Hong Kong publication *Corporate Governance Asia* for the fourth consecutive year. In addition, we were named the "Best Bank in China", "Excellent Management and Corporate Governance" and "2011 Most Socially Responsible Financial Institutions" by *Global Finance*, *The Asset* and China Banking Association.

In the second half of 2012, China's economic development continues to face a complex internal and external environment. Downward economic risk continues to exist; more stringent regulatory requirements and fiercer market competitions are expected. The Group will adhere to the principle of "making progress while ensuring stability", and play an active role in serving the real economy. The Group will also accelerate the strategic transformation of its business patterns, and promote a healthy and sustainable business development in accordance with "comprehensive, multi-functional and intensive" requirements. The Group will also expand its branch network and customer base, and gradually raise its service standards, in order to further enhance its comprehensive service capabilities. We will improve risk management and internal control, ensure safe and sound operations, and work towards the successful completion of plans for 2012.

Wang Hongzhang
Chairman

24 August 2012

Dear shareholders,

In the first half of 2012, the European debt crisis continued to grow, weakening the recovery momentum of the world economy, and China continued to implement further adjustments in the domestic industrial patterns and macro-control policies. Against the backdrop of the complex and grim external operating environment, the Group persisted in strategic transformation and structural adjustments, and strengthened risk control, achieving steady business development with stable asset quality.

Steady growth in financial performance

The Group's profit before tax and net profit achieved steady growth. In the first half of 2012, the Group achieved a profit before tax of RMB138,512 million, an increase of 14.67% compared to the same period in 2011; net profit was RMB106,494 million, an increase of 14.57%. Operating income was RMB227,812 million, in which net interest income increased by 16.46% compared to the same period last year, and net fee and commission income rose by 3.30%. Financial indicators including annualised return on average assets, annualised return on average equity and cost to income ratio remained good. Assets and liabilities grew steadily. At the end of June 2012, total assets increased by 9.97% to RMB13,505,745 million compared to the end of 2011. Gross loans and advances to customers grew by 8.70% to RMB7,061,343 million, and deposits from customers increased by 9.55% to RMB10,940,837 million compared to the end of 2011. The loan-to-deposit ratio was 64.54%.

The Group attached great importance to risk controls. It adopted stringent risk classification standards, took active measures to dispose and mitigate the risks identified, and made full provisions in a prudent manner. As at 30 June 2012, the Group's NPLs were RMB70,417 million, down by RMB498 million compared to the end of last year. The NPL ratio decreased by 0.09 percentage points to 1.00%. The ratio of allowances for impairment losses to non-performing loans increased by 20.94 percentage points to 262.38% from that at the end of last year.

Optimised business structure

In line with national economic trends and industrial policies, the Group tempered credit growth reasonably, and made in-depth credit structure adjustment to serve the real economy. At the end of June 2012, the Bank's domestic corporate loans totalled RMB4,720,136 million, up 7.27% over the end of last year. Loans to industries with excess capacity and property development loans were under effective control, and the structure of loans to government financing vehicles continued to improve. Loans to infrastructure sector, internet merchant business and agriculture-related areas developed at a fast pace. Loans to small and micro businesses totalled RMB681,415 million, an increase of RMB49,525 million over the end of 2011.

Personal loans business developed steadily. In this amount, residential mortgages, with the aim of serving people's livelihood, were primarily granted to support customers to buy apartments for residential purpose. The loan balance rose by 6.94% to RMB1,404,048 million, ranking first in the market in terms of both loan balance and the increase amount. The Bank also introduced innovative consumer credit products, including "Easy Education Loan", "Fortune Loan" and "Refurbishment Loan".

Credit card business continued to grow rapidly, and outperformed its peers in terms of multiple core business indicators. At the end of June, the number of credit cards issued was 36.04 million, an increase of 3.79 million over the end of 2011; the balance of credit card loans rose by 25.62% to RMB122,542 million, and the customer spending through credit card amounted to RMB360,037 million.

Institutional, custodial and pension businesses developed well. CCB further expanded on its "Minben Tongda" brand financial services. "Xincunguan" had the largest customer base in the industry. It also kept leading positions in agency settlement service for finance companies of group customers, and collection and payment agency service for fund trust plans. Custodial services for assets including securities investment funds and insurance assets maintained stable development, achieving a fee income of RMB1,039 million. At the end of June 2012, the Bank operated 2.32 million personal enterprise annuity accounts, and the enterprise annuity assets under custody amounted to RMB56,514 million. A pension product framework covering four categories and ten products was initially built up.

The profit contribution from treasury business to the Group continued to rise. The portfolio structure of the financial markets business continued to improve with notable rise in the yield of debt securities consolidating our market presence. The precious metals business grew fast with a total trading volume of 13,514 tonnes for the first half of 2012. The investment banking business achieved steady development, and the underwriting amounts of debt financing instruments, commercial papers and private placement notes all commanded first place in the market. Income from the non-traditional financial advisory services totalled RMB3,554 million.

Improvements in channels and network

The Group continued to promote the development of specialised institutions. With a total of 260 private banking centres and wealth management centres in operation, it had also built 949 personal loan centres and 244 small business operation centres. Electronic banking channels achieved fast development, ranking first among its peers in terms of multiple indicators. The online banking service had 101.68 million customers, 1.73 million corporate customers, and the mobile phone banking service had 65.17 million customers.

The Group adhered to proactive and prudent international operating and overseas development strategies, and steadily expanded its overseas network. Overseas assets grew rapidly. With steady progress in the comprehensive operation strategy, four rural banks were established in the first half of 2012. At the end of June, the overall development of its subsidiaries was good, and all indicators met regulatory requirements.

Strengthened fundamental infrastructure

In the first half of 2012, the Group strengthened risk controls in key areas and potential risk areas, and incorporated the exposures of wealth management business, agency service and subsidiaries into the overall credit approval and risk management accountability system. The Group further standardised and strengthened its operational risk management and consolidated management. Great efforts were made to the preparation for implementation of the New Basel Capital Accord, and the development of the three pillars proceeded successfully. The Group accelerated the preparation work for the implementation of the new capital management measures, promoted the economic capital budget management, and guided the whole bank to optimise risk assets structure and realise capital intensive development.

The Group made great efforts to build an enterprise-wide business model, design the application platform, and build the environment for development and testing. It strengthened the whole process risk control with the focus on target management, and continued to conduct risk rectifications in key systems in order to enhance system security and reliability. The Group enhanced the development of application systems, and launched registered capital verification service, House-E-Tong, e-commerce financial services, and online loan service for SMEs. It also promoted the functions of E-Shangmaotong and the business separation of front and back office.

The Group continued to consolidate its customer base. It launched a “Walking into the Community” programme for customer relationship managers, in order to attract more individual customers with the model of community financial service. By the end of June 2012, individual customers with assets in the Bank had increased by 10.10 million compared to the end of 2011. The number of private banking customers with over RMB5 million assets under management (AUM) increased by 9.24%, and the financial assets under management increased by 17.97% compared to the end of 2011. Corporate and institutional customers increased by 210,000, with increased proportion of basic bank settlement accounts and improved account structure.

Aiming at high productivity and quality, the Group strengthened the fundamental management and innovation of products and promoted process optimisation and reform from a view of the whole enterprise. In the first half of 2012, it completed 61 product innovation projects, and 118 process optimisation and evaluation projects. Our staff put forward 5,163 new product ideas.

Outlook

In the second half of the year, the international and domestic economic and financial environment remains complex. The Group will keep close watch on the macroeconomic trends, and make adjustments to its business strategy as appropriate. The following initiatives will be promoted.

- We will continue to deepen the structural adjustments to customers, products, industries and regions, and pay special attention to the systemic risk and compliance risk associated with the industries with excess capacities, local government financing vehicles and real estate sector.
- We will try to expand our customer base by optimising product features, improving service standard, and strengthening collaborative efforts, and boost the stable growth of deposits from customers and fee-based business.
- We will further boost the development of the emerging strategic businesses, and promote our advantage brands in the fields of small and micro businesses, livelihood sector, electronic banking, investment banking, and wealth management.
- We will proactively respond to the reform of interest rates liberalisation and the implementation of the New Basel Accord, and improve our capabilities of market pricing, and identification, measurement and control of risks.

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

Zhang Jianguo
Vice chairman, executive director and president

24 August 2012

Financial Review

In the first half of 2012, instability and uncertainty persisted in the global economic recovery. China's economy was sound on the whole, and with a series of timely anticipatory adjustments and fine-tuning measures, albeit slowing, the economy tended to stabilise gradually. In the first half of the year, the gross domestic product increased by 7.8% over the same period last year, while the consumer price index increased by 3.3%. The PBC adopted sound monetary policies, and actively promoted the reform of interest rates liberalisation. It lowered the statutory deposit reserve rate twice, and lowered the benchmark lending and deposit rate once.

The Group closely monitored the trend of national economy and changes in regulatory requirements, accelerated business structure adjustments, and strengthened comprehensive risk controls, achieving steady profit growth and stable asset quality.

Statement of Comprehensive Income Analysis

In the first half of 2012, the Group recorded profit before tax of RMB138,512 million, up 14.67% over the same period last year. Net profit was RMB106,494 million, up 14.57% over the same period last year. The steady profit growth was mainly due to the following factors: (1) The interest-earning assets increased moderately and net interest margin rose as well, pushing up net interest income by RMB23,986 million, or 16.46% over the same period last year. (2) The Group further improved its cost management and strictly controlled its expenses, leading to a relatively low cost-to-income ratio. (3) The Group strengthened its risk management, and the impairment losses rose by a moderate 5.84%. (4) As affected by changes in foreign exchange rates, the Group achieved exchange gains of RMB2,488 million, up RMB1,814 million compared to the same period last year.

(In millions of RMB, except percentages)	**For the six months ended 30 June 2012**	For the six months ended 30 June 2011	Change (%)
Net interest income	**169,692**	145,706	16.46
Net fee and commission income	**49,243**	47,671	3.30
Other operating income	**8,877**	3,869	129.44
Operating income	**227,812**	197,246	15.50
Operating expenses	**(74,570)**	(62,557)	19.20
Impairment losses	**(14,738)**	(13,925)	5.84
Share of profits less losses of associates and jointly controlled entities	**8**	25	(68.00)
Profit before tax	**138,512**	120,789	14.67
Income tax expense	**(32,018)**	(27,836)	15.02
Net profit	**106,494**	92,953	14.57
Other comprehensive income for the period, net of tax	**5,244**	(3,019)	(273.70)
Total comprehensive income for the period	**111,738**	89,934	24.24

Net interest income

In the first half of 2012, the Group's net interest income was RMB169,692 million, an increase of RMB23,986 million, or 16.46%, over the same period in 2011, representing 74.49% of operating income.

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

(In millions of RMB, except percentages)	For the six months ended 30 June 2012 Average balance	Interest income/ expense	Annualised average yield/cost (%)	For the six months ended 30 June 2011 Average balance	Interest income/ expense	Annualised average yield/cost (%)
Assets						
Gross loans and advances to customers	**6,789,430**	**214,965**	**6.37**	5,928,621	159,478	5.42
Investment in debt securities	**2,772,660**	**48,966**	**3.55**	2,746,898	42,318	3.11
Deposits with central banks	**2,310,510**	**17,107**	**1.49**	1,923,942	14,665	1.54
Deposits and placements with banks and non-bank financial institutions	**558,594**	**10,663**	**3.84**	135,772	1,463	2.17
Financial assets held under resale agreements	**170,819**	**3,732**	**4.39**	298,654	5,534	3.74
Total interest-earning assets	**12,602,013**	**295,433**	**4.71**	11,033,887	223,458	4.08
Total allowances for impairment losses	**(186,355)**			(147,634)		
Non-interest-earning assets	**321,416**			323,133		
Total assets	**12,737,074**	**295,433**		11,209,386	223,458	
Liabilities						
Deposits from customers	**10,239,371**	**103,580**	**2.03**	9,296,612	67,407	1.46
Deposits and placements from banks and non-bank financial institutions	**1,118,767**	**17,819**	**3.20**	826,834	8,044	1.96
Financial assets sold under repurchase agreements	**40,297**	**925**	**4.61**	20,812	544	5.27
Debt securities issued	**195,047**	**3,399**	**3.50**	99,288	1,748	3.55
Other interest-bearing liabilities	**2,663**	**18**	**1.38**	1,787	9	1.02
Total interest-bearing liabilities	**11,596,145**	**125,741**	**2.18**	10,245,333	77,752	1.53
Non-interest-bearing liabilities	**268,563**			210,312		
Total liabilities	**11,864,708**	**125,741**		10,455,645	77,752	
Net interest income		**169,692**			145,706	
Net interest spread			**2.53**			2.55
Net interest margin			**2.71**			2.66

For the first half of 2012, the Group's net interest margin was 2.71%, up 5 basis points over the same period last year, mainly due to the following factors: (1) The Group's rising bargaining power and the repricing of existing loans helped to push up the yield of loans. (2) Due to the intense competition in the market for funds, yield of discounted bills rose considerably. (3) With proper adjustments to the term and structure, the yield of the investment in debt securities rose steadily. Meanwhile, the cost of interest-bearing liabilities rose compared to the same period last year, as a result of the repricing of existing deposits and higher proportion of time deposits in total deposits, partially offsetting the positive effects of the above factors.

The following table shows the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for the first half of 2012 versus the first half of 2011.

(In millions of RMB)	**Volume factor[1]**	**Interest rate factor[1]**	**Change in interest income/expense**
Assets			
Gross loans and advances to customers	24,886	30,601	55,487
Investment in debt securities	404	6,244	6,648
Deposits with central banks	2,889	(447)	2,442
Deposits and placements with banks and non-bank financial institutions	7,368	1,832	9,200
Financial assets held under resale agreements	(2,662)	860	(1,802)
Change in interest income	32,885	39,090	71,975
Liabilities			
Deposits from customers	7,401	28,772	36,173
Deposits and placements from banks and non-bank financial institutions	3,485	6,290	9,775
Financial assets sold under repurchase agreements	454	(73)	381
Debt securities issued	1,671	(20)	1,651
Other interest-bearing liabilities	6	3	9
Change in interest expenses	13,017	34,972	47,989
Change in net interest income	19,868	4,118	23,986

1. Change caused by both average balances and average interest rates has been allocated to volume factor and interest rate factor based on proportions of absolute values of effects of volume factor and interest rate factor.

Net interest income increased by RMB23,986 million over the same period in 2011, in which an increase of RMB19,868 million was due to the movement of average balances of assets and liabilities, and an increase of RMB4,118 million was due to the movement of average yields or costs.

Interest income

In the first half of 2012, the Group's interest income was RMB295,433 million, an increase of RMB71,975 million, or 32.21%, over the same period in 2011. In this amount, interest income from loans and advances to customers accounted for 72.76%, interest income from investments in debt securities for 16.57%, interest income from deposits with central banks for 5.79%, and interest income from deposits and placements with banks and non-bank financial institutions for 3.61%.

Interest income from loans and advances to customers

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

	For the six months ended 30 June 2012			For the six months ended 30 June 2011		
(In millions of RMB, except percentages)	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans and advances	**4,556,709**	**150,708**	**6.65**	4,096,334	114,525	5.64
Short-term loans	**1,510,690**	**49,678**	**6.61**	1,236,096	33,751	5.51
Medium to long-term loans	**3,046,019**	**101,030**	**6.67**	2,860,238	80,774	5.69
Personal loans and advances	**1,737,743**	**53,365**	**6.14**	1,464,812	38,360	5.24
Discounted bills	**120,837**	**5,005**	**8.33**	111,180	3,226	5.85
Overseas operations and subsidiaries	**374,141**	**5,887**	**3.16**	256,295	3,367	2.65
Gross loans and advances to customers	**6,789,430**	**214,965**	**6.37**	5,928,621	159,478	5.42

Interest income from loans and advances to customers rose by RMB55,487 million, or 34.79% over the same period in 2011, to RMB214,965 million. This was mainly because the average balance of loans and advances to customers rose by 14.52%, and average yield rose by 95 basis points. The main causes for higher loan yield are as follows: (1) The proactive credit structure adjustment and reinforced pricing management helped to push up the weighted average interest rate of newly granted loans, while the repricing of existing loans further helped to raise the yield of corporate loans. (2) The yield of personal loans rose steadily due to the macro-control policies on property sector and repricing of existing loans. (3) Yield of discounted bills rose quickly due to the tightening of credit resources in the market.

Interest income from investment in debt securities

Interest income from investment in debt securities grew by RMB6,648 million, or 15.71%, to RMB48,966 million over the same period in 2011, largely because the Group made timely adjustments to the term and structure of its RMB-denominated debt securities investment to take advantage of rising interest rate, and the average yield of investment in debt securities rose markedly over the same period in 2011.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB17,107 million, a rise of RMB2,442 million, or 16.65% over the same period last year. This was mainly because the average balances of deposits with central banks increased by 20.09% over the same period last year.

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

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB9,200 million to RMB10,663 million, an increase of 628.84% over the same period in 2011. This was primarily because the average balance of deposits and placements with banks and non-bank financial institutions rose by 311.42% over the same period in 2011 due to an increase in principal-guaranteed wealth management products.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements decreased by RMB1,802 million, or 32.56% over the same period in 2011 to RMB3,732 million. This was mainly because the average balances of financial assets held under resale agreements fell substantially in light of the needs of liquidity management.

Interest expense

In the first half of 2012, the Group's interest expense was RMB125,741 million, an increase of RMB47,989 million, or 61.72% over the same period in 2011.

Interest expense on deposits from customers

The table below shows the average balance, interest expense and average cost of each component of the Group's deposits from customers.

	For the six months ended 30 June 2012			For the six months ended 30 June 2011		
(In millions of RMB, except percentages)	**Average balance**	**Interest expense**	**Average cost (%)**	Average balance	Interest expense	Average cost (%)
Corporate deposits	**5,302,376**	**50,068**	**1.90**	4,972,900	32,954	1.34
Demand deposits	**3,223,782**	**13,956**	**0.87**	3,255,331	12,067	0.75
Time deposits	**2,078,594**	**36,112**	**3.47**	1,717,569	20,887	2.43
Personal deposits	**4,791,478**	**52,414**	**2.20**	4,202,171	33,818	1.62
Demand deposits	**1,905,815**	**4,527**	**0.48**	1,718,074	3,993	0.47
Time deposits	**2,885,663**	**47,887**	**3.32**	2,484,097	29,825	2.40
Overseas operations and subsidiaries	**145,517**	**1,098**	**1.52**	121,541	635	1.05
Total deposits from customers	**10,239,371**	**103,580**	**2.03**	9,296,612	67,407	1.46

Interest expense on deposits from customers rose to RMB103,580 million, representing an increase of RMB36,173 million, or 53.66%, over the same period in 2011. This was mainly because the average cost increased by 57 basis points and the average balance increased by 10.14% over the same period last year. The increase in the average cost of deposits from customers was mainly because the cost of time deposits rose substantially over the same period in 2011 by 97 basis points as a result of repricing of existing deposits. In addition, under the expectation of interest rate cuts, time deposits tend to grow at a faster speed, with the proportion of the average balance of time deposits in total deposits up by 3.29 percentage points to 48.48%, further pushing up the average cost of deposits from customers.

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

Interest expense on deposits and placements from banks and non-bank financial institutions reached RMB17,819 million, an increase of RMB9,775 million, or 121.52% over the same period in 2011, largely because the average cost of deposits and placements from banks and non-bank financial institutions rose by 124 basis points over the same period last year to 3.20% due to market influence.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by RMB381 million over the same period in 2011 to RMB925 million. This was primarily due to the rise in average balance compared to the same period last year.

Net fee and commission income

(In millions of RMB, except percentages)	**For the six months ended 30 June 2012**	For the six months ended 30 June 2011	Change (%)
Fee and commission income	**50,525**	48,891	3.34
Consultancy and advisory fees	**10,475**	10,390	0.82
Bank card fees	**9,132**	7,829	16.64
Agency service fees	**7,282**	7,920	(8.06)
Settlement and clearing fees	**6,175**	7,157	(13.72)
Wealth management service fees	**5,618**	3,662	53.41
Commission on trust and fiduciary activities	**4,562**	4,531	0.68
Electronic banking service fees	**2,251**	2,134	5.48
Credit commitment fees	**1,467**	1,280	14.61
Guarantee fees	**1,095**	1,468	(25.41)
Others	**2,468**	2,520	(2.06)
Fee and commission expense	**(1,282)**	(1,220)	5.08
Net fee and commission income	**49,243**	47,671	3.30

In the first half of 2012, the Group's net fee and commission income increased by RMB1,572 million or 3.30% over the same period in 2011 to RMB49,243 million, and the ratio of net fee and commission income to operating income decreased by 2.55 percentage points to 21.62%. The growth rate of net fee and commission income decreased mainly due to the following reasons: (1) With the slow down of economic growth, most domestic commercial banks' income from intermediary business suffered; (2) Growth rates of market-related products fell; (3) Income from certain products declined as affected by regulatory policies.

Consultancy and advisory fees increased by 0.82% over the same period in 2011 to RMB10,475 million. The growth rate fell significantly from that for the same period last year, mainly due to the decrease in routine financial advisory income as affected by regulatory policies. Income from non-traditional financial advisory services and pricing advisory service maintained stable growth.

Bank card fees grew by 16.64% over the same period in 2011 to RMB9,132 million. In this amount, income from credit cards rose by over 30% due to the strong growth of instalment transactions through multiple innovative products; with improved customer structure and bank card quality, the customer spending via bank cards and volume of transactions through self-service facilities grew steadily.

Agency service fees decreased to RMB7,282 million by 8.06% from the same period in 2011. This was because fees from fund agency services fell substantially due to the gloomy securities market. Products such as precious metals agency service and housing reform financial services increased at a steady pace.

Settlement and clearing fees decreased to RMB6,175 million by 13.72% from the same period in 2011. This mainly resulted from the decrease in income from corporate cash management service. Income from settlement products such as corporate settlement card, domestic letter of credit and all-in-one corporate accounts grew rapidly.

Wealth management service fees increased by 53.41% over the same period in 2011 to RMB5,618 million. With increased wealth management awareness among our customers, products including "Qianyuan", "CCB Fortune" and "Profit from Interest" were well received, which catered to the customers' different risk tolerance and specific individual needs.

Commission on trust and fiduciary activities was RMB4,562 million, approximately the same as that for the same period in 2011. In this amount, custodial fees from insurance assets and enterprise annuities grew rapidly, while the fees from custodial service for securities investment funds decreased noticeably due to the gloomy securities market.

Electronic banking service fees grew to RMB2,251 million, an increase of 5.48% over the same period in 2011. This was mainly because the Group made great efforts to expand its electronic banking customers, and promote its E-Shangmaotong, SMS remittance and electronic mobile terminals.

Going forward, the Group will continue to maintain its enthusiasm for development and innovation, explore the potential in products and customers for financial services, expand the revenue channel and customer base for its intermediary business, and promote the healthy and sustainable development of the business.

Net trading gain

In the first half of 2012, net trading gain decreased by RMB319 million, or 47.68%, to RMB350 million, mainly due to valuation losses from proprietary cross-currency swap deals as affected by market fluctuations.

Net gain on investment securities

In the first half of 2012, the Group realised a net gain of RMB1,814 million on investment securities, an increase of RMB884 million, or 95.05%, over the same period last year. This was mainly because the realised gain from sale of available-for-sale equity instruments increased.

Other net operating income

In the first half of 2012, the Group reported other net operating income of RMB6,624 million. In this amount, the net foreign exchange gain was RMB2,488 million, an increase of RMB1,814 million, or 269.14%, over the same period last year, mainly due to the realised gain from proprietary cross-currency swap deals.

Operating expenses

(In millions of RMB, except percentages)	**For the six months ended 30 June 2012**	For the six months ended 30 June 2011
Staff costs	**33,982**	30,730
Premises and equipment expenses	**10,657**	9,635
Business taxes and surcharge	**14,975**	11,530
Others	**14,956**	10,662
Operating expenses	**74,570**	62,557
Cost-to-income ratio	**32.73%**	31.72%

In the first half of 2012, the Group's operating expenses increased by RMB12,013 million, or 19.20% over the same period last year to RMB74,570 million, while the cost-to-income ratio rose by 1.01 percentage points to 32.73% over the same period in 2011.

Staff costs were RMB33,982 million, an increase of RMB3,252 million, up 10.58% over the same period in 2011, lower than the growth rates of profit before tax and net profit. Premises and equipment expenses were RMB10,657 million, up 10.61%. Business taxes and surcharges were RMB14,975 million, an increase of RMB3,445 million, up 29.88% over the same period in 2011. Other operating expenses increased by RMB4,294 million, or 40.27% over the same period last year to RMB14,956 million, largely due to increased marketing costs, such as entertainment and promotion expenses, as a result of the combined effects of business development and intense market competition.

Impairment losses

(In millions of RMB)	**For the six months ended 30 June 2012**	For the six month ended 30 June 2011
Loans and advances to customers	**14,726**	13,895
Investments	**172**	(63)
Available-for-sale financial assets	**(253)**	(39)
Held-to-maturity investments	**55**	(51)
Debt securities classified as receivables	**370**	27
Others	**(160)**	93
Impairment losses	**14,738**	13,925

During the first half of 2012, impairment losses were RMB14,738 million, an increase of RMB813 million compared to the first half of 2011. In this amount, impairment losses on loans and advances to customers were RMB14,726 million, an increase of RMB831 million over the first half of 2011; impairment losses on investments were RMB172 million, mainly provided for impairment losses on debt securities classified as receivables; the reversal of other impairment losses was RMB160 million, mainly due to the reversal of impairment losses on certain off-balance sheet businesses.

Income tax expense

During the first half of 2012, the income tax expense was RMB32,018 million, an increase of RMB4,182 million over the first half of 2011. The effective income tax rate was 23.12%, lower than China's statutory tax rate of 25%, mainly because the interest income from the PRC treasury bonds was non-taxable in accordance with tax regulations.

Other comprehensive income

In the first half of 2012, the Group recorded other comprehensive income of RMB5,244 million, largely because of the valuation gain from available-for-sale investments in debt securities with the declining market rates.

Statement of Financial Position Analysis

Assets

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

	As at 30 June 2012		As at 31 December 2011	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Gross loans and advances to customers	**7,061,343**		6,496,411	
Allowances for impairment losses on loans	**(184,763)**		(171,217)	
Net loans and advances to customers	**6,876,580**	**50.92**	6,325,194	51.50
Investments[1]	**2,829,185**	**20.95**	2,741,750	22.32
Cash and deposits with central banks	**2,491,592**	**18.45**	2,379,809	19.38
Deposits and placements with banks and non-bank financial institutions	**703,847**	**5.21**	385,792	3.14
Financial assets held under resale agreements	**321,055**	**2.38**	200,045	1.63
Interest receivable	**70,956**	**0.52**	56,776	0.46
Others[2]	**212,530**	**1.57**	192,468	1.57
Total assets	**13,505,745**	**100.00**	12,281,834	100.00

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

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

As at 30 June 2012, the Group's total assets amounted to RMB13,505,745 million, an increase of RMB1,223,911 million, or 9.97%, over the end of 2011. This was mainly due to the increases in loans and advances to customers, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements and cash and deposits with central banks. In terms of the structure, net loans and advances to customers accounted for 50.92% of total assets, a decrease of 0.58 percentage points from the end of 2011, due to the Group's effective control on loan growth; the proportion of investments to total assets decreased by 1.37 percentage points to 20.95%, as the Group adjusted the size of its investments in debt securities in light of the liquidity level; cash and deposits with central banks accounted for 18.45% of total assets, down 0.93 percentage points, as affected by the cuts in the statutory deposit reserve ratio; deposits and placements with banks and non-bank financial institutions accounted for 5.21% of total assets, up 2.07 percentage points, due to the increase in the balance of principal-guaranteed wealth management products; financial assets held under resale agreements accounted for 2.38% of total assets, up 0.75 percentage points, in order to make full use of surplus funds.

Loans and advances to customers

(In millions of RMB, except percentages)	**As at 30 June 2012**		As at 31 December 2011	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances	**4,720,136**	**66.84**	4,400,421	67.74
Short-term loans	**1,562,953**	**22.13**	1,383,008	21.29
Medium to long-term loans	**3,157,183**	**44.71**	3,017,413	46.45
Personal loans and advances	**1,818,426**	**25.75**	1,677,910	25.83
Residential mortgages	**1,404,048**	**19.88**	1,312,974	20.21
Personal consumer loans	**77,732**	**1.10**	76,692	1.18
Personal business loans	**93,191**	**1.32**	78,716	1.21
Credit card loans	**122,542**	**1.74**	97,553	1.50
Other loans[1]	**120,913**	**1.71**	111,975	1.73
Discounted bills	**120,027**	**1.70**	111,181	1.71
Overseas operations and subsidiaries	**402,754**	**5.71**	306,899	4.72
Gross loans and advances to customers	**7,061,343**	**100.00**	6,496,411	100.00

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

As at 30 June 2012, the Group's gross loans and advances to customers rose to RMB7,061,343 million, an increase of RMB564,932 million, or 8.70%, over the end of 2011.

Domestic corporate loans and advances of the Bank reached RMB4,720,136 million, an increase of RMB319,715 million, or 7.27%, over the end of 2011. In this amount, infrastructure loans rose to RMB2,043,496 million, the increase of which accounted for 31.12% of the increase in corporate loans. Agriculture-related loans totalled RMB1,170,371 million, and loans to small and micro businesses amounted to RMB681,415 million, up 11.47% and 7.84% respectively, both higher than the growth rate of total corporate loans. The Bank further promoted the rectification work for loans to government financing vehicles, strengthened the exit mechanism, and strictly followed the policies for loan approval, leading to improving loan structure of financing vehicles. Proportions of loans to industries categorised as prudent supporting and gradual curtailing in total loans decreased by 0.80 percentage points and 0.07 percentage points respectively. Property development loans amounted to RMB417,766 million, a decrease of RMB1,394 million over the end of last year.

Personal loans and advances increased by RMB140,516 million, or 8.37%, to RMB1,818,426 million over the end of 2011. In this amount, residential mortgages rose by RMB91,074 million, or 6.94%, to RMB1,404,048 million, mainly to support the financing needs for residential purpose; personal business loans increased by RMB14,475 million, or 18.39% over the end of 2011, to RMB93,191 million; credit card loans rose by RMB24,989 million, or 25.62%, to RMB122,542 million.

Discounted bills reached RMB120,027 million, an increase of RMB8,846 million over the end of 2011, and were primarily used to meet the short-term financing needs of targeted prime customers.

Loans and advances to customers with overseas entities and subsidiaries rose by RMB95,855 million, or 31.23%, over the end of 2011, to RMB402,754 million, largely attributable to the rapid development of cross-border coordinated businesses with the Group's strong promotion of international and comprehensive operations.

Distribution of loans by type of collateral

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

(In millions of RMB, except percentages)	**As at 30 June 2012** **Amount**	**% of total**	As at 31 December 2011 Amount	% of total
Unsecured loans	**1,967,381**	**27.86**	1,655,537	25.48
Guaranteed loans	**1,408,055**	**19.94**	1,422,349	21.89
Loans secured by tangible assets other than monetary assets	**2,968,511**	**42.04**	2,787,776	42.92
Loans secured by monetary assets	**717,396**	**10.16**	630,749	9.71
Gross loans and advances to customers	**7,061,343**	**100.00**	6,496,411	100.00

Allowances for impairment losses on loans and advances to customers

	For the six months ended 30 June 2012			
		Allowances for impaired loans and advances		
(In millions of RMB)	**Allowances for loans and advances which are collectively assessed**	**which are collectively assessed**	**which are individually assessed**	**Total**
As at 1 January	**129,832**	**3,276**	**38,109**	**171,217**
Charge for the period	**11,593**	**602**	**8,449**	**20,644**
Release during the period	**–**	**–**	**(5,918)**	**(5,918)**
Unwinding of discount	**–**	**–**	**(839)**	**(839)**
Transfers out	**–**	**4**	**45**	**49**
Write-offs	**–**	**(171)**	**(999)**	**(1,170)**
Recoveries	**–**	**51**	**729**	**780**
As at 30 June	**141,425**	**3,762**	**39,576**	**184,763**

The Group adhered to its prudent principle by fully considering the impact of changes in external economic environment and macro-control policies on credit asset quality, and made full provisions for impairment losses on loans and advances to customers. As at 30 June 2012, the allowances for impairment losses on loans and advances to customers were RMB184,763 million, an increase of RMB13,546 million over the end of last year. The ratio of allowances to non-performing loans was 262.38%, up 20.94 percentage points over the end of last year. The ratio of allowances to total loans was 2.62%, a slight decrease of 0.02 percentage points from the end of 2011.

Investments

The following table shows the composition of the Group's investments by purpose as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2012** **Amount**	**% of total**	As at 31 December 2011 Amount	% of total
Financial assets at fair value through profit or loss	**24,251**	**0.86**	23,096	0.84
Available-for-sale financial assets	**698,108**	**24.68**	675,058	24.62
Held-to-maturity investments	**1,806,707**	**63.86**	1,743,569	63.60
Debt securities classified as receivables	**300,119**	**10.60**	300,027	10.94
Total investments	**2,829,185**	**100.00**	2,741,750	100.00

As at 30 June 2012, total investments increased by RMB87,435 million, or 3.19%, over the end of 2011 to RMB2,829,185 million. In this amount, held-to-maturity investments increased by RMB63,138 million, or 3.62%; available-for-sale financial assets increased by RMB23,050 million, or 3.41%; financial assets at fair value through profit or loss increased by RMB1,155 million, or 5.00% over the end of 2011.

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

(In millions of RMB, except percentages)	**As at 30 June 2012** **Amount**	**% of total**	As at 31 December 2011 Amount	% of total
Investments in debt securities	**2,807,487**	**99.23**	2,719,007	99.17
Equity instruments	**20,974**	**0.74**	22,451	0.82
Funds	**724**	**0.03**	292	0.01
Total investments	**2,829,185**	**100.00**	2,741,750	100.00

Investments in debt securities

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

(In millions of RMB, except percentages)	**As at 30 June 2012** **Amount**	**% of total**	As at 31 December 2011 Amount	% of total
Government	**909,796**	**32.41**	901,187	33.14
Central banks	**362,467**	**12.91**	435,726	16.02
Policy banks	**336,401**	**11.98**	285,767	10.51
Banks and non-bank financial institutions	**776,948**	**27.67**	712,053	26.19
Public sector entities	**151**	**0.01**	196	0.01
Cinda	**109,710**	**3.91**	131,761	4.85
Other enterprises	**312,014**	**11.11**	252,317	9.28
Total investments in debt securities	**2,807,487**	**100.00**	2,719,007	100.00

The Group persisted with its sound investment and prudent trading philosophy, and proactively adjusted its operating strategy to achieve the balance of risks and returns, while maintaining safe liquidity. As at 30 June 2012, investments in debt securities totalled RMB2,807,487 million, an increase of RMB88,480 million, or 3.25% over the end of last year. In this amount, government debt securities were RMB909,796 million, an increase of RMB8,609 million, or 0.96%, over the end of 2011; debt securities issued by policy banks increased by RMB50,634 million, or 17.72%, over the end of 2011 to RMB336,401 million; debt securities issued by banks and non-bank financial institutions were RMB776,948 million, an increase of RMB64,895 million, or 9.11%, compared to the end of 2011; debt securities issued by central banks decreased by RMB73,259 million, or 16.81% over the end of 2011 to RMB362,467 million; Cinda debt securities decreased by RMB22,051 million over the end of 2011 to RMB109,710 million, as part of the principal was repaid to the Bank.

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

(In millions of RMB, except percentages)	**As at 30 June 2012**		As at 31 December 2011	
	Amount	**% of total**	Amount	% of total
RMB	**2,756,082**	**98.17**	2,667,800	98.12
USD	**26,062**	**0.93**	27,885	1.02
HKD	**15,055**	**0.53**	8,638	0.32
Other foreign currencies	**10,288**	**0.37**	14,684	0.54
Total investments in debt securities	**2,807,487**	**100.00**	2,719,007	100.00

As at 30 June 2012, the carrying amount of US sub-prime mortgage loan backed securities held by the Group was US$86 million, accounting for 1.06% of the foreign currency debt securities investment portfolio; the carrying amount of the Alt-A bonds held by the Group was US$176 million, accounting for 2.17% of the foreign currency debt securities investment portfolio. The Group does not hold any debt securities issued by the governments and institutions of Greece, Portugal, Spain and Italy.

As foreign currency debt securities represent only a very small proportion of the Group's total assets, market value fluctuations for such debt securities will not have a significant effect on earnings.

Interest receivable

As at 30 June 2012, the Group's interest receivable was RMB70,956 million, an increase of RMB14,180 million, or 24.98%, over the end of 2011. This was mainly due to the combined effect of the interest rate hikes in 2011 and growth in loans and investments in debt securities.

Liabilities

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

(In millions of RMB, except percentages)	**As at 30 June 2012**		As at 31 December 2011	
	Amount	**% of total**	Amount	% of total
Deposits from customers	**10,940,837**	**86.58**	9,987,450	87.11
Deposits and placements from banks and non-bank financial institutions	**1,136,372**	**8.99**	1,044,954	9.11
Financial assets sold under repurchase agreements	**3,207**	**0.03**	10,461	0.09
Debt securities issued	**213,628**	**1.69**	168,312	1.47
Others[1]	**342,296**	**2.71**	253,996	2.22
Total liabilities	**12,636,340**	**100.00**	11,465,173	100.00

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

As at 30 June 2012, the Group's total liabilities were RMB12,636,340 million, an increase of RMB1,171,167 million, or 10.21%, over the end of 2011. In this amount, deposits from customers increased by RMB953,387 million, or 9.55%, and accounted for 86.58% of total liabilities; deposits and placements from banks and non-bank financial institutions increased by RMB91,418 million, or 8.75%, and accounted for 8.99% of total liabilities; financial assets sold under repurchase agreements decreased by RMB7,254 million, or 69.34%; debt securities issued increased by RMB45,316 million over the end of 2011, mainly because the overseas branches and CCB Asia issued more certificates of deposit.

Deposits from customers

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

(In millions of RMB, except percentages)	As at 30 June 2012 Amount	As at 30 June 2012 % of total	As at 31 December 2011 Amount	As at 31 December 2011 % of total
Corporate deposits	**5,788,348**	**52.91**	5,410,592	54.17
Demand deposits	**3,536,002**	**32.32**	3,493,316	34.98
Time deposits	**2,252,346**	**20.59**	1,917,276	19.19
Personal deposits	**5,004,480**	**45.74**	4,415,965	44.22
Demand deposits	**1,984,212**	**18.14**	1,829,399	18.32
Time deposits	**3,020,268**	**27.60**	2,586,566	25.90
Overseas operations and subsidiaries	**148,009**	**1.35**	160,893	1.61
Total deposits from customers	**10,940,837**	**100.00**	9,987,450	100.00

As at 30 June 2012, the Group's total deposits from customers reached RMB10,940,837 million, an increase of RMB953,387 million, or 9.55% over the end of last year. Time deposits increased by RMB768,772 million, or 17.07%, higher than the 3.71% growth of demand deposits. As a result, time deposits accounted for 48.19% of total deposits from customers, an increase of 3.10 percentage points compared to the end of 2011.

Shareholders' equity

(In millions of RMB)	As at 30 June 2012	As at 31 December 2011
Share capital	**250,011**	250,011
Capital reserve	**135,183**	135,178
Investment revaluation reserve	**11,305**	6,383
Surplus reserve	**67,576**	67,576
General reserve	**80,163**	67,342
Retained earnings	**323,600**	289,266
Exchange reserve	**(4,312)**	(4,615)
Total equity attributable to equity shareholders of the Bank	**863,526**	811,141
Non-controlling interests	**5,879**	5,520
Total equity	**869,405**	816,661

As at 30 June 2012, the Group's total equity reached RMB869,405 million, an increase of RMB52,744 million over the end of 2011. The ratio of total equity to total assets for the Group was 6.44%. The daily average loan-to-deposit ratio for the first half of 2012 was 66.31%, up 2.54 percentage points over the same period last year.

Capital adequacy ratio

The following table sets forth the information related to the Group's capital adequacy ratio as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2012**	As at 31 December 2011
Core capital adequacy ratio[1]	**11.19%**	10.97%
Capital adequacy ratio[2]	**13.82%**	13.68%
Components of capital base		
Core capital:		
Share capital	**250,011**	250,011
Capital reserve, investment revaluation reserve and exchange reserve[3]	**131,157**	130,562
Surplus reserve and general reserve	**147,737**	134,918
Retained earnings[3,4]	**285,744**	229,649
Non-controlling interests	**5,085**	5,520
	819,734	750,660
Supplementary capital:		
General provision for doubtful debts	**72,564**	66,180
Positive changes in fair value of financial instruments at fair value through profit or loss	**6,086**	3,675
Subordinated bonds issued	**120,000**	120,000
	198,650	189,855
Total capital base before deductions	**1,018,384**	940,515
Deductions:		
Goodwill	**(1,483)**	(1,662)
Unconsolidated equity investments	**(15,688)**	(12,402)
Others[5]	**(1,437)**	(1,945)
Net capital	**999,776**	924,506
Risk-weighted assets[6]	**7,236,586**	6,760,117

1. Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill and 50% of unconsolidated equity investments and other items, by risk-weighted assets.
2. Capital adequacy ratio is calculated by dividing the net capital by risk-weighted assets.
3. The investment revaluation reserve arising from the accumulated net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital, and 50% of the balance is included in the supplementary capital. In addition, the unrealised accumulated net positive changes in fair value of financial instruments at fair value through profit or loss, net of income tax, are excluded from the core capital and included in the supplementary capital.
4. The dividend proposed after the balance sheet date has been deducted from retained earnings.
5. Others mainly represent investments in those asset-backed securities specified by the CBRC which required reduction.
6. The balance of risk-weighted assets includes an amount equal to 12.5 times the Group's market risk capital.

The Group calculates its capital adequacy ratio in accordance with the *Measures for Capital Adequacy Ratio Management of Commercial Banks* and related regulations promulgated by the CBRC. As at 30 June 2012, the Group's capital adequacy ratio was 13.82% and the core capital adequacy ratio was 11.19%, up 0.14 and 0.22 percentage points respectively over the end of 2011. This was largely because the increase in profits supported the growth of capital; and the Group strengthened analysis on efficiency of capital utilisation of its on and off-balance sheet assets, optimised the structure of capital allocation, and achieved steady increase in the capital adequacy ratio with effective control on the growth of off-balance sheet risk assets.

Analysis of Off-Balance Sheet Items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, equity instrument contracts and credit risk mitigation contracts. Please refer to Note "Derivatives" in the "Financial Statements" of this half-year report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, government bond redemption obligations, and outstanding litigation and disputes. Among these, credit commitments were the largest component, with an amount of RMB2,030,445 million as at 30 June 2012, an increase of 2.45% over the end of 2011; its credit risk-weighted amount was RMB963,185 million, an increase of 3.60% over the end of 2011. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" of this half-year report for details on commitments and contingent liabilities.

Loan Quality Analysis

Distribution of loans by the five-category classification

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

	As at 30 June 2012		As at 31 December 2011	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Normal	**6,793,871**	**96.21**	6,227,770	95.87
Special mention	**197,055**	**2.79**	197,726	3.04
Substandard	**34,506**	**0.49**	38,974	0.60
Doubtful	**26,531**	**0.38**	23,075	0.35
Loss	**9,380**	**0.13**	8,866	0.14
Gross loans and advances to customers	**7,061,343**	**100.00**	6,496,411	100.00
Non-performing loans	**70,417**		70,915	
Non-performing loan ratio		**1.00**		1.09

The Group stepped up credit structure adjustments, strengthened comprehensive post-lending management and risk prevention and mitigation, and expedited NPL disposal. Credit asset quality continued to be stable. As at 30 June 2012, the Group's NPLs were RMB70,417 million, a decrease of RMB498 million from the end of last year, while the NPL ratio dropped by 0.09 percentage points to 1.00%. The proportion of special mention loans in total loans slid to 2.79%, 0.25 percentage points lower than 2011.

Distribution of loans and NPLs by product type

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

	As at 30 June 2012			As at 31 December 2011		
(In millions of RMB, except percentages)	**Loans**	**NPLs**	**NPL ratio (%)**	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	**4,720,136**	**62,676**	**1.33**	4,400,421	63,692	1.45
Short-term loans	**1,562,953**	**33,293**	**2.13**	1,383,008	24,969	1.81
Medium to long-term loans	**3,157,183**	**29,382**	**0.93**	3,017,413	38,723	1.28
Personal loans and advances	**1,818,426**	**5,735**	**0.32**	1,677,910	5,178	0.31
Residential mortgages	**1,404,048**	**2,860**	**0.20**	1,312,974	2,630	0.20
Personal consumer loans	**77,732**	**843**	**1.08**	76,692	797	1.04
Personal business loans	**93,191**	**319**	**0.34**	78,716	198	0.25
Credit card loans	**122,542**	**970**	**0.79**	97,553	829	0.85
Other loans[1]	**120,913**	**743**	**0.61**	111,975	724	0.65
Discounted bills	**120,027**	**–**	**–**	111,181	–	–
Overseas operations and subsidiaries	**402,754**	**2,007**	**0.50**	306,899	2,045	0.67
Total	**7,061,343**	**70,417**	**1.00**	6,496,411	70,915	1.09

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

As at 30 June 2012, the NPL ratio for domestic corporate loans and advances was 1.33%, a decrease of 0.12 percentage points from the end of 2011, and that for personal loans and advances was 0.32%, 0.01 percentage points higher than at the end of 2011. The Group strengthened overseas risk management and consolidated management, and sped up the disposal and mitigation of large exposures. The asset quality of overseas entities and subsidiaries improved steadily.

Distribution of loans and NPLs by industry

The following table sets forth the loans and NPLs by industry as at the dates indicated:

	As at 30 June 2012				As at 31 December 2011			
(In millions of RMB, except percentages)	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	**4,720,136**	**66.84**	**62,675**	**1.33**	4,400,421	67.74	63,692	1.45
Manufacturing	**1,182,281**	**16.74**	**28,167**	**2.38**	1,084,612	16.70	25,577	2.36
Transportation, storage and postal services	**805,750**	**11.41**	**4,515**	**0.56**	742,368	11.43	7,038	0.95
Production and supply of electric power, gas and water services	**596,691**	**8.45**	**3,638**	**0.61**	569,517	8.77	3,929	0.69
Real estate	**440,631**	**6.24**	**5,482**	**1.24**	425,900	6.56	8,005	1.88
Leasing and commercial services	**392,157**	**5.55**	**2,096**	**0.53**	383,366	5.90	3,369	0.88
– Commercial services	**381,914**	**5.41**	**2,082**	**0.55**	373,145	5.74	3,347	0.90
Wholesale and retail trade	**303,761**	**4.30**	**11,421**	**3.76**	267,077	4.11	6,811	2.55
Water, environment and public utilities management	**229,755**	**3.25**	**483**	**0.21**	226,560	3.49	1,065	0.47
Construction	**210,966**	**2.99**	**2,050**	**0.97**	187,166	2.88	1,908	1.02
Mining	**185,876**	**2.63**	**390**	**0.21**	165,806	2.55	599	0.36
– Exploitation of petroleum and natural gas	**13,589**	**0.19**	**32**	**0.24**	15,400	0.24	39	0.25
Education	**81,720**	**1.16**	**498**	**0.61**	84,984	1.31	734	0.86
Telecommunications, computer services and software	**20,496**	**0.29**	**513**	**2.50**	21,604	0.33	783	3.62
– Telecommunications and other information transmission services	**15,797**	**0.22**	**34**	**0.22**	17,008	0.26	155	0.91
Others	**270,052**	**3.83**	**3,422**	**1.27**	241,461	3.72	3,874	1.60
Personal loans	**1,818,426**	**25.75**	**5,735**	**0.32**	1,677,910	25.83	5,178	0.31
Discounted bills	**120,027**	**1.70**	**–**	**–**	111,181	1.71	–	–
Overseas operations and subsidiaries	**402,754**	**5.71**	**2,007**	**0.50**	306,899	4.72	2,045	0.67
Total	**7,061,343**	**100.00**	**70,417**	**1.00**	6,496,411	100.00	70,915	1.09

In line with the 12th Five-Year Plan and changes in other external policies, the Group made timely adjustment to its credit policies and further improved its credit structural adjustment plan, and refined its criteria in customer selection. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. As affected by macroeconomic changes, the NPL ratios for manufacturing, and wholesale and retail trade industries rose.

Rescheduled loans and advances to customers

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

(In millions of RMB, except percentages)	As at 30 June 2012 Amount	As at 30 June 2012 % of gross loans and advances	As at 31 December 2011 Amount	As at 31 December 2011 % of gross loans and advances
Rescheduled loans and advances to customers	**3,703**	**0.05**	2,692	0.04

As at 30 June 2012, rescheduled loans and advances to customers increased by RMB1,011 million over the end of last year, to RMB3,703 million, accounting for 0.05% of gross loans and advances, up 0.01 percentage points over the end of last year.

Overdue loans and advances to customers

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

(In millions of RMB, except percentages)	As at 30 June 2012 Amount	As at 30 June 2012 % of gross loans and advances	As at 31 December 2011 Amount	As at 31 December 2011 % of gross loans and advances
Overdue for no more than 3 months	**34,800**	**0.49**	21,815	0.34
Overdue for 3 months to 1 year	**20,268**	**0.29**	9,739	0.15
Overdue for 1 to 3 years	**11,265**	**0.16**	11,885	0.18
Overdue for over 3 years	**15,417**	**0.22**	13,553	0.21
Total overdue loans and advances to customers	**81,750**	**1.16**	56,992	0.88

As at 30 June 2012, overdue loans and advances to customers increased by RMB24,758 million to RMB81,750 million over the end of last year, mainly because short-term delinquencies rose as certain customers experienced difficulty in operation and liquidity with the slow down of domestic economy.

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

There is no difference in the net profit for the six months ended 30 June 2012 or total equity as at 30 June 2012 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

Business Review

The Group's major business segments are corporate banking, personal banking, treasury business, and others which include equity investments and overseas operations.

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

(In millions of RMB, except percentages)	For the six months ended 30 June 2012 Amount	For the six months ended 30 June 2012 % of total	For the six months ended 30 June 2011 Amount	For the six months ended 30 June 2011 % of total
Corporate banking	**66,299**	**47.87**	58,385	48.34
Personal banking	**22,345**	**16.13**	22,702	18.79
Treasury business	**46,248**	**33.39**	37,444	31.00
Others	**3,620**	**2.61**	2,258	1.87
Profit before tax	**138,512**	**100.00**	120,789	100.00

Corporate Banking

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

(In millions of RMB, except percentages)	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Change (%)
Net interest income	**84,671**	75,020	12.86
Net fee and commission income	**21,892**	21,928	(0.16)
Other operating income	**224**	373	(39.95)
Operating income	**106,787**	97,321	9.73
Operating expenses	**(29,754)**	(26,384)	12.77
Impairment losses	**(10,734)**	(12,552)	(14.48)
Profit before tax	**66,299**	58,385	13.55
	As at 30 June 2012	As at 31 December 2011	
Segment assets	**4,985,037**	4,643,350	7.36

Profit before tax from corporate banking increased by 13.55% over the same period last year to RMB66,299 million, accounting for 47.87% of the Group's profit before tax as the Group's primary profit source. Operating income rose by 9.73% over the same period last year. In this amount, net interest income increased by 12.86% over the same period last year, benefiting from the stable growth of corporate loans and loan repricing after the interest rate hikes in 2011; net fee and commission income decreased by RMB36 million as affected by state regulatory policies. The Bank accelerated disposal and mitigation for existing risks, and both the non-performing loans and special mention loans in corporate loans decreased compared to the end of last year. In particular, special mention loans decreased more than that in the same period last year. As a result, impairment losses decreased by RMB1,818 million over the same period last year.

Corporate Deposits and Loans

The Bank not only strengthened its relationship with existing customers, but also increased marketing efforts to attract new customers, including downstream customers of entrusted payment, and upstream, downstream and related customers of core enterprises. It also used the combination and innovation of deposit products to promote the stable growth of corporate deposits. At the end of June 2012, the Bank's domestic corporate deposits were RMB5,788,348 million, an increase of RMB377,756 million over the end of last year.

In line with national economic trends and industrial policies, the Group made in-depth credit structure adjustment. It strictly controlled loans to industries with excess capacity, real estate sector, and government financing vehicles, and expanded lending to the Bank's traditional advantageous businesses, livelihood sector, agriculture-related industries including water conservancy and new countryside construction, cultural sector, green credit sector related to energy saving and emission reduction, and small and micro businesses. At the end of June 2012, the Bank's domestic corporate loans and advances reached RMB4,720,136 million, an increase of RMB319,715 million compared to the end of last year.

For the "6+1" industries with excess capacity, including iron and steel, cement, coal chemical, plate glass, wind power equipment, polycrystalline silicon as well as the shipbuilding sector, the Group conducted reviews and dynamic adjustments to the qualified customer lists, and, and increased its exit efforts by timely clearing the unqualified customers. The Bank strengthened research on the real estate control policies, enhanced market monitoring of the first-tier cities and cities with sale restriction policies, and conducted customer list management for property development loans and land reserve loans. The property development loans amounted to RMB417,766 million, a decrease of RMB1,394 million compared to the end of last year. The Bank continued to push forward the rectification work for loans to government financing vehicles, strengthened the exit mechanism, and strictly followed the loan approval policies, leading to improving structure of loans to government financing vehicles. At the end of June 2012, loans to government financing vehicles classified under the regulatory category were RMB442,598 million, and 91.33% of such loans could be fully covered by their own future cash inflows.

Traditional advantage businesses and emerging businesses both achieved rapid growth, with expanding scope of services. Loans to infrastructure sectors were RMB2,043,496 million, an increase of RMB99,498 million. Agriculture-related loans amounted to RMB1,170,371 million, up 11.47%. In this amount, loans to new countryside construction were RMB54,200 million, up 71.26%. With the aim of meeting the demand for financial service in new countryside construction, the Bank steadily extended pilot regions and business scopes, strictly reviewed the qualifications of borrowers and projects, and expanded loans to support new countryside construction. Adhering to a commercially sustainable principle, and focusing on supporting public rental housing, loans for indemnificatory housing projects were RMB41,769 million, an increase of RMB16,039 million. The domestic factoring business achieved fast growth, with advances of RMB140,279 million, an increase of RMB12,343 million. The Group is market leader in internet merchant business, with the accumulated amount of loans granted in the first half of 2012 exceeding RMB15.8 billion.

The Bank regards the small enterprise business as its strategic business. It strengthened channel building, made collaborative marketing efforts, and signed strategic cooperation agreements with the Ministry of Industry and Information Technology and China Association of Small and Medium Enterprises respectively in the first half of 2012. In addition, the Bank carried out innovation actively. On the basis of the four major product categories, including "Growing Path", "Easy Loan", "Petty Loan" and "Credit Loan", the Bank introduced successive new products, such as "Credit Guarantee Loan", "Supply Chain Loan", "Net Ease Loan", and "Petty Easy Loan". The Bank continuously optimised its business process, and built a business model adaptable to the transition to retail business model. It carried out a strategic assistance project with Bank of America called "Credit Business Process Re-engineering for Small and Micro Businesses", aiming at developing an efficient and convenient business process. At the end of June 2012, according to the SME standards jointly issued by four ministries and commissions headed by the Ministry of Industry and Information Technology in 2011, loans to small and micro businesses were RMB681,415 million, an increase of RMB49,525 million compared to the end of last year. The number of small and micro business customers reached 60,604.

Institutional Business

The Bank expanded on its "Minben Tongda" brand, and strengthened customer marketing and products coverage in livelihood sector. By seizing the opportunity of the social security system reform, the Bank promoted the financial social security card business as its strategic business. The Bank actively participated in online banking payment service authorised by the central government finance, and the number of pilot budget units reached 98. The Bank established correspondent banking relations with 15 new domestic banks in the first half of 2012, increasing the total number of correspondent banks to 160. Customers of "Xincunguan" business totalled 21.61 million, the largest customer base in the industry. The Bank innovatively launched securities-secured credit business mainly targeted at SME customers. With real-time monitoring of the pledged securities through its stock pledge financing service system, the Bank was able to realise electronic management of the whole process. The Bank continued to enjoy close to 50% market share in terms of the number of customers in banking services for futures. Income from the collection and payment agency service for fund trust plans totalled RMB1,238 million, ranking first among peers.

International Business

In the first half of 2012, international settlement volume reached US$478,947 million, an increase of 14.17% over the same period last year. Cross-border RMB settlement gained in market share substantially, totalling RMB356,589 million, up 216.37%. The international guarantee and international financing businesses maintained healthy growth, in which the "domestic guarantee, overseas lending" business and export credit business provided global financial services for a number of large Chinese-funded enterprises.

Asset Custodial Business

In the face of adverse external circumstances such as the falling A-share market, the Bank took proactively measures to adjust its product structure and market to target high quality customers, and achieved stable development in the asset custodial business. At the end of June 2012, the assets under custody of the Bank reached RMB2,046,802 million, generating a fee income of RMB1,039 million. The securities investment funds under custody were RMB545,302 million, and the number of funds under custody increased by 25, maintaining leading position among its peers. The insurance assets under custody increased by 16.45% over the end of last year to RMB315,400 million.

Pension Business

At the end of June 2012, the Bank operated 2.32 million personal enterprise annuity accounts, an increase of 280,000 over the end of last year. The enterprise annuity assets under custody amounted to RMB56,514 million, up by RMB8,377 million. The Bank proactively conducted product innovation, and successfully launched "Yangyisifang Exclusive A", a customer-tailored asset management product, in the first half of 2012. A pension product framework covering four categories and ten products was initially built up.

Treasury Management and Settlement Business

At the end of June 2012, the number of cash management customers was 610,000. The RMB settlement service generated an income of RMB3,973 million. With the launch of products such as custodial service for provisions of third-party payment agencies and cross-bank domestic letter of credit, the Bank further enriched its product line for treasury management and settlement business. The Bank maintained competitive advantages over its peers with products including all-in-one corporate account, settlement card, multiple-mode cash pool and domestic letter of credit, which effectively lifted the market influence of its cash management services branded as "Yudao".

Personal Banking

The following table sets forth the major operating information and changes related to personal banking:

(In millions of RMB, except percentages)	**For the six months ended 30 June 2012**	For the six months ended 30 June 2011	Change (%)
Net interest income	**47,024**	40,124	17.20
Net fee and commission income	**16,205**	15,386	5.32
Other operating income	**451**	497	(9.26)
Operating income	**63,680**	56,007	13.70
Operating expenses	**(36,846)**	(31,940)	15.36
Impairment losses	**(4,489)**	(1,365)	228.86
Profit before tax	**22,345**	22,702	(1.57)
	As at 30 June 2012	As at 31 December 2011	
Segment assets	**1,774,021**	1,662,434	6.71

Personal banking achieved profit before tax of RMB22,345 million with a decrease of 1.57% over the same period last year, accounting for 16.13% of the Group's profit before tax. Operating income rose by RMB7,673 million over the same period last year. In this amount, net interest income increased by 17.20% as a result of the rapid growth of personal loans and the increase in net interest margin; net fee and commission income maintained steady growth with an increase of RMB819 million, pushed by fee-based business such as credit card and personal wealth management service. Operating expenses increased by 15.36% over the same period last year, due to greater resources invested in the personal banking business. The personal NPLs and special mention loans rose slightly compared to the end of last year. Based on its judgement on future risks and its prudent principle, the Bank made more provisions for personal loans compared to the same period last year, and the impairment losses increased by RMB3,124 million.

Personal deposits

The Bank proactively developed its customer base. It boosted the growth of personal deposits by strong promotion of settlement tools including payroll agency service, social security card with financial functions, settlement cards, and customer transaction settlement funds depository services for securities companies, and retained customer funds on the strength of its wealth management products. In the first half of 2012, personal deposits achieved steady growth with a total of RMB5,004,480 million, up 13.33% over the end of last year.

Personal loans

At the end of June 2012, personal loans totalled RMB1,818,426 million, an increase of RMB140,516 million, up 8.37% over the end of last year. With the aim of serving people's livelihood, residential mortgages were primarily granted to support people to buy apartments for residential purpose, and the loan balance rose by 6.94% to RMB1,404,048 million, ranking first in the market in terms of both loan balance and the increase. The Bank vigorously developed its consumer lending business and launched a series of products, including "Easy Education Loan" personal education loans, "Fortune Loan" personal loans for private banking customers, personal loans pledged with gold, and "Refurbishment Loan" house renovation loans. In order to accelerate the development of personal business loans, the Bank introduced "Hexingdai" supply chain personal business loans, and vigorously tapped into the professional markets and the industry chains. At the end of June 2012, personal business loans increased to RMB93,191 million, up 18.39% over the end of last year. The pilots of personal agriculture-related loans were expanded to Qinghai, Fujian branch and other branches. The Bank continued to strengthen refined management after lending, and the asset quality of personal loans remained stable and was among the best in the market.

Entrusted housing finance business

The Bank strengthened the cooperation with local housing fund management departments and maintained market leader position in entrusted housing finance business. At the end of June 2012, housing fund deposits were RMB573,033 million, up by RMB66,077 million from the end of 2011, while personal provident housing loans were RMB666,708 million, up by RMB50,502 million. The Bank actively promoted financial services for the indemnificatory housing projects, followed up the pilot business of provident fund loans, and granted provident fund loans of RMB18,023 million for the indemnificatory housing projects, an increase of RMB559 million.

Credit card business

With a sustainable and prudent development strategy, credit card business grew quickly in the first half of 2012, and the Bank outperformed its peers in terms of multiple core business indicators. At the end of June 2012, the number of existing credit cards was 36.04 million, an increase of 3.79 million over the end of 2011. The balance of credit card loans rose by 25.62% to RMB122,542 million, and the amount of spending through credit card was RMB360,037 million. In order to acquire quality customers through multi-channels, the Bank leveraged on the marketing strength of its branch network, and pushed forward coordinated marketing campaigns by corporate and personal banking segments on the strength of "Excellent" cards, business cards and civil cards, while promoting online card issuance. The Bank also strengthened customer-centered service and loyalty management, leading to higher quality and contributions of its credit card customers. The Bank optimised and upgraded auto cards and diamond cards, consolidated the first-mover advantage of key products, such as department store cards and civil cards, and vigorously promoted instalment businesses such as car purchase and housing refurbishment instalments. It refined its credit policy system and risk monitoring mechanism to improve the accuracy of credit granting, and increased its efforts to prevent the risk of fraud to enhance card security protection capacity.

Debit cards and other personal fee-based businesses

At the end of June 2012, the number of debit cards issued increased to 398 million by 33.45 million over the end of last year. The spending amount through debit cards reached RMB1,027,000 million, and the fee and commission income was RMB4,893 million. Innovative investment products such as principal-guaranteed wealth management products and account silver grew rapidly. The Bank innovatively introduced personal Account Platinum and Account Silver businesses, with a trading volume of 7,852 tonnes for Account Silver and five tonnes for Account Platinum.

Private banking

The Bank actively responded to high-end customers' wealth management demands, and employed innovative techniques, methods and processes, such as event-driven marketing and high-end customer relationship management, to implement targeted marketing with improved efficiency. The Bank has a strong professional team, consisting of highly qualified private banking customer managers and wealth advisors. In response to the diversified and personalised demands of the private banking customers, the Bank launched "Wealth Managers", comprehensive wealth planning, and one-on-one product customisation services. In order to meet the financing and liquidity needs of private banking customers, the Bank introduced a series of innovative products for private banking customers, including "Fortune Loan" personal loan service plan, "Fortune Star" small business financial services, and "Credit Privilege" credit card services. The number of wealth cards and private banking cards issued continued to grow, with improved settlement service capability. By the end of June 2012, the number of private banking customers with AUM of more than RMB5 million had increased by 9.24%, and the AUM had increased by 17.97% compared to the end of 2011.

Treasury Business

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

(In millions of RMB, except percentages)	**For the six months ended 30 June 2012**	For the six months ended 30 June 2011	Change (%)
Net interest income	**35,455**	29,464	20.33
Net fee and commission income	**10,165**	9,413	7.99
Net trading (loss)/income	**(9)**	502	(101.79)
Net income arising from investment securities	**200**	265	(24.53)
Other operating gain/(loss)	**2,768**	(165)	(1,777.58)
Operating income	**48,579**	39,479	23.05
Operating expenses	**(2,851)**	(1,930)	47.72
Impairment losses	**520**	(105)	(595.24)
Profit before tax	**46,248**	37,444	23.51
	As at 30 June 2012	As at 31 December 2011	
Segment assets	**6,308,657**	5,411,041	16.59

Treasury business achieved profit before tax of RMB46,248 million, an increase of 23.51% over the same period last year, accounting for 33.39% of the Group's profit before tax, 2.39 percentage points higher than its contribution for the same period last year. Operating income rose by RMB9,100 million, or 23.05% over the same period last year. In this amount, net interest income rose by RMB5,991 million, or 20.33%, with the rise in the yield of bond investment, driven by the higher market rates and improved term and structure of investments in debt securities; as a result of the fast development of key products such as non-traditional financial advisory service, bond underwriting, wealth management products and customer-driven treasury business, net fee and commission income grew by RMB752 million compared to the same period in 2011. Other operating gain was RMB2,768 million, mainly due to the increase in realised gain from proprietary cross-currency swap deals. Operating expenses increased by RMB921 million compared to the same period last year as the Group invested more resources in the treasury business. The reversal of impairment losses was RMB520 million, mainly due to the decrease in underlying credit assets and debenture bonds for customer-driven wealth management products.

Financial markets business

The Bank persisted with sound investment and prudent trading strategies, and sought a balance between risks and returns under the premise of safety and liquidity, achieving overall sound operating results of the financial markets business. With regards to the utilisation of RMB funds, the Bank achieved substantial increase in the yields of RMB-denominated investment portfolio while maintaining safe liquidity. It reasonably arranged the structure of cash inflows, extended the fund lending period, and optimised the debt securities portfolio by seizing opportunities of interest rate movements. It also actively carried out swing trading operations in the trading book, with the yields of trading bond surpassing the benchmark index substantially. The Bank ranked second in terms of over-the-counter transaction volume of book-entry treasury bonds. With regard to the utilisation of foreign currency funds, the Bank supported the development of its overseas entities while ensuring safe liquidity of foreign currency. It moderately expanded interbank lending. The Bank also paid close attention to the credit changes of foreign currency bond issuers, and reduced its holdings as appropriate.

The precious metals business developed fast, with customer expansion and product innovation progressing smoothly. In the first half of 2012, the trading volume of precious metals reached 13,514 tonnes, 14 times of that for the same period last year. The customers of account precious metals increased by 2.14 million, exceeding the total customer number for the past six years. The Bank further diversified its product lines and introduced innovative products such as USD account precious metals and repurchase of physical gold from individuals.

Albeit the market environment of weak imports and exports growth and adjusted exchange rate policies, the foreign exchange trading business grew steadily. In the first half of 2012, the volume of customer-driven foreign exchange trading reached US$196,537 million. In this amount, the volume of corporate foreign exchange trading increased fast, up 131.82% over the same period last year.

Investment banking

In the first half of 2012, the investment banking achieved sound development. On the strength of its “financial total solutions”, the Bank innovatively developed businesses and products related to capital markets. For high quality Chinese enterprises listed in the United States, Hong Kong, and Singapore, the Bank introduced a new financial advisory business named “Public Private Public” (PPP). In the first half of 2012, income from financial advisory services totalled RMB5,463 million, of which income from non-traditional financial advisory services increased by 12.47% over the same period last year to RMB3,554 million.

The Bank consolidated its market advantage in underwriting commercial papers, and managed to be the first mover in the private-placement notes underwriting business. The Bank also carried out regular risk surveillance on the outstanding debt financing instruments to ensure the healthy development of underwriting business. In the first half of 2012, the underwriting amount of debt financing instruments reached RMB139,025 million, the underwriting amount of commercial papers reached RMB55,570 million and the underwriting amount of non-public debt financing instruments (private placement notes) amounted to RMB32,265 million, with the underwriting business ranking first in terms of market share.

In the first half of the year, a total of 2,253 batches of wealth management products were issued, raising an amount of RMB2,524,595 million. The balance of wealth management products was RMB650,435 million. With enhanced comprehensive risk management, the Bank further standardised the asset-backed wealth management business in terms of enterprise access, product factors, risk control and approval process. Meanwhile, the Bank also strengthened its duration management by reviewing the potential risks of wealth management products and making risk mitigation plans.

Overseas Business and Domestic Subsidiaries

Overseas business

The Group adheres to proactive and sound international operation and overseas development strategies, leading to the steady expansion of its overseas network and the rise of international comprehensive financial service capacities. At the end of June 2012, the Group had nine overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Ho Chi Minh City and Sydney; two representative offices in Taipei and Moscow; and three wholly-owned subsidiaries, namely CCB Asia, CCB International, and CCB London. In addition, the application to set up a branch in Taipei had been approved by the CBRC, and the proposal to set up a branch in San Francisco had been approved by the Board. The application and establishment of CCB’s presence in other overseas regions, i.e. two banking subsidiaries in Dubai and Russia, and two branches in Toronto and Melbourne, are also in progress.

The overseas assets grew rapidly. At the end of June 2012, total assets of overseas entities were RMB542,340 million, an increase of RMB99,152 million, or 22.37% over the end of the 2011. Profit before tax was RMB1,623 million. The overseas entities continued to improve their asset structure, and the asset quality improved steadily. The collaborative business developed steadily, and infrastructures such as risk management and IT development continued to strengthen.

Domestic subsidiaries

The Group has multiple subsidiaries in non-bank financial sector, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, and CCB Life. In specific areas and regions, a number of banking institutions were established to provide specialised and differentiated services, including Sino-German Bausparkasse and 20 rural banks.

The overall development of domestic subsidiaries was good, and all indicators met regulatory requirements. At the end of June 2012, total assets of domestic subsidiaries were RMB84,447 million, an increase of RMB17,003 million over the end of last year; the profit before tax for the first half of 2012 was RMB914 million. In particular, CCB Life grew rapidly with premium income of RMB2,789 million. The amount of CCB Trust’s high-yield collective trust rose to RMB29.2 billion from RMB18.2 billion at the end of 2011. The business of rural banks developed steadily, with assets of RMB8,740 million and loans of RMB5,166 million, of which agriculture-related loans accounted for 92% of total loans. The NPL ratio were kept at nil, due to effective controls on asset quality. Profit before tax for the first half of 2012 was RMB85.19 million.

Analysis of Geographical Segment

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

(In millions of RMB, except percentages)	**For the six months ended 30 June 2012**		For the six months ended 30 June 2011	
	Amount	**% of total**	Amount	% of total
Yangtze River Delta	**20,793**	**15.01**	22,146	18.33
Pearl River Delta	**18,387**	**13.28**	15,947	13.20
Bohai Rim	**20,324**	**14.67**	17,127	14.18
Central	**18,426**	**13.30**	15,601	12.92
Western	**20,977**	**15.15**	13,688	11.33
Northeastern	**7,329**	**5.29**	6,601	5.46
Head office	**30,653**	**22.13**	27,703	22.94
Overseas	**1,623**	**1.17**	1,976	1.64
Profit before tax	**138,512**	**100.00**	120,789	100.00

The following table sets forth the distribution of the Group's loans and NPLs by geographical segment:

(In millions of RMB, except percentages)	**As at 30 June 2012**				As at 31 December 2011			
	Amount	**% of total**	**NPLs**	**NPL ratio (%)**	Amount	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	**1,577,349**	**22.34**	**24,817**	**1.57**	1,476,118	22.72	19,264	1.31
Pearl River Delta	**1,030,533**	**14.59**	**8,755**	**0.85**	955,937	14.71	9,699	1.01
Bohai Rim	**1,223,271**	**17.32**	**8,102**	**0.66**	1,137,623	17.51	9,428	0.83
Central	**1,128,151**	**15.98**	**9,489**	**0.84**	1,051,837	16.19	11,885	1.13
Western	**1,193,276**	**16.90**	**9,430**	**0.79**	1,108,112	17.06	10,653	0.96
Northeastern	**434,766**	**6.16**	**5,996**	**1.38**	406,035	6.25	6,264	1.54
Head office	**130,524**	**1.85**	**1,887**	**1.45**	105,632	1.63	1,744	1.65
Overseas	**343,473**	**4.86**	**1,941**	**0.57**	255,117	3.93	1,978	0.78
Gross loans and advances to customers	**7,061,343**	**100.00**	**70,417**	**1.00**	6,496,411	100.00	70,915	1.09

The following table sets forth the distribution of the Group's deposits by geographical segment:

(In millions of RMB, except percentages)	**As at 30 June 2012**		As at 31 December 2011	
	Amount	**% of total**	Amount	% of total
Yangtze River Delta	**2,254,771**	**20.61**	2,067,000	20.70
Pearl River Delta	**1,705,343**	**15.59**	1,539,667	15.42
Bohai Rim	**2,006,319**	**18.34**	1,825,388	18.28
Central	**1,964,021**	**17.95**	1,774,126	17.76
Western	**2,046,109**	**18.70**	1,873,139	18.75
Northeastern	**797,438**	**7.29**	733,876	7.35
Head office	**28,027**	**0.25**	21,221	0.21
Overseas	**138,809**	**1.27**	153,033	1.53
Deposits from customers	**10,940,837**	**100.00**	9,987,450	100.00

The following table sets forth the geographical distribution of the Group's assets, branches and staff:

	As at 30 June 2012					
	Assets (In millions of RMB)	% of total	Number of branches	% of total	Number of staff[1]	% of total
Yangtze River Delta	**2,563,903**	**18.98**	**2,345**	**16.90**	**50,752**	**15.15**
Pearl River Delta	**1,970,485**	**14.59**	**1,735**	**12.51**	**39,267**	**11.72**
Bohai Rim	**2,466,289**	**18.26**	**2,246**	**16.19**	**56,760**	**16.94**
Central	**2,097,676**	**15.53**	**3,306**	**23.83**	**73,606**	**21.97**
Western	**2,180,809**	**16.15**	**2,786**	**20.08**	**65,463**	**19.54**
Northeastern	**858,760**	**6.36**	**1,375**	**9.91**	**35,920**	**10.72**
Head office	**5,629,901**	**41.68**	**3**	**0.02**	**10,368**	**3.10**
Overseas	**542,340**	**4.02**	**77**	**0.56**	**2,883**	**0.86**
Elimination	**(4,828,278)**	**(35.75)**				
Deferred tax assets	**23,860**	**0.18**				
Total	**13,505,745**	**100.00**	**13,873**	**100.00**	**335,019**	**100.00**

1. The number of staff does not include workers dispatched by labour leasing companies, including 25,983 workers in the Bank and 275 workers in the subsidiaries.

Distribution Channels

The Bank has an extensive distribution network, and provides convenient and quality banking services to customers through nationwide branches, self-service equipment, specialised service centres and the electronic banking service platform.

The Bank had a total of 13,719 domestic operating outlets, including the head office, 38 tier-one branches, 308 tier-two branches, 9,246 sub-branches, 4,126 entities under sub-branches and a specialised credit card centre at the head office. The number of operating outlets increased by 138 over the end of last year, and the distribution of operating outlets is prioritised towards the super large cities, major cities, and key economic counties and towns.

With accelerated building of its network, the Bank had renovated 1,367 operating outlets on a cumulative basis by the end of June 2012, up 25.76% compared to the same period last year, and 292 outlets had been newly established during the year. The Bank also implemented a star rating system, and 223 outlets were rated as "five-star banking store", 510 outlets as "four-star banking store", and 929 outlets as "three-star banking store". A total of 10,575 dedicated account managers worked in the retail outlets that experienced transformation towards "customer-driven" approach, leading to remarkable improvement in service quality.

At the end of June 2012, there were 49,766 ATMs in operation, an increase of 4,121 over the end of last year; a total of 12,225 self-service banks were in operation, an increase of 1,544, providing customers with 7×24 hours of convenient service.

By the end of June 2012, a total of 260 private banking centres and wealth management centres had been opened, forming a full-functional and open-architecture service platform that integrated the marketing, service and transactions functions; 949 personal loan centres had been set up, covered all cities at prefecture level or above as well as key suburban counties; 244 small business operation centres, or "loan factories", provided reliable support for the development of small enterprise business.

The Bank comprehensively promoted the development of electronic banking, and the use of electronic channels expanded remarkably. Online banking and mobile phone banking ranked first among its peers in such indicators as the number of customers and product applications. The ratio of the number of transactions through electronic banking to that through the front desk reached 228.50%, an increase of 22 percentage points over the end of last year. At the end of June 2012, the personal online banking customers increased by 20.27% to 101.68 million; corporate online banking customers reached 1.73 million, an increase of 24.46%; mobile phone banking customers reached 65.17 million, an increase of 38.81%. The number of transactions for personal online banking was 2,033 million; that for corporate online banking was 549 million; that for mobile phone banking was 136 million. Telephone banking customers rose to 110.18 million, an increase of 14.52% over the end of last year, and the number of calls from customers increased by 26.20% over the same period last year.

The Bank's e-commerce financial service platform "Shan Rong Business" was formally launched on 28 June 2012, providing professional e-commerce services and financial supporting services for enterprises and individuals. A second generation online banking key was promoted to the wide community with enhanced security capacity. The private banking version of online banking was launched to provide exclusive services to its private banking customers. Services such as precious metals trading with USD accounts, e-accounts for personal online banking, foreign exchange remittance for corporate online banking, and purchase of wealth management products for mobile phone banking, were introduced to provide customers with fast and convenient electronic banking services.

Risk Management

Credit Risk Management

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. In the first half of 2012, CCB improved its credit policies, promoted credit structure adjustments, and optimised the credit approval management system. It strengthened risk management in key credit areas such as local government financing vehicles and real estate sector, tightened the management of small business loans and wealth management business, and enhanced the early warning in areas with potential risk. It enhanced risk management for the overseas branches and subsidiaries home and abroad, with unified control on customers' risk exposures. It enhanced the development and application of its credit risk management tools, in order to further raise the credit risk management standard.

Optimising credit policies and promoting credit structure adjustments. CCB refined its policy requirements of "promoting, securing, controlling, curtailing and exiting", and used capital return as a tool to guide its branches to optimise the allocation of credit resources. In light of the trends in economic and industrial structure adjustments, it optimised its industry layout for its credit business. With focus on its customers, it strived to lift its innovation ability in terms of credit products and services. Identifying economic characteristics of different regions, it seized many new growth opportunities in regional economy. It also made adjustments in the structure of loans to small businesses, in order to promote sound development in this sector. On the whole, the Bank's structure adjustments achieved good results, and the credit portfolio continued to improve, leading to steadily improving asset quality.

Enhancing risk monitoring and early warning in key areas. CCB implemented "One Strategy for One Customer" policy for local government financing vehicle customers, by verifying the source of repayment and developing repayment plan, while strictly controlling loan increase. Guidance on property development loan business was made to enhance the risk surveillance, monitoring and early warning of property loans. In light of market changes, it strengthened risk monitoring in areas with potential risks, and raised its credit approval and risk control capabilities for private sector customers, providing strong support to the real economy development. CCB strengthened the monitoring of non-performing loans from small businesses, and standardised the entry management of associated guarantee agencies. It incorporated the wealth management business into the bank-wide credit approval management system, and set a reasonable limit on the total size of such exposures, in order to promote the sound growth of wealth management business.

Strengthening the risk management of overseas entities and subsidiaries both home and abroad. CCB continued to improve its risk management system, and established specialised procedures and policies for credit approval. It continued to promote the development of information system for overseas entities, and optimised the fundamental platform for business operation and risk management. It strengthened the unified credit management mechanism to prevent overseas branches and local and overseas subsidiaries from granting too much credit and granting credit through multiple channels. It also promoted the use of the consultation results in country-specific risk management in order to improve its management in this area.

Deepening the development and use of risk management tools. CCB improved the measurement method for economic capital and optimised the indicator system of risk-adjusted return on capital (RAROC). It refined its industry credit limit management with intensified efforts in enforcement, accelerated the development of overseas customer ratings model, and standardised ratings for overseas institutional customers. It strengthened reviews on rating result adjustments, and consolidated the management fundamentals for customer ratings. It optimised the wholesale and retail business model to improve its ability in customer selection. It started the development of anti-fraud, collection, and micro-enterprise scorecards, in order to provide effective managing tools for the risk management in relation to retail and small enterprise business. It conducted stress tests in areas such as macroeconomic fluctuations, real estate industry and government financing vehicles, and launched the first phase of its credit risk stress testing system.

Concentration of credit risk

In the first half of 2012, the Group adopted a series of measures to prevent large exposure concentration risk, including tightening the lending criteria, adjusting business structure, controlling lending pace, revitalising existing credit assets and innovating product lines.

At the end of June 2012, gross loans to the largest single borrower accounted for 3.05% of net capital of the Group, while gross loans to the ten largest customers accounted for 14.72% of net capital.

Loan concentration

Concentration indicators (%)	Regulatory standard	As at 30 June 2012	As at 31 December 2011	As at 31 December 2010
Ratio of loans to the largest single customer	≤10	**3.05**	3.30	2.76
Ratio of loans to the ten largest customers		**14.72**	15.18	16.00

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

		As at 30 June 2012	
(In millions of RMB, except percentages)	**Industry**	**Amount**	**% of total loans**
Customer A	Railway transport	**30,487**	**0.43**
Customer B	Road transport	**16,380**	**0.23**
Customer C	Production and supply of electricity and heat	**15,616**	**0.22**
Customer D	Road transport	**13,936**	**0.20**
Customer E	Road transport	**12,386**	**0.18**
Customer F	Railway transport	**12,116**	**0.17**
Customer G	Road transport	**11,880**	**0.17**
Customer H	Railway transport	**11,795**	**0.17**
Customer I	Public utility management	**11,540**	**0.16**
Customer J	Road transport	**10,993**	**0.16**
Total		**147,129**	**2.09**

Liquidity Risk Management

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

In the first half of 2012, the PBC lowered the statutory deposit reserve ratio twice by a total of one percentage point. At the end of June, the statutory deposit reserve ratio for the Bank was 20%. Starting from June, the PBC injected liquidity into the market through reverse repurchase transactions several times, and gradually eased the tight liquidity in the interbank market. However, as the statutory deposit reserve ratios were still kept at a high level, the banks' function of creating deposits was inhibited to some extent, leading to increased competition for deposits. In response to its liquidity situation, the Group took timely measures, including actively attracting deposits, adjusting the amounts of investments in debt securities, financial assets held under resale agreements, deposits with banks and non-bank financial institutions, and other products that have large influence on liquidity, and making flexible adjustments in accordance with its liquidity position. Through these effective measures, the Group continued to maintain a reasonable level of liquidity, and ensured normal payment and settlement. The Group conducted regular stress tests on its liquidity risk, in order to gauge its risk tolerance in extreme scenarios of low probability and other adverse circumstances. The results showed that under the stress scenarios, although liquidity risk increased, it stayed within a controllable range.

The Group's local and foreign currency liquidity indicators as at the date indicated is set out below:

(%)		Standard	As at 30 June 2012	As at 31 December 2011	As at 31 December 2010
Liquidity ratio[1]	RMB	≥25	**56.56**	53.70	51.96
	Foreign currency	≥25	**58.24**	53.54	57.20
Loan-to-deposit ratio	Both local and foreign currencies	≤75	**64.54**	65.05	62.47

1. Liquid assets divided by liquid liabilities, calculated in accordance with the requirements of the CBRC.

The analysis of the Group's assets and liabilities based on the remaining periods to repayment as at the balance sheet dates is set out below:

(In millions of RMB)	Indefinite	Repayment on demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Net position as at 30 June 2012	**2,251,539**	**(5,577,959)**	**(645,870)**	**(272,433)**	**(201,536)**	**1,819,883**	**3,495,781**	**869,405**
Net position as at 31 December 2011	2,203,755	(5,439,243)	(575,536)	(432,250)	(180,834)	2,173,385	3,067,384	816,661

The Group regularly monitors the gap between its assets and liabilities for various periods to repayment, in order to assess its liquidity risk for different periods. As at 30 June 2012, the Group's accumulated gap of various periods to repayment was RMB869,405 million, an increase of RMB52,744 million over the end of 2011. Despite the negative gap for repayment on demand totalling RMB5,577,959 million, the Group is expected to have a stable funding source and maintain stable liquidity in the future, given its strong and expansive deposit customer base, relatively stable core demand deposits, and continuous growth in deposits.

Market Risk Management

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates, including interest rates, foreign exchange rates, commodity prices and stock prices. In the first half of 2012, CCB continued to improve its market risk management policy system, strengthen the monitoring and reporting of market risk, and promote the development of risk measurement system and tools.

Improving market risk management policy system. CCB developed its market risk policies and limit plan for the year 2012, and established a contingency mechanism for material market risk. It enhanced the investment approval and post-investment management of debenture bonds. Keeping close watch on the risk of new products in the financial markets business, it further improved the counterparty credit risk management.

Strengthening the monitoring and reporting of market risk. The implementation of credit lines, authorisation, and risk limits in financial market business was closely monitored, and early warnings and risk prompts were issued on a timely basis. CCB strengthened risk control over business process, and conducted regular reviews on financial market business. In exploring comprehensive reporting mechanism for market risk, it timely reported and responded to market changes including interest rate and exchange rate policy adjustments and European sovereign-debt crisis.

Promoting the development of market risk measurement system and tools. CCB employed its financial market business risk management information system to conduct daily risk measurement and management. The transaction exposure risk management system was also rolled out to overseas branches. CCB further conducted model validation and trading data quality checks, and promoted the implementation of the counterparty exposure control project.

Value at risk analysis

The Bank has separated all on- and off-balance sheet assets and liabilities into two major categories, namely the trading book and the banking book. The Bank calculates the Value at Risk (VaR) of RMB and foreign currency trading book on a daily basis to measure and monitor potential losses on positions due to movements in market interest rates, exchange rates, prices and other factors. The VaR analysis on the Bank's trading book as at the balance sheet date and for the relevant period, at a confidence level of 99% and with a holding period of one day, is as follows:

	For the six months ended 30 June 2012				For the six months ended 30 June 2011			
(In millions of RMB)	**Period-end**	**Average**	**Maximum**	**Minimum**	Period-end	Average	Maximum	Minimum
VaR in trading book	**89**	**57**	**116**	**26**	79	65	127	12
– Interest rate risk	**49**	**30**	**59**	**16**	27	29	67	7
– Exchange rate risk	**77**	**47**	**96**	**14**	74	58	122	8

Interest rate risk management

Interest rate risk is the risk of loss in the overall income and economic value of the banking book as a result of adverse movements in interest rates, term structure and other interest-related factors. Re-pricing risk and basis risk arising from mismatch of term structure and pricing basis of the assets and liabilities are the primary sources of interest rate risk for the Group. The overall objective of interest rate risk management for the Group is to maintain the steady growth of net interest income while keeping interest rate risk within a tolerable range in accordance with its risk appetite and risk management capabilities.

In the first half of 2012, CCB used multiple tools such as interest rate sensitivity gap, net interest income sensitivity analysis, scenario simulation and stress testing to measure and analyse interest rate risks. It integrated the interest rate risk management with fund transfer pricing, product pricing and other elements, in order to adjust the business structure and interest rate risk characteristics of its balance sheet. The overall interest rate risk of the Group was kept within the set tolerance.

In the first half of 2012, the PBC lowered the benchmark deposit and lending rates once and expanded the floating range of deposit and lending rates. In response to this change, CCB took a long term view by combining standardised pricing and comprehensive pricing for its pricing strategy. It made appropriate adjustments to fund transfer prices and authorisation of pricing management, in order to obtain a reasonable assets and liabilities structure and stabilise the growth of net interest income.

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

(In millions of RMB)	Non-interest-bearing	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Interest rate sensitivity gap as at 30 June 2012	**177,521**	**(3,487,511)**	**3,249,918**	**58,309**	**871,168**	**869,405**
Interest rate sensitivity gap as at 31 December 2011	194,036	(1,770,699)	1,172,398	364,416	856,510	816,661

In the first half of 2012, the repricing gap of the Group's assets and liabilities narrowed on the whole. The accumulated negative gap for a period less than one year was RMB237,593 million, a decrease of RMB360,708 million compared to the end of 2011, which was mainly due to the increases in loans, deposits and placements with banks and non-bank financial institutions, and investments. The positive gap for a period more than one year was RMB929,477 million, a decrease of RMB291,449 million over the end of last year, which was mainly due to the increase in long-term deposits. The proportion of the accumulated negative gap for a period less than one year to the total assets decreased, but the structure was still liability-sensitive.

Net interest income sensitivity analysis

Net interest income sensitivity analysis is based on two scenarios. The first is to assume that the interest rates for balances with central banks stay constant, while all other yield curves fall or rise by 100 basis points in a parallel way; the second is to assume that the interest rates for balances with central banks and demand deposits stay constant, while the other yield curves fall or rise by 100 basis points in a parallel way. The interest rate sensitivity of the Group's net interest income for the next twelve months is set out below.

	Change in net interest income			
(In millions of RMB)	Increase by 100 basis points	Decrease by 100 basis points	Increase by 100 basis points (demand deposit rates being constant)	Decrease by 100 basis points (demand deposit rates being constant)
As at 30 June 2012	**(45,627)**	**45,627**	**15,218**	**(15,218)**
As at 31 December 2011	(37,516)	37,516	21,061	(21,061)

Foreign exchange rate risk management

Foreign exchange rate risk is the risk of impact of adverse movement in foreign exchange rates on a bank's financial position. CCB is exposed to foreign exchange rate risks primarily because it holds loans, deposits, marketable securities and financial derivatives that are denominated in currencies other than RMB.

In accordance with the CBRC's *Market Risk Management Guidelines for Commercial Banks* and related rules, gold is incorporated into the scope of measurement for foreign exchange rate risk. In the first half of 2012, in line with newly launched products and services including platinum, silver and "USD gold", CCB optimised its method of measuring gold-related foreign exchange rate exposure, and initiated the improvement of its asset and liability management system.

In line with changes in situations home and abroad, CCB strengthened the exchange risk management over its overseas investments. In the newly formulated *Provisional Measures on Management of Capital/Working Capital of Overseas Banking Entities*, exchange risk management requirements such as matching currencies were clearly set, and the head office took up all hedging operations for working capital of overseas branches.

Currency concentrations

	As at 30 June 2012				As at 31 December 2011			
(In millions of RMB)	**USD (RMB equivalent)**	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	**514,825**	**132,013**	**229,094**	**875,932**	358,091	181,021	119,685	658,797
Spot liabilities	**(483,480)**	**(138,107)**	**(213,431)**	**(835,018)**	(276,244)	(179,624)	(139,599)	(595,467)
Forward purchases	**449,184**	**22,809**	**195,397**	**667,390**	303,678	11,648	107,787	423,113
Forward sales	**(464,508)**	**(9,665)**	**(210,510)**	**(684,683)**	(383,693)	(3,648)	(79,593)	(466,934)
Net options position	**308**	**–**	**–**	**308**	–	–	–	–
Net long position	**16,329**	**7,050**	**550**	**23,929**	1,832	9,397	8,280	19,509

In the first half of 2012, the Group's net position exposed to foreign exchange rate risk increased by RMB4,420 million over the end of last year to RMB23,929 million, mainly due to the temporary factor of purchasing foreign exchange to pay out annual dividend.

Operational and Reputation Risk Management and Consolidated Management

Operational risk is the risk of loss due to inadequate or flawed internal processes, people and systems, or external events. In the first half of 2012, CCB further strengthened the operational risk management in key businesses and processes, and promoted the development and use of tools for operational risk management. This led to a marked improvement in the fundamental management of operational risk.

In accordance with the main features of operational risk under new situation, CCB focused on the identification, prevention and control of anti-fraud risk points in credit business and other key areas. It further expanded the coverage of risk and control self-assessment to improve its systems, processes and service standards. Adjusting and extending the scope and contents of monitoring and inspection according to risk changes, CCB accelerated the application of key risk indicators in monitoring and analysing risk. It reviewed and optimised the rules for segregation of incompatible positions and responsibilities, strengthening the rigid constraints of position checks and balances. It improved its internal control and operational risk management evaluation system for tier-one branches, guiding the whole bank to enhance its operational risk management. It refined the emergency plan and strengthened contingency drills to ensure safe business operations. CCB continued to push forward the project of advanced measurement approach for operational risk management to prepare for the application for implementation of the New Basel Capital Accord.

Anti-money laundering

In the first half of 2012, CCB strictly complied with laws, regulations and regulatory policies in relation to anti-money laundering. It strengthened due-diligence checks on customers' identities and reporting of large transactions and suspicious transactions, and actively launched the training and promotion programmes on anti-money laundering.

Reputation risk management

In the first half of 2012, CCB attached great importance to reputation risk management. It amended its reputation risk management policies and established a coordinated quick response mechanism. The Group established emergency response and recovery plans in case of reputation risk events, and improved accountability management. Regional symposiums and trainings among branches and front desk staff on reputation risk management were conducted to strengthen reputation risk awareness. Efforts in reputation risk management for subsidiaries and overseas entities were also intensified. The Group adhered to its press spokesman policy. Methods of monitoring public opinions were upgraded to improve efficiency. In addition, simulation exercises were conducted to enhance the reputation risk management capabilities.

Consolidated management

In the first half of 2012, CCB enhanced its overall planning for consolidated management. It studied and proposed the overall goals and key improvement measures for consolidated management. In light of the weak points identified, CCB specified its annual target. All these measures raised the Group's consolidated management standard.

Strengthening the Group's large exposure risk management. The Group strengthened the monitoring and analysis of large exposures at the Group level, and specified the information reporting requirements related to large credit exposures. It also strengthened risk monitoring over and information communication with the subsidiaries. CCB proactively pushed forward unified credit approval management at the Group level.

Enhancing risk management in other fields at the Group level. The Group incorporated the liquidity position of subsidiaries into its liquidity risk management report. It periodically monitored indicators such as liquidity coverage ratio and net stable funding ratio on a consolidated basis, and conducted stress tests on liquidity risk at the Group level. CCB improved its market risk policies at the Group level, and implemented monitoring and reporting on market risk limits of overseas banking subsidiaries.

Proactively pushing forward the development of information system for consolidated management. At the end of June, CCB launched the optimisation project for its statistics and management information system which covers the data of its subsidiaries, leading to centralised control and unified management of Group level data.

Implementation of the New Basel Capital Accord

In the first half of 2012, CCB continued to earnestly push forward the application for implementation of the New Basel Capital Accord. The building of the three pillars progressed smoothly. In implementing the first pillar, CCB accelerated the development of overseas customer ratings model, completed the optimisation and upgrade of the wholesale and retail trade customer ratings model, and started the development of anti-fraud, collection scorecards and micro-enterprise scorecards. It orderly pushed forward the launch and promotion of loss given default ("LGD") and exposure at default ("EAD") models. These initiatives helped to support the implementation of advanced internal ratings approach. In implementing the second pillar, the Group further improved the rules and methods related to Internal Capital Adequacy Assessment Process ("ICAAP"). In implementing the third pillar, the Group further optimised its information disclosure system, and basically met the information disclosure requirements during the transitional period of implementing the New Basel Capital Accord.

As the next step, CCB will fully prepare for implementation of the *Measures for the Capital Management of Commercial Banks (Trial)* and the New Basel Capital Accord in a coordinated manner, and proactively apply for the implementation of the New Basel Capital Accord.

Internal Audit

CCB adheres to an independent and vertically managed internal audit system. In order to promote the establishment of sound and effective risk management mechanism, internal control system and corporate governance procedures, the internal audit department evaluates the effectiveness of internal controls and risk management, the effect of governance procedures, the efficiency of business operations, and the economic responsibilities of key managers, and puts forward suggestions for improvement.

In the first half of 2012, the internal audit adhered to the principle of scientific auditing, conducted a series of audit projects across the bank, including audit on small enterprise loans, audit on real estate loans, audit on management and use of seals, title deeds and payment password coders, audit on corporate deposits and settlement business, audit investigation on application control of corporate lending process management system, audit on operational risk management under the New Basel Capital Accord, and audit on economic responsibility during term of office. Audit offices conducted selected audit projects as appropriate based on actual situations of local branches, ensuring reasonable audit coverage. The internal audit department attached great importance to audit quality, enhanced follow-up rectifications, and ensured the effective use of audit findings. It launched the campaign of “Year of Improving Ability” in order to strengthen the internal audit capability, enhance specialised research, and improve the professional quality of the audit team.

Prospects

In the second half of 2012, there still exist many challenges for the global economic recovery. European debt crisis continues to prolong the financial turmoil and slow down the global economic recovery. Since the economy tended to stabilise gradually, albeit slowing, it is estimated that China will continue to adopt positive fiscal policy and sound monetary policies, and the growth rates of investments and consumer demand will gradually rise. It is also estimated that policies related to restrictions in property purchases and loans will not change. The PBC expanded floating ranges of deposit and lending rates to accelerate interest rates liberalisation, which may cause more intensive competition among banks and tighten the interest spread. Meanwhile, the new capital regulatory standards for banks have been released, and the new regulatory standards for liquidity risk are also expected to be released in due course, which will bring about a higher demand for operational management standard on the part of commercial banks.

In the second half of 2012, the Group will closely follow national macroeconomic policies and regulatory trends, focus on serving the real economy, and continue to carry forward its strategic transformation and structural adjustments. The Group will address the following initiatives. First, the Group will continue with its structural adjustments for customers, products, industries and regions. It will enhance support for the emerging strategic business development, and promote brand advantages in sectors such as small and micro businesses, livelihood sector, electronic banking, investment banking, wealth management and private banking. Second, the Group will proactively and soundly develop its fee-based business. It will continue to explore financial service potentials of products and customers, and expand sources of income and clientele for fee-based business. Third, the Group will strengthen its customer base, and promote the steady growth of deposits from customers by improving financial products features and enhancing business coordination. Fourth, the Group will enhance its comprehensive risk management responsibility mechanism, strengthen risk surveillance and accelerate the disposal and mitigation of existing risks. Fifth, the Group will proactively respond to the reform of interest rates liberalisation and improve its market pricing ability. Sixth, the Group will fully prepare for the implementation of the capital management measures for commercial banks and the New Basel Capital Accord, and proactively apply for the implementation of the New Basel Capital Accord.

Changes in Share Capital and Particulars of Shareholders

Changes in Shares

Unit: share

	1 January 2012		Increase/(Decrease) during the reporting period					30 June 2012	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
(I) Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
(II) Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	91,105,429,499	36.44	–	–	–	–	–	91,105,429,499	36.44
3. Others[1]	149,311,890,381	59.72	–	–	–	–	–	149,311,890,381	59.72
(III) Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

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

Number of Shareholders and Particulars of Shareholdings

At the end of the reporting period, based on the register of members as at 30 June 2012, the Bank had a total of 878,965 shareholders, of which 54,140 were holders of H-shares and 824,825 were holders of A-shares.

Unit: share

Total number of shareholders — **878,965 (Total number of registered holders of A-shares and H-shares as at 30 June 2012)**

Particulars of shareholdings of the top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
Huijin	State-owned	57.03	142,590,494,651 (H-shares)	None	None
		0.11	271,899,936 (A-shares)	None	None
HKSCC Nominees Limited[1]	Foreign legal person	27.90	69,748,029,045 (H-shares)	None	Unknown
Temasek[1]	Foreign legal person	7.44	17,878,670,050 (H-shares)	None	None
Baosteel Group	State-owned	1.12	2,810,000,000 (H-shares)	None	None
		0.13	318,860,498 (A-shares)	None	None
State Grid[1,2]	State-owned	1.16	2,895,782,730 (H-shares)	None	None
Bank of America	Foreign legal person	0.80	2,000,000,000 (H-shares)	None	None
China Ping An Life Insurance Company Limited – Traditional – Ordinary insurance products	Domestic non-state-owned legal person	0.76	1,907,104,725 (A-shares)	None	None
Yangtze Power[1]	State-owned	0.41	1,015,613,000 (H-shares)	None	None
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	None	None
China Ping An Life Insurance Company Limited – Traditional – High interest rate insurance policy products	Domestic non-state-owned legal person	0.24	591,906,825 (A-shares)	None	None

1. On 4 May 2012, Temasek disclosed interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 17,878,670,050 H-shares of the Bank. As at 30 June 2012, State Grid and Yangtze Power held 2,895,782,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Besides the H-shares of the Bank held by Temasek, State Grid, and Yangtze Power, another 69,748,029,045 H-shares of the Bank were held under the name of HKSCC Nominees Limited.

2. As at 30 June 2012, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: Yingda International Holdings Group Co. Ltd. held 856,000,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Shandong Luneng Group Co., Ltd. held 374,500,000 shares and State Grid International Development Co., Ltd. held 350,000,000 shares.

3. Some of the shareholders mentioned above were managed by the same entity. Apart from this, the Bank is not aware of any connections among the shareholders or whether they are parties acting in concert.

Changes in Substantial Shareholders and Actual Controlling Parties

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

Material Interests and Short Positions

The interests and short positions held by substantial shareholders and other persons in the H-shares and underlying shares of the Bank as required to be recorded in the register kept under Section 336 of the *Securities and Futures Ordinance* of Hong Kong were as follows as at 30 June 2012:

Name	Interests and short positions in H-shares	Nature	Percent of issued H-shares (%)	Percent of total issued shares (%)
Huijin[1]	133,262,144,534	Long position	59.31	57.03
Temasek[2]	17,878,670,050	Long position	7.44	7.15

1. On 22 May 2009, Huijin disclosed interests on the website of the Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% of the H-shares issued then (224,689,084,000 shares) and 57.03% of total shares issued then (233,689,084,000 shares). As at 30 June 2012, according to the register of H-share holders, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% of the H-shares issued (240,417,319,880 shares) and 57.03% of total shares issued (250,010,977,486 shares).

2. Based on the disclosure of interests by Temasek on the website of Hong Kong Stock Exchange on 4 May 2012.

Profiles of Directors, Supervisors, Senior Management and Employees

Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

At the end of the reporting period, members of the Bank's board of directors included executive directors: Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Chen Zuofu and Mr. Zhu Xiaohuang; non-executive directors: Mr. Wang Yong, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Mr. Lu Xiaoma, Ms. Chen Yuanling and Mr. Dong Shi; independent non-executive directors: Mr. Yam Chi Kwong, Joseph, Dame Jenny Shipley, Mr. Zhao Xijun and Mr. Wong Kai-Man.

Supervisors of the Bank

At the end of the reporting period, members of the Bank's board of supervisors included shareholder representative supervisors: Mr. Zhang Furong, Ms. Liu Jin, Mr. Song Fengming and Mr. Zhang Huajian; employee representative supervisors: Mr. Jin Panshi, Mr. Li Weiping and Ms. Huang Shuping; and external supervisors: Mr. Guo Feng and Mr. Dai Deming.

Senior Management of the Bank

At the end of the reporting period, senior management of the Bank included Mr. Zhang Jianguo, Mr. Chen Zuofu, Mr. Zhu Xiaohuang, Mr. Zhu Hongbo, Mr. Hu Zheyi, Mr. Pang Xiusheng, Mr. Zhao Huan, Mr. Zhang Gengsheng, Mr. Zeng Jianhua, Mr. Huang Zhiling, Mr. Yu Jingbo, Mr. Chen Caihong, Mr. Xu Huibin, Mr. Tian Huiyu and Mr. Wang Guiya.

Changes in Directors, Supervisors and Senior Management

Directors of the Bank

Upon election at the 2012 first extraordinary general meeting and Board meeting of the Bank and approval of the CBRC, Mr. Wang Hongzhang commenced his position as chairman and executive director of the Bank from January 2012.

Upon election at the 2011 annual general meeting, Mr. Chen Zuofu was re-elected executive director of the Bank from 7 June 2012.

Ms. Elaine La Roche was elected as independent non-executive director at the 2011 annual general meeting, which shall come into effect upon approval by the CBRC.

Upon conclusion of the 2011 annual general meeting of the Bank, Lord Peter Levene no longer served as independent non-executive director of the Bank due to the expiration of his term of office.

Due to changes in his work, Mr. Zhu Xiaohuang has submitted his resignation to the Board. He resigned from his posts as executive director and executive vice president of the Bank, which came into effect on 22 August 2012.

Senior Management of the Bank

Upon appointment at the first meeting of the Board in 2012 and approval of the CBRC, Mr. Zhu Hongbo commenced his position as executive vice president of the Bank from February 2012.

The Bank has made appropriate disclosures in respect of such personnel changes in accordance with relevant regulatory requirements.

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

Mr. Zhang Huajian, the shareholder representative supervisor of the Bank, Mr. Li Weiping and Ms. Huang Shuping, employee representative supervisors of the Bank, indirectly held 18,999 H-shares, 20,446 H-shares and 21,910 H-shares of the Bank respectively through the employee stock ownership plan before they assumed duties of supervisors. Apart from this, as of 30 June 2012 none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the *Securities and Futures Ordinance* of Hong Kong) as required to be recorded in the register kept under Section 352 of the *Securities and Futures Ordinance* or to be notified to the Bank and Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange.

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

Directors and Supervisors' Securities Transactions

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange in relation to securities transactions by directors and supervisors. During the six months ended 30 June 2012, directors and supervisors of the Bank all complied with the provisions of this code.

Shares of the Bank held by Senior Management

During the reporting period, some senior executives of the Bank indirectly held H-shares of the Bank through the employee stock ownership plan before they assumed duties of the senior executives. Mr. Zhao Huan held 18,292 H-shares, Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Zeng Jianhua held 25,838 H-shares, Mr. Huang Zhiling held 18,751 H-shares, Mr. Yu Jingbo held 22,567 H-shares, Mr. Chen Caihong held 19,417 H-shares, Mr. Xu Huibin held 20,004 H-shares, and Mr. Wang Guiya held 19,724 H-shares. Apart from this, no senior executives of the Bank held any shares of the Bank.

Employees of the Bank

At the end of June 2012, the Bank had 329,338 staff members (besides, the Bank had 25,983 workers dispatched by labour leasing companies). In these staff members, those with academic qualifications of bachelor's degrees or above were 163,734, or 49.72%; local employees in overseas branches and representative offices were 436. In addition to the above, the Bank had to assume the expenses of 41,666 retired employees; the Bank's subsidiaries had 5,681 staff members (besides, the subsidiaries also had 275 workers dispatched by labour leasing companies).

Major Issues

Corporate Governance

During the reporting period, the Bank continued to improve its corporate governance structure in strict compliance with the *Company Law of the People's Republic of China*, the *Law of the People's Republic of China on Commercial Banks* and other laws and regulations, as well as listing rules of the stock listing venues, based on its practical conditions, in order to enhance its governance level.

On 16 January 2012, the Bank passed a resolution at the 2012 first extraordinary general meeting of the Bank, by which Mr. Wang Hongzhang was elected as executive director of the Bank. On the same day, Mr. Wang Hongzhang was elected chairman of the Bank on a Board meeting. On 7 June 2012, the 2011 annual general meeting of the Bank passed the resolutions of revisions to the *Articles of Association, Procedural Rules for Shareholders' General Meeting, Procedural Rules for the Board of Directors,* and *Procedural Rules for the Board of Supervisors* of the Bank. The 2011 annual general meeting also elected new directors of the Bank.

From 1 January 2012 to 31 March 2012, the Bank complied with the code provisions of the *Code on Corporate Governance Practices* as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange, and complied with most of the recommended best practices therein. From 1 April 2012 to the date of this interim report, the Bank complied with the code provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 of the amended Listing Rules of Hong Kong Stock Exchange, and complied with most of the recommended best practices therein. The composition of the independent directors of the Bank meets the requirements on expertise and independence in the Bank's articles of association and applicable regulatory rules.

Formulation and Implementation of Cash Dividend Policy

As approved by the 2011 annual general meeting of the Bank, the Bank distributed the 2011 cash dividends of RMB0.2365 per share (including tax) on 13 July 2012 to the Bank's shareholders registered as of 21 June 2012.

The Bank will not distribute interim dividend for the six months ended 30 June 2012, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

According to the *Articles of Association* of the Bank, after-tax profits of the Bank shall be distributed in the following order of priority: making up for the loss of the previous years, setting aside statutory reserve, setting aside discretionary reserve, and paying dividends to the shareholders. The Bank may pay the dividends in the form of cash or shares.

The Bank has comprehensive decision-making procedures and mechanism for profit distribution. The profit distribution policy is consistent and stable. In the process of making profit distribution plan, the Board listens to shareholders' suggestions and appeals, protects their rights and interests, and submits the profit distribution plan to the shareholders general meeting for approval. Independent directors discharge their duties with due diligence in the decision-making process of profit distribution planning. The Bank attaches great importance to a reasonable return on investments by the shareholders, and pays cash dividends to shareholders regularly.

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

The Bank's shareholders did not give any new undertakings during the reporting period, and the undertakings that continued to be valid during the reporting period were the same as those disclosed in the prospectus of the Bank. As of the end of the reporting period, all undertakings given by the shareholders of the Bank had been fulfilled.

Material Contracts and Their Performance

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

Acquisition and Disposal of Assets and Merger of Enterprises

There was neither material acquisition and disposal of assets nor material merger of enterprises by the Bank during the reporting period.

Use of Raised Capital

The Bank used the raised capital in line with the disclosed purpose in its prospectus, i.e., to supplement its capital base and support sustained business development.

Material Projects Invested with Funds other than Raised Capital

There were no material projects invested with funds other than raised capital during the reporting period.

Purchase, Sale and Redemption of Shares

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

Material Related Party Transactions

The Bank had no material related party transactions during the reporting period.

Donations

In the first half of 2012, the Group donated RMB3 million for public welfare projects.

Material Litigations and Arbitrations

There were no material litigations or arbitrations during the reporting period.

Penalties

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management or actual controlling parties had been investigated by relevant authorities, subject to compulsory measures by judicial or discipline inspection authorities, delivered to judicial authorities, or held for any criminal liability. The Bank, the Board, the directors, the supervisors and the senior management had no record of being subject to inspections, administrative penalties and public censures by the CSRC or public censures by the stock exchanges. The directors and supervisors of the Bank had no record of being subject to any civil judgement for fraud, breach of duty or other dishonest conduct.

Review of Half-Year Report

The Group's 2012 half-year financial statements prepared under the PRC GAAP has been reviewed by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and the Group's 2012 half-year financial statements prepared under the IFRS has been reviewed by PricewaterhouseCoopers.

The Audit Committee of the Bank has reviewed and approved the half-year report of the Group.

Shareholdings of the Group

Top ten investments in securities

No.	Stock code	Stock abbreviation	Number of shares held at the end of the period	Initial investment amount (RMB)	Carrying amount at the end of the period (RMB)	Carrying amount at the beginning of the period (RMB)	Accounting item	Sources of shares
1	601600	CHALCO	613,109,054	763,360,693	3,782,882,863	4,409,870,375	Available-for-sale financial assets	Investment held through debt equity swap
2	000792	QHSLI	62,424,881	136,572,470	2,108,088,231	1,995,723,446	Available-for-sale financial assets	Investment held through debt equity swap
3	600068	G.C.L	222,912,632	345,318,240	1,455,619,487	1,716,460,376	Available-for-sale financial assets	Investment held through debt equity swap
4	601989	CSICL	189,991,349	340,290,000	986,055,101	906,258,735	Available-for-sale financial assets	Investment held through debt equity swap
5	998.HK	CITIC BANK	168,599,268	414,561,810	542,697,933	597,106,217	Available-for-sale financial assets	Investment held through equity swap upon privatisation
6	600537	EGING PV	48,936,822	202,607,016	485,798,277	690,044,546	Financial assets at fair value through profit or loss	Listed shares held through private equity investment
7	000906	SBM	46,552,901	270,702,118	343,763,703	259,615,341	Financial assets at fair value through profit or loss	Purchased through private placement
8	600395	PJRC[1]	10,801,009	337,038,032	290,377,673		Available-for-sale financial assets	Investment held through debt equity swap
9	128011	UBSSDIC Currency B	196,854,013	196,854,013	196,854,013	5,755,472	Financial assets at fair value through profit or loss	Purchased from securities market
10	000001	SDB	11,177,425	46,572,479	169,449,763	174,256,056	Available-for-sale financial assets	Establishment of investment, exercise of share options
Total				3,053,876,871	10,361,587,044			

1. The Group held no such investment at the beginning of the period.

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

Interests in non-listed financial institutions

Name of the Company	Initial investment amount (RMB)	Number of shares held	Percent of shareholdings in the company (%)	Carrying amount at the end of the period (RMB)
Xiamen International Bank	300,000,000	50,000,000	2.49	300,000,000
Huishang Bank Co., Ltd.	228,835,900	225,548,716	2.76	228,835,900
China UnionPay Co., Ltd.	221,250,000	142,500,000	4.87	220,768,749
QBE Hong Kong and Shanghai Insurance Limited	98,758,409	19,939,016	25.50	136,008,243
China Guangfa Bank	48,558,031	13,423,847	0.09	48,558,031
Evergrowing Bank Co., Ltd.	41,125,000	95,823,000	1.58	41,125,000
Huarong Xiangjiang Bank	3,500,000	3,536,400	0.09	980,000

1. This table does not include subsidiaries included in the consolidated statements.

2. The carrying amount at the end of the period is net of allowances for impairment losses.

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 51 to 140, which comprises the consolidated and Bank's statements of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related consolidated statement of comprehensive income, the consolidated and the Bank's statements of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2012

Half-Year Financial Statements

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2012	2011
Interest income		**295,433**	223,458
Interest expense		**(125,741)**	(77,752)
Net interest income	3	**169,692**	145,706
Fee and commission income		**50,525**	48,891
Fee and commission expense		**(1,282)**	(1,220)
Net fee and commission income	4	**49,243**	47,671
Net trading gain	5	**350**	669
Dividend income	6	**89**	61
Net gain arising from investment securities	7	**1,814**	930
Other operating income, net	8	**6,624**	2,209
Operating income		**227,812**	197,246
Operating expenses	9	**(74,570)**	(62,557)
		153,242	134,689
Impairment losses on:			
– Loans and advances to customers		**(14,726)**	(13,895)
– Others		**(12)**	(30)
Impairment losses	10	**(14,738)**	(13,925)
Share of profits less losses of associates and jointly controlled entities		**8**	25
Profit before tax		**138,512**	120,789
Income tax expense	11	**(32,018)**	(27,836)
Net profit		**106,494**	92,953
Other comprehensive income:			
Gain/(loss) of available-for-sale financial assets arising during the period		**7,557**	(2,652)
Less: income tax relating to available-for-sale financial assets		**(1,886)**	684
Reclassification adjustments for gain included in profit or loss		**(735)**	(510)
		4,936	(2,478)
Exchange difference on translating foreign operations		**303**	(563)
Others		**5**	22
Other comprehensive income for the period, net of tax		**5,244**	(3,019)
Total comprehensive income for the period		**111,738**	89,934
Net profit attributable to:			
Equity shareholders of the Bank		**106,283**	92,825
Non-controlling interests		**211**	128
		106,494	92,953
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**111,513**	89,858
Non-controlling interests		**225**	76
		111,738	89,934
Basic and diluted earnings per share (in RMB Yuan)	12	**0.43**	0.37

The notes on pages 58 to 140 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2012
(Expressed in millions of RMB, unless otherwise stated)

	Note	30 June 2012	31 December 2011
Assets:			
Cash and deposits with central banks	13	**2,491,592**	2,379,809
Deposits with banks and non-bank financial institutions	14	**530,577**	276,752
Precious metals		**30,589**	22,718
Placements with banks and non-bank financial institutions	15	**173,270**	109,040
Financial assets at fair value through profit or loss	16	**24,251**	23,096
Positive fair value of derivatives	17	**15,319**	14,127
Financial assets held under resale agreements	18	**321,055**	200,045
Interest receivable	19	**70,956**	56,776
Loans and advances to customers	20	**6,876,580**	6,325,194
Available-for-sale financial assets	21	**698,108**	675,058
Held-to-maturity investments	22	**1,806,707**	1,743,569
Debt securities classified as receivables	23	**300,119**	300,027
Interests in associates and jointly controlled entities	25	**2,305**	2,069
Fixed assets	26	**99,391**	94,222
Land use rights	27	**16,212**	16,457
Intangible assets	28	**1,451**	1,660
Goodwill	29	**1,677**	1,662
Deferred tax assets	30	**23,860**	21,410
Other assets	31	**21,726**	18,143
Total assets		**13,505,745**	12,281,834
Liabilities:			
Borrowings from central banks		**2,788**	2,220
Deposits from banks and non-bank financial institutions	34	**1,035,051**	966,229
Placements from banks and non-bank financial institutions	35	**101,321**	78,725
Financial liabilities at fair value through profit or loss	36	**38,801**	33,656
Negative fair value of derivatives	17	**13,524**	13,310
Financial assets sold under repurchase agreements	37	**3,207**	10,461
Deposits from customers	38	**10,940,837**	9,987,450
Accrued staff costs	39	**37,232**	35,931
Taxes payable	40	**30,217**	47,189
Interest payable	41	**104,345**	80,554
Provisions	42	**4,947**	5,180
Debt securities issued	43	**213,628**	168,312
Deferred tax liabilities	30	**368**	358
Other liabilities	44	**110,074**	35,598
Total liabilities		**12,636,340**	11,465,173
Equity:			
Share capital	45	**250,011**	250,011
Capital reserve	46	**135,183**	135,178
Investment revaluation reserve	47	**11,305**	6,383
Surplus reserve	48	**67,576**	67,576
General reserve	49	**80,163**	67,342
Retained earnings	50	**323,600**	289,266
Exchange reserve		**(4,312)**	(4,615)
Total equity attributable to equity shareholders of the Bank		**863,526**	811,141
Non-controlling interests		**5,879**	5,520
Total equity		**869,405**	816,661
Total liabilities and equity		**13,505,745**	12,281,834

Approved and authorised for issue by the Board of Directors on 24 August 2012.

Zhang Jianguo	**Wong Kai-Man**	**Li Xiaoling**
Vice chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

The notes on pages 58 to 140 form part of these financial statements.

Statement of Financial Position

As at 30 June 2012
(Expressed in millions of RMB, unless otherwise stated)

	Note	**30 June 2012**	31 December 2011
Assets:			
Cash and deposits with central banks	13	**2,481,585**	2,373,493
Deposits with banks and non-bank financial institutions	14	**537,112**	279,861
Precious metals		**30,589**	22,718
Placements with banks and non-bank financial institutions	15	**186,977**	110,533
Financial assets at fair value through profit or loss	16	**11,175**	8,715
Positive fair value of derivatives	17	**14,385**	13,073
Financial assets held under resale agreements	18	**321,041**	200,045
Interest receivable	19	**70,495**	56,420
Loans and advances to customers	20	**6,707,448**	6,189,363
Available-for-sale financial assets	21	**684,517**	663,583
Held-to-maturity investments	22	**1,805,455**	1,742,342
Debt securities classified as receivables	23	**299,434**	299,765
Investments in subsidiaries	24	**12,144**	11,950
Fixed assets	26	**96,502**	93,369
Land use rights	27	**16,159**	16,404
Intangible assets	28	**977**	1,176
Deferred tax assets	30	**24,439**	22,003
Other assets	31	**42,644**	34,077
Total assets		**13,343,078**	12,138,890
Liabilities:			
Borrowings from central banks		**2,758**	2,210
Deposits from banks and non-bank financial institutions	34	**1,036,522**	970,033
Placements from banks and non-bank financial institutions	35	**61,638**	45,654
Financial liabilities at fair value through profit or loss	36	**36,090**	30,966
Negative fair value of derivatives	17	**12,607**	12,354
Financial assets sold under repurchase agreements	37	**1,748**	11,594
Deposits from customers	38	**10,863,754**	9,906,093
Accrued staff costs	39	**36,645**	35,182
Taxes payable	40	**29,860**	46,950
Interest payable	41	**103,962**	80,312
Provisions	42	**4,947**	5,180
Debt securities issued	43	**198,955**	158,050
Deferred tax liabilities	30	**25**	23
Other liabilities	44	**95,640**	27,712
Total liabilities		**12,485,151**	11,332,313
Equity:			
Share capital	45	**250,011**	250,011
Capital reserve	46	**135,183**	135,178
Investment revaluation reserve	47	**11,383**	6,472
Surplus reserve	48	**67,576**	67,576
General reserve	49	**79,391**	66,645
Retained earnings	50	**315,154**	281,491
Exchange reserve		**(771)**	(796)
Total equity		**857,927**	806,577
Total liabilities and equity		**13,343,078**	12,138,890

Approved and authorised for issue by the Board of Directors on 24 August 2012.

Zhang Jianguo	**Wong Kai-Man**	**Li Xiaoling**
Vice chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

The notes on pages 58 to 140 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012
(Expressed in millions of RMB, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank								
		Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2012		**250,011**	**135,178**	**6,383**	**67,576**	**67,342**	**289,266**	**(4,615)**	**5,520**	**816,661**
Movements during the period		**–**	**5**	**4,922**	**–**	**12,821**	**34,334**	**303**	**359**	**52,744**
(1) Total comprehensive income for the period		**–**	**5**	**4,922**	**–**	**–**	**106,283**	**303**	**225**	**111,738**
(2) Changes in share capital		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**181**	**181**
i. Non-controlling interests of new subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**186**	**186**
ii. Change in shareholdings in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**(5)**
(3) Profit distribution		**–**	**–**	**–**	**–**	**12,821**	**(71,949)**	**–**	**(47)**	**(59,175)**
i. Appropriation to general reserve		**–**	**–**	**–**	**–**	**12,821**	**(12,821)**	**–**	**–**	**–**
ii. Appropriation to equity shareholders	50	**–**	**–**	**–**	**–**	**–**	**(59,128)**	**–**	**(47)**	**(59,175)**
As at 30 June 2012		**250,011**	**135,183**	**11,305**	**67,576**	**80,163**	**323,600**	**(4,312)**	**5,879**	**869,405**
As at 1 January 2011		250,011	135,136	6,706	50,681	61,347	195,950	(3,039)	4,113	700,905
Movements during the period		–	22	(2,426)	–	6,075	33,698	(563)	965	37,771
(1) Total comprehensive income for the period		–	22	(2,426)	–	–	92,825	(563)	76	89,934
(2) Changes in share capital		–	–	–	–	–	–	–	902	902
(3) Profit distribution		–	–	–	–	6,075	(59,127)	–	(13)	(53,065)
i. Appropriation to general reserve		–	–	–	–	6,075	(6,075)	–	–	–
ii. Appropriation to equity shareholders		–	–	–	–	–	(53,052)	–	(13)	(53,065)
As at 30 June 2011		250,011	135,158	4,280	50,681	67,422	229,648	(3,602)	5,078	738,676
As at 1 January 2011		250,011	135,136	6,706	50,681	61,347	195,950	(3,039)	4,113	700,905
Movements during the year		–	42	(323)	16,895	5,995	93,316	(1,576)	1,407	115,756
(1) Total comprehensive income for the year		–	42	(323)	–	–	169,258	(1,576)	120	167,521
(2) Changes in share capital		–	–	–	–	–	–	–	1,325	1,325
(3) Profit distribution		–	–	–	16,895	5,995	(75,942)	–	(38)	(53,090)
i. Appropriation to surplus reserve		–	–	–	16,895	–	(16,895)	–	–	–
ii. Appropriation to general reserve		–	–	–	–	5,995	(5,995)	–	–	–
iii. Appropriation to equity shareholders		–	–	–	–	–	(53,052)	–	(38)	(53,090)
As at 31 December 2011		250,011	135,178	6,383	67,576	67,342	289,266	(4,615)	5,520	816,661

The notes on pages 58 to 140 form part of these financial statements.

Statement of Changes in Equity

For the six months ended 30 June 2012
(Expressed in millions of RMB, unless otherwise stated)

	Note	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 1 January 2012		**250,011**	**135,178**	**6,472**	**67,576**	**66,645**	**281,491**	**(796)**	**806,577**
Movements during the period		**–**	**5**	**4,911**	**–**	**12,746**	**33,663**	**25**	**51,350**
(1) Total comprehensive income for the period		**–**	**5**	**4,911**	**–**	**–**	**105,537**	**25**	**110,478**
(2) Profit distribution		**–**	**–**	**–**	**–**	**12,746**	**(71,874)**	**–**	**(59,128)**
i. Appropriation to general reserve		**–**	**–**	**–**	**–**	**12,746**	**(12,746)**	**–**	**–**
ii. Appropriation to equity shareholders	50	**–**	**–**	**–**	**–**	**–**	**(59,128)**	**–**	**(59,128)**
As at 30 June 2012		**250,011**	**135,183**	**11,383**	**67,576**	**79,391**	**315,154**	**(771)**	**857,927**
As at 1 January 2011		250,011	135,136	6,743	50,681	60,608	188,525	(339)	691,365
Movements during the period		–	22	(2,335)	–	6,055	32,710	(29)	36,423
(1) Total comprehensive income for the period		–	22	(2,335)	–	–	91,817	(29)	89,475
(2) Profit distribution		–	–	–	–	6,055	(59,107)	–	(53,052)
i. Appropriation to general reserve		–	–	–	–	6,055	(6,055)	–	–
ii. Appropriation to equity shareholders		–	–	–	–	–	(53,052)	–	(53,052)
As at 30 June 2011		250,011	135,158	4,408	50,681	66,663	221,235	(368)	727,788
As at 1 January 2011		250,011	135,136	6,743	50,681	60,608	188,525	(339)	691,365
Movements during the year		–	42	(271)	16,895	6,037	92,966	(457)	115,212
(1) Total comprehensive income for the year		–	42	(271)	–	–	168,950	(457)	168,264
(2) Profit distribution		–	–	–	16,895	6,037	(75,984)	–	(53,052)
i. Appropriation to surplus reserve		–	–	–	16,895	–	(16,895)	–	–
ii. Appropriation to general reserve		–	–	–	–	6,037	(6,037)	–	–
iii. Appropriation to equity shareholders		–	–	–	–	–	(53,052)	–	(53,052)
As at 31 December 2011		250,011	135,178	6,472	67,576	66,645	281,491	(796)	806,577

The notes on pages 58 to 140 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2012
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2012	2011
Cash flows from operating activities			
Profit before tax		**138,512**	120,789
Adjustments for:			
– Impairment losses	10	**14,738**	13,925
– Depreciation and amortisation	9	**6,647**	6,222
– Unwinding of discount		**(839)**	(671)
– Revaluation loss on financial instruments at fair value through profit or loss		**365**	178
– Share of profits less losses of associates and jointly controlled entities		**(8)**	(25)
– Dividend income	6	**(89)**	(61)
– Unrealised foreign exchange (gain)/loss		**(178)**	1,843
– Interest expense on subordinated bonds issued		**2,750**	1,611
– Net gain on disposal of investment securities	7	**(1,814)**	(930)
– Net gain on disposal of fixed assets and other long-term assets		**(23)**	(371)
		160,061	142,510
Changes in operating assets:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		**(170,028)**	(284,972)
Net increase in placements with banks and non-bank financial institutions		**(4,809)**	(12,067)
Net increase in loans and advances to customers		**(561,731)**	(479,810)
Net increase in financial assets held under resale agreements		**(121,007)**	(117,713)
Increase in other operating assets		**(26,934)**	(143,392)
		(884,509)	(1,037,954)
Changes in operating liabilities:			
Net increase/(decrease) in borrowings from central banks		**558**	(434)
Net increase in placements from banks and non-bank financial institutions		**22,022**	42,874
Net increase in deposits from customers and from banks and non-bank financial institutions		**1,016,808**	803,947
Net decrease in financial assets sold under repurchase agreements		**(7,254)**	(1,860)
Net increase in certificates of deposit issued		**43,664**	11,908
Income tax paid		**(52,785)**	(38,426)
Increase in other operating liabilities		**42,377**	9,923
		1,065,390	827,932
Net cash from/(used in) operating activities		**340,942**	(67,512)
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**282,470**	732,118
Dividends received		**88**	58
Proceeds from disposal of fixed assets and other long-term assets		**358**	608
Purchase of investment securities		**(359,078)**	(554,416)
Purchase of fixed assets and other long-term assets		**(11,466)**	(5,057)
Acquisition of subsidiaries, associates and jointly controlled entities		**(209)**	(802)
Net cash (used in)/from investing activities		**(87,837)**	172,509
Cash flows from financing activities			
Issue of subordinated bonds		**993**	–
Capital contribution by non-controlling interests		**186**	353
Dividends paid		**(36)**	(1,949)
Interest paid on bonds issued		**(1,505)**	(1,505)
Cash paid relating to other financing activities		**(5)**	(51)
Net cash used in financing activities		**(367)**	(3,152)

The notes on pages 58 to 140 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2012	2011
Effect of exchange rate changes on cash and cash equivalents		**1,814**	(797)
Net increase in cash and cash equivalents		**254,552**	101,048
Cash and cash equivalents as at 1 January	51	**558,463**	301,299
Cash and cash equivalents as at 30 June	51	**813,015**	402,347
Cash flows from operating activities include:			
Interest received		**279,396**	204,463
Interest paid, excluding interest expense on bonds issued		**(100,436)**	(61,857)

The notes on pages 58 to 140 form part of these financial statements.

1 Company information

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

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

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

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

2 Basis of preparation and significant accounting policies

(1) Basis of preparation

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

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2011. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

(2) Use of estimates and assumptions

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

(3) Consolidation

The interim financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entities.

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

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

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

(4) Significant accounting policies

The Group has adopted new or revised IFRSs effective for the current accounting period. There is no early adoption of any new IFRSs not yet effective for the six months ended 30 June 2012.

The accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2011. The aforesaid amendments of IFRSs have no material impact on the accounting policies of the Group.

(5) Interim financial statements and statutory accounts

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 24 August 2012. The interim financial statements have also been reviewed by the Bank's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial statements as previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. The auditor has expressed an unqualified opinion on those financial statements in the report dated 23 March 2012.

3 Net interest income

	Six months ended 30 June	
	2012	2011
Interest income		
Deposits with central banks	**17,107**	14,665
Deposits with banks and non-bank financial institutions	**8,992**	921
Placements with banks and non-bank financial institutions	**1,671**	542
Financial assets at fair value through profit or loss	**362**	217
Financial assets held under resale agreements	**3,732**	5,534
Investment securities	**48,604**	42,101
Loans and advances to customers		
– Corporate loans and advances	**155,943**	117,157
– Personal loans and advances	**54,015**	39,094
– Discounted bills	**5,007**	3,227
Total	**295,433**	223,458
Interest expense		
Borrowings from central banks	**(17)**	(8)
Deposits from banks and non-bank financial institutions	**(16,606)**	(7,247)
Placements from banks and non-bank financial institutions	**(1,213)**	(797)
Financial liabilities at fair value through profit or loss	**(1)**	(1)
Financial assets sold under repurchase agreements	**(925)**	(544)
Debt securities issued	**(3,399)**	(1,748)
Deposits from customers		
– Corporate deposits	**(50,904)**	(33,449)
– Personal deposits	**(52,676)**	(33,958)
Total	**(125,741)**	(77,752)
Net interest income	**169,692**	145,706

(Expressed in millions of RMB, unless otherwise stated)

3 Net interest income (continued)

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

	Six months ended 30 June	
	2012	2011
Impaired loans	**839**	671
Other impaired financial assets	**219**	207
Total	**1,058**	878

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

4 Net fee and commission income

	Six months ended 30 June	
	2012	2011
Fee and commission income		
Consultancy and advisory fees	**10,475**	10,390
Bank card fees	**9,132**	7,829
Agency service fees	**7,282**	7,920
Settlement and clearing fees	**6,175**	7,157
Wealth management service fees	**5,618**	3,662
Commission on trust and fiduciary activities	**4,562**	4,531
Electronic banking service fees	**2,251**	2,134
Credit commitment fees	**1,467**	1,280
Guarantee fees	**1,095**	1,468
Others	**2,468**	2,520
Total	**50,525**	48,891
Fee and commission expense		
Bank card transaction fees	**(795)**	(735)
Inter-bank transaction fees	**(185)**	(166)
Others	**(302)**	(319)
Total	**(1,282)**	(1,220)
Net fee and commission income	**49,243**	47,671

5 Net trading gain

	Six months ended 30 June	
	2012	2011
Debt securities	**366**	99
Derivatives	**175**	274
Equity investment	**(341)**	(249)
Others	**150**	545
Total	**350**	669

For the six months ended 30 June 2012, trading loss related to financial assets designated at fair value through profit or loss of the Group amounted to RMB54 million (for the six months ended 30 June 2011: net gain RMB28 million). Trading gain related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB866 million (for the six months ended 30 June 2011: loss RMB144 million).

(Expressed in millions of RMB, unless otherwise stated)

6 Dividend income

	Six months ended 30 June	
	2012	2011
Dividend income from listed trading equity investments	**11**	12
Dividend income from available-for-sale equity investments		
– Listed	**23**	24
– Unlisted	**55**	25
Total	**89**	61

7 Net gain arising from investment securities

	Six months ended 30 June	
	2012	2011
Net gain on sale of available-for-sale financial assets	**1,018**	265
Net revaluation gain reclassified from other comprehensive income on disposal	**738**	665
Net gain on sale of held-to-maturity investments	**58**	–
Total	**1,814**	930

8 Other operating income, net

	Six months ended 30 June	
	2012	2011
Net foreign exchange gain	**2,488**	674
Income from clearance of dormant accounts	**182**	305
Net gain on disposal of repossessed assets	**50**	68
Net gain on disposal of fixed assets	**22**	371
Others	**3,882**	791
Total	**6,624**	2,209

Net foreign exchange gain includes gains in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge long positions in foreign currency assets).

(Expressed in millions of RMB, unless otherwise stated)

9 Operating expenses

	Six months ended 30 June	
	2012	2011
Staff costs		
– Salaries, bonuses, allowances and subsidies	**23,974**	22,208
– Defined contribution retirement schemes	**3,769**	3,202
– Other social insurance and welfare	**3,107**	2,616
– Housing funds	**2,139**	1,813
– Union running costs and employee education costs	**987**	885
– Compensation to employees for termination of employment relationship	**6**	6
	33,982	30,730
Premises and equipment expenses		
– Depreciation charges	**5,580**	5,189
– Rent and property management expenses	**2,802**	2,457
– Maintenance	**888**	784
– Utilities	**827**	746
– Others	**560**	459
	10,657	9,635
Business tax and surcharges	**14,975**	11,530
Amortisation expenses	**1,067**	1,033
Audit fees	**76**	72
Other general and administrative expenses	**13,813**	9,557
Total	**74,570**	62,557

10 Impairment losses

	Six months ended 30 June	
	2012	2011
Loans and advances to customers	**14,726**	13,895
– Additions	**20,644**	20,590
– Releases	**(5,918)**	(6,695)
Available-for-sale debt securities	**(262)**	(41)
Available-for-sale equity investments	**9**	2
Held-to-maturity investments	**55**	(51)
Debt securities classified as receivables	**370**	27
Others	**(160)**	93
Total	**14,738**	13,925

(Expressed in millions of RMB, unless otherwise stated)

11 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2012	2011
Current tax	**35,509**	28,563
– Mainland China	**35,110**	28,336
– Hong Kong	**301**	191
– Other countries and regions	**98**	36
Adjustments for prior years	**590**	561
Deferred tax	**(4,081)**	(1,288)
Total	**32,018**	27,836

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

(2) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2012	2011
Profit before tax	**138,512**	120,789
Income tax calculated at statutory tax rate	**34,628**	30,197
Non-deductible expenses		
– Staff costs	**134**	79
– Others	**440**	101
	574	180
Non-taxable income		
– Interest income from PRC government bonds	**(3,607)**	(3,004)
– Others	**(167)**	(98)
	(3,774)	(3,102)
Total	**31,428**	27,275
Adjustments on income tax for prior years which affect profit or loss	**590**	561
Income tax expense	**32,018**	27,836

(Expressed in millions of RMB, unless otherwise stated)

12 Earnings per share

Basic earnings per share for the six months ended 30 June 2012 and 2011 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2012 and 2011.

	Six months ended 30 June	
	2012	2011
Net profit attributable to shareholders of the Bank	**106,283**	92,825
Weighted average number of shares (in million shares)	**250,011**	250,011
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan)	**0.43**	0.37

13 Cash and deposits with central banks

		Group		Bank	
	Note	**30 June 2012**	31 December 2011	**30 June 2012**	31 December 2011
Cash		**53,823**	58,308	**53,555**	58,061
Deposits with central banks					
– Statutory deposit reserves	(1)	**2,026,630**	1,982,150	**2,025,191**	1,980,915
– Surplus deposit reserves	(2)	**396,769**	324,568	**388,469**	319,734
– Fiscal deposits		**14,370**	14,783	**14,370**	14,783
Subtotal		**2,437,769**	2,321,501	**2,428,030**	2,315,432
Total		**2,491,592**	2,379,809	**2,481,585**	2,373,493

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

As at the end of the reporting period, the statutory deposit reserve rates applicable to domestic branches of the Bank were as follows:

	30 June 2012	31 December 2011
Reserve rate for RMB deposits	**20.0%**	21.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

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

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

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

(Expressed in millions of RMB, unless otherwise stated)

14 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Banks	**528,638**	274,228	**535,284**	277,427
Non-bank financial institutions	**1,948**	2,533	**1,837**	2,443
Gross balances	**530,586**	276,761	**537,121**	279,870
Allowances for impairment losses (Note 32)	**(9)**	(9)	**(9)**	(9)
Net balances	**530,577**	276,752	**537,112**	279,861

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Mainland China	**508,751**	252,409	**512,407**	257,902
Overseas	**21,835**	24,352	**24,714**	21,968
Gross balances	**530,586**	276,761	**537,121**	279,870
Allowances for impairment losses (Note 32)	**(9)**	(9)	**(9)**	(9)
Net balances	**530,577**	276,752	**537,112**	279,861

15 Placements with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Banks	**141,156**	77,946	**151,305**	76,380
Non-bank financial institutions	**32,175**	31,159	**35,733**	34,218
Gross balances	**173,331**	109,105	**187,038**	110,598
Allowances for impairment losses (Note 32)	**(61)**	(65)	**(61)**	(65)
Net balances	**173,270**	109,040	**186,977**	110,533

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Mainland China	**86,272**	86,244	**88,273**	87,844
Overseas	**87,059**	22,861	**98,765**	22,754
Gross balances	**173,331**	109,105	**187,038**	110,598
Allowances for impairment losses (Note 32)	**(61)**	(65)	**(61)**	(65)
Net balances	**173,270**	109,040	**186,977**	110,533

(Expressed in millions of RMB, unless otherwise stated)

16 Financial assets at fair value through profit or loss

	Note	Group 30 June 2012	Group 31 December 2011	Bank 30 June 2012	Bank 31 December 2011
Held for trading purpose	(1)				
– Debt securities		**11,278**	8,715	**11,175**	8,715
– Equity instruments		**440**	515	**–**	–
– Funds		**49**	34	**–**	–
		11,767	9,264	**11,175**	8,715
Designated at fair value through profit or loss	(2)				
– Debt securities		**4,896**	5,660	**–**	–
– Equity instruments		**7,350**	8,172	**–**	–
– Funds		**238**	–	**–**	–
		12,484	13,832	**–**	–
Total		**24,251**	23,096	**11,175**	8,715

(1) Held for trading purpose

(a) Debt securities

	Group 30 June 2012	Group 31 December 2011	Bank 30 June 2012	Bank 31 December 2011
Government	**949**	950	**846**	950
Central banks	**20**	2,830	**20**	2,830
Policy banks	**650**	752	**650**	752
Banks and non-bank financial institutions	**3,569**	1,369	**3,569**	1,369
Others	**6,090**	2,814	**6,090**	2,814
Total	**11,278**	8,715	**11,175**	8,715
Unlisted	**11,278**	8,715	**11,175**	8,715

(b) Equity instruments and Funds

	Group 30 June 2012	Group 31 December 2011
Banks and non-bank financial institutions	**49**	–
Others	**440**	549
Total	**489**	549
Listed	**445**	549
– of which in Hong Kong	**270**	488
Unlisted	**44**	–
Total	**489**	549

(Expressed in millions of RMB, unless otherwise stated)

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

(2) Designated at fair value through profit or loss

(a) Debt securities

	Group	
	30 June 2012	31 December 2011
Policy banks	**265**	264
Banks and non-bank financial institutions	**635**	633
Others	**3,996**	4,763
Total	**4,896**	5,660
Listed	**280**	280
– of which in Hong Kong	**32**	31
Unlisted	**4,616**	5,380
Total	**4,896**	5,660

(b) Equity instruments and Funds

	Group	
	30 June 2012	31 December 2011
Banks and non-bank financial institutions	**685**	618
Others	**6,903**	7,554
Total	**7,588**	8,172
Listed	**1,560**	1,961
– of which in Hong Kong	**1,009**	1,141
Unlisted	**6,028**	6,211
Total	**7,588**	8,172

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

(Expressed in millions of RMB, unless otherwise stated)

17 Derivatives

(1) Analysed by type of contract

Group

	As at 30 June 2012			As at 31 December 2011		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**277,803**	**3,750**	**3,694**	183,660	4,252	4,434
Exchange rate contracts	**1,023,111**	**10,989**	**9,280**	740,737	9,344	8,480
Other contracts	**9,674**	**580**	**550**	5,011	531	396
Total	**1,310,588**	**15,319**	**13,524**	929,408	14,127	13,310

Bank

	As at 30 June 2012			As at 31 December 2011		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**269,261**	**3,717**	**3,632**	172,652	4,203	4,356
Exchange rate contracts	**867,253**	**10,434**	**8,819**	631,047	8,851	7,941
Other contracts	**7,549**	**234**	**156**	3,137	19	57
Total	**1,144,063**	**14,385**	**12,607**	806,836	13,073	12,354

(2) Analysed by credit risk-weighted amount

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Interest rate contracts	**3,682**	4,004	**3,666**	3,979
Exchange rate contracts	**17,314**	11,900	**15,466**	10,909
Other contracts	**789**	685	**316**	49
Total	**21,785**	16,589	**19,448**	14,937

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period. They do not represent the amounts at risk. The credit risk-weighted amount was computed in accordance with the rules set out by the CBRC and depended on the status of the counterparty and the maturity characteristics. It included customer driven transactions, which were hedged back to back.

18 Financial assets held under resale agreements

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Securities				
– Government bonds	**93,904**	63,787	**93,904**	63,787
– Bills issued by the PBOC	**22,637**	14,810	**22,637**	14,810
– Debt securities issued by banks and non-bank financial institutions	**140,406**	107,467	**140,392**	107,467
Subtotal	**256,947**	186,064	**256,933**	186,064
Discounted bills	**59,981**	5,811	**59,981**	5,811
Loans and advances to customers	**4,127**	8,170	**4,127**	8,170
Total and net balances	**321,055**	200,045	**321,041**	200,045

(Expressed in millions of RMB, unless otherwise stated)

19 Interest receivable

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Deposits with central banks	**842**	919	**842**	919
Deposits with banks and non-bank financial institutions	**3,994**	1,055	**3,919**	1,070
Financial assets held under resale agreements	**965**	580	**965**	580
Loans and advances to customers	**19,903**	16,674	**19,638**	16,334
Debt securities	**44,889**	37,060	**44,764**	36,978
Others	**364**	489	**368**	540
Gross balances	**70,957**	56,777	**70,496**	56,421
Allowances for impairment losses (Note 32)	**(1)**	(1)	**(1)**	(1)
Net balances	**70,956**	56,776	**70,495**	56,420

20 Loans and advances to customers

(1) Analysed by nature

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Corporate loans and advances				
– Loans	**5,030,467**	4,636,821	**4,930,276**	4,563,855
– Finance leases	**40,746**	36,095	**–**	–
	5,071,213	4,672,916	**4,930,276**	4,563,855
Personal loans and advances				
– Residential mortgages	**1,419,530**	1,330,198	**1,404,048**	1,312,974
– Personal consumer loans	**80,873**	79,515	**77,732**	76,692
– Personal business loans	**94,841**	80,075	**93,191**	78,716
– Credit cards	**126,418**	101,694	**122,542**	97,553
– Others	**125,960**	114,140	**120,913**	111,975
	1,847,622	1,705,622	**1,818,426**	1,677,910
Discounted bills	**142,508**	117,873	**142,400**	117,781
Gross loans and advances to customers	**7,061,343**	6,496,411	**6,891,102**	6,359,546
Allowances for impairment losses (Note 32)	**(184,763)**	(171,217)	**(183,654)**	(170,183)
– Individual assessment	**(39,576)**	(38,109)	**(39,449)**	(38,020)
– Collective assessment	**(145,187)**	(133,108)	**(144,205)**	(132,163)
Net loans and advances to customers	**6,876,580**	6,325,194	**6,707,448**	6,189,363

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

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

	(note (a)) Loans and advances for which collectively assessed	(note (b)) Impaired loans and advances for which allowances are collectively assessed	(note (b)) Impaired loans and advances for which allowances are individually assessed	Total
Group				
As at 30 June 2012				
Gross loans and advances to customers	**6,990,926**	**5,837**	**64,580**	**7,061,343**
Allowances for impairment losses	**(141,425)**	**(3,762)**	**(39,576)**	**(184,763)**
Net loans and advances to customers	**6,849,501**	**2,075**	**25,004**	**6,876,580**
As at 31 December 2011				
Gross loans and advances to customers	6,425,496	5,290	65,625	6,496,411
Allowances for impairment losses	(129,832)	(3,276)	(38,109)	(171,217)
Net loans and advances to customers	6,295,664	2,014	27,516	6,325,194
Bank				
As at 30 June 2012				
Gross loans and advances to customers	**6,820,921**	**5,735**	**64,446**	**6,891,102**
Allowances for impairment losses	**(140,452)**	**(3,753)**	**(39,449)**	**(183,654)**
Net loans and advances to customers	**6,680,469**	**1,982**	**24,997**	**6,707,448**
As at 31 December 2011				
Gross loans and advances to customers	6,288,878	5,178	65,490	6,359,546
Allowances for impairment losses	(128,898)	(3,265)	(38,020)	(170,183)
Net loans and advances to customers	6,159,980	1,913	27,470	6,189,363

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

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

– individually (including corporate loans and advances which are graded substandard, doubtful or loss); or

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

The proportion of impaired loans and advances of the Group to gross loans and advances as at 30 June 2012 is 1.00% (31 December 2011: 1.09%).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 30 June 2012 is 1.02% (31 December 2011: 1.11%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 57(1).

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses

Group

	Note	Six months ended 30 June 2012			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		**129,832**	**3,276**	**38,109**	**171,217**
Charge for the period		**11,593**	**602**	**8,449**	**20,644**
Release during the period		**–**	**–**	**(5,918)**	**(5,918)**
Unwinding of discount		**–**	**–**	**(839)**	**(839)**
Transfers out	(a)	**–**	**4**	**45**	**49**
Write-offs		**–**	**(171)**	**(999)**	**(1,170)**
Recoveries		**–**	**51**	**729**	**780**
As at 30 June		**141,425**	**3,762**	**39,576**	**184,763**

	Note	2011			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		102,093	3,657	37,352	143,102
Charge for the year		27,806	217	14,605	42,628
Release during the year		–	–	(10,225)	(10,225)
Unwinding of discount		–	–	(1,413)	(1,413)
Transfers out	(a)	(67)	(8)	(718)	(793)
Write-offs		–	(676)	(2,654)	(3,330)
Recoveries		–	86	1,162	1,248
As at 31 December		129,832	3,276	38,109	171,217

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

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

Bank

	Note	Six months ended 30 June 2012			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
			which are collectively assessed	which are individually assessed	Total
As at 1 January		**128,898**	**3,265**	**38,020**	**170,183**
Charge for the period		**11,554**	**567**	**8,411**	**20,532**
Release during the period		**–**	**–**	**(5,917)**	**(5,917)**
Unwinding of discount		**–**	**–**	**(839)**	**(839)**
Transfers out	(a)	**–**	**–**	**44**	**44**
Write-offs		**–**	**(118)**	**(998)**	**(1,116)**
Recoveries		**–**	**39**	**728**	**767**
As at 30 June		**140,452**	**3,753**	**39,449**	**183,654**

	Note	2011			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
			which are collectively assessed	which are individually assessed	Total
As at 1 January		101,335	3,648	37,278	142,261
Charge for the year		27,630	144	14,567	42,341
Release during the year		–	–	(10,220)	(10,220)
Unwinding of discount		–	–	(1,413)	(1,413)
Transfers out	(a)	(67)	(8)	(698)	(773)
Write-offs		–	(582)	(2,653)	(3,235)
Recoveries		–	63	1,159	1,222
As at 31 December		128,898	3,265	38,020	170,183

(a) Transfers out include the transfer for allowances for impairment losses to repossessed assets, and the exchange difference.

(4) Overdue loans analysed by overdue period

Group

	30 June 2012				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	**4,309**	**934**	**766**	**1,452**	**7,461**
Guaranteed loans	**5,978**	**7,353**	**2,983**	**4,996**	**21,310**
Loans secured by tangible assets other than monetary assets	**23,266**	**9,853**	**6,946**	**8,281**	**48,346**
Loans secured by monetary assets	**1,247**	**2,128**	**570**	**688**	**4,633**
Total	**34,800**	**20,268**	**11,265**	**15,417**	**81,750**
As a percentage of gross loans and advances to customers	**0.49%**	**0.29%**	**0.16%**	**0.22%**	**1.16%**

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

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

Group (continued)

	31 December 2011				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	2,515	603	938	1,209	5,265
Guaranteed loans	2,732	2,958	2,781	4,558	13,029
Loans secured by tangible assets other than monetary assets	15,585	5,585	7,525	6,989	35,684
Loans secured by monetary assets	983	593	641	797	3,014
Total	21,815	9,739	11,885	13,553	56,992
As a percentage of gross loans and advances to customers	0.34%	0.15%	0.18%	0.21%	0.88%

Bank

	30 June 2012				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**4,103**	**912**	**766**	**1,404**	**7,185**
Guaranteed loans	**5,947**	**7,283**	**2,983**	**4,996**	**21,209**
Loans secured by tangible assets other than monetary assets	**22,950**	**9,853**	**6,945**	**8,280**	**48,028**
Loans secured by monetary assets	**1,210**	**2,128**	**570**	**688**	**4,596**
Total	**34,210**	**20,176**	**11,264**	**15,368**	**81,018**
As a percentage of gross loans and advances to customers	**0.50%**	**0.29%**	**0.16%**	**0.22%**	**1.17%**

	31 December 2011				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	2,444	595	896	1,203	5,138
Guaranteed loans	2,731	2,892	2,781	4,558	12,962
Loans secured by tangible assets other than monetary assets	15,302	5,585	7,525	6,987	35,399
Loans secured by monetary assets	983	593	641	797	3,014
Total	21,460	9,665	11,843	13,545	56,513
As a percentage of gross loans and advances to customers	0.34%	0.15%	0.19%	0.21%	0.89%

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

(Expressed in millions of RMB, unless otherwise stated)

21 Available-for-sale financial assets

	Note	Group 30 June 2012	Group 31 December 2011	Bank 30 June 2012	Bank 31 December 2011
Debt securities	(1)	**684,487**	661,036	**673,267**	651,585
Equity instruments	(2)	**13,184**	13,764	**11,250**	11,998
Funds	(2)	**437**	258	**–**	–
Total		**698,108**	675,058	**684,517**	663,583

(1) Debt securities

	Group 30 June 2012	Group 31 December 2011	Bank 30 June 2012	Bank 31 December 2011
Government	**84,465**	84,591	**84,050**	84,015
Central banks	**107,716**	144,830	**103,782**	141,810
Policy banks	**69,364**	59,175	**69,354**	59,165
Banks and non-bank financial institutions	**169,864**	156,185	**165,675**	151,626
Public sector entities	**151**	196	**151**	196
Other enterprises	**252,927**	216,059	**250,255**	214,773
Total	**684,487**	661,036	**673,267**	651,585
Listed	**11,433**	18,666	**11,072**	18,312
– of which in Hong Kong	**1,542**	1,906	**1,542**	1,906
Unlisted	**673,054**	642,370	**662,195**	633,273
Total	**684,487**	661,036	**673,267**	651,585

(2) Equity instruments and funds

	Group 30 June 2012	Group 31 December 2011	Bank 30 June 2012	Bank 31 December 2011
Debt equity swap ("DES") investments	**9,899**	10,607	**9,899**	10,607
Other equity instruments	**3,285**	3,157	**1,351**	1,391
Funds	**437**	258	**–**	–
Total	**13,621**	14,022	**11,250**	11,998
Listed	**9,996**	10,251	**9,627**	10,064
– of which in Hong Kong	**543**	632	**543**	617
Unlisted	**3,625**	3,771	**1,623**	1,934
Total	**13,621**	14,022	**11,250**	11,998

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

(Expressed in millions of RMB, unless otherwise stated)

22 Held-to-maturity investments

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Government	**774,482**	765,747	**773,791**	764,969
Central banks	**236,479**	270,122	**236,479**	270,122
Policy banks	**266,121**	225,576	**266,121**	225,576
Banks and non-bank financial institutions	**521,439**	475,703	**521,191**	475,504
Other enterprises	**12,263**	10,415	**11,950**	10,165
Gross balances	**1,810,784**	1,747,563	**1,809,532**	1,746,336
Allowances for impairment losses (Note 32)	**(4,077)**	(3,994)	**(4,077)**	(3,994)
Net balances	**1,806,707**	1,743,569	**1,805,455**	1,742,342
Listed outside Hong Kong	**4,643**	4,126	**4,641**	4,115
Unlisted	**1,802,064**	1,739,443	**1,800,814**	1,738,227
Total	**1,806,707**	1,743,569	**1,805,455**	1,742,342
Market value of listed securities	**5,176**	4,627	**5,174**	4,616

23 Debt securities classified as receivables

All debt securities classified as receivables are unlisted and issued by the following entities in Mainland China:

		Group		Bank	
	Note	**30 June 2012**	31 December 2011	**30 June 2012**	31 December 2011
Government					
– Special government bond	(1)	**49,200**	49,200	**49,200**	49,200
– Others		**749**	742	**530**	530
The PBOC	(2)	**18,253**	17,944	**18,253**	17,944
China Cinda Assets Management Co., Ltd.	(3)	**109,709**	131,761	**109,709**	131,761
Banks and non-bank financial institutions		**85,757**	82,336	**85,757**	82,286
Other enterprises		**37,436**	18,659	**36,970**	18,659
Gross balances		**301,104**	300,642	**300,419**	300,380
Allowance for impairment losses (Note 32)		**(985)**	(615)	**(985)**	(615)
Net balances		**300,119**	300,027	**299,434**	299,765

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

(2) Debt securities issued by the PBOC mainly refer to PBOC bills issued specifically to the Bank.

(3) China Cinda Assets Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation) ("Cinda") issued a bond ("Cinda Bond") with a nominal value of RMB247 billion specifically to CCB in 1999 with a fixed coupon rate of 2.25%. Cinda Bond was extended for 10 years upon its expiry and the interest rate remained unchanged from 2009.

(Expressed in millions of RMB, unless otherwise stated)

24 Investments in subsidiaries

(1) Investment cost

	30 June 2012	31 December 2011
Sing Jian Development Company Limited ("SJDCL")	383	383
Sino-German Bausparkasse Corporation Limited ("Sino-German")	1,502	1,502
CCB Principal Asset Management Corporation Limited ("CCB Principal")	130	130
CCB International Group Holdings Limited ("CCBIG")	–	–
CCB Financial Leasing Corporation Limited ("CCBFLCL")	3,380	3,380
China Construction Bank (London) Limited ("CCB London")	1,361	1,361
Jianxin Trust Corporation Limited ("Jianxin Trust")	3,409	3,409
CCB Life Insurance Company Limited ("CCB Life")	1,010	1,010
Rural Banks	969	775
Total	12,144	11,950

The total amount of investment costs of rural banks comprises 20 rural banks in total, which are established and controlled by the Bank in substance.

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

Name of company	Place of incorporation	Paid-in capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank
SJDCL	Hong Kong, the PRC	HK$300 million	Investment	100%	–	100%
Sino-German	Tianjin, the PRC	RMB2,000 million	Loan and deposit taking business	75.1%	–	75.1%
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%
CCBIG	Hong Kong, the PRC	HK$1	Investment	100%	–	100%
CCBFLCL	Beijing, the PRC	RMB4,500 million	Financial leasing	75.1%	–	75.1%
CCB London	London, United Kingdom	US$200 million	Commercial banking	100%	–	100%
Jianxin Trust	Anhui, the PRC	RMB1,527 million	Trust business	67%	–	67%
CCB Life	Shanghai, the PRC	RMB1,180 million	Insurance	51%	–	51%
Lanhye Investment Holdings Limited	British Virgin Islands	US$1	Investment	–	100%	100%
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	US$601 million	Investment	–	100%	100%
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,520 million	Commercial banking	–	100%	100%

(Expressed in millions of RMB, unless otherwise stated)

25 Interests in associates and jointly controlled entities

(1) The movement of the Group's interests in associates and jointly controlled entities is as follows:

	Six months ended 30 June 2012	2011
As at 1 January	**2,069**	1,777
Acquisitions during the period/year	**209**	348
Share of profits less losses	**8**	24
Cash dividend receivable	**–**	(3)
Effect of exchange difference and others	**19**	(77)
Total	**2,305**	2,069

(2) Details of the interests in major associate and jointly controlled entity are as follows:

Name of company	Place of incorporation	Particulars of issued and paid up capital	Principal activity	% of ownership held	% of voting held	Total assets at period end	Total liabilities at period end	Revenue for the period	Net profit for the period
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong, the PRC	HK$ 78,192,220	Insurance	25.5%	25.5%	1,564	1,020	349	34
Diamond String Limited	Hong Kong, the PRC	HK$ 10,000	Property investment	50%	50%	1,457	1,455	–	(1)
CCBT Private Equity Fund	Beijing, the PRC	RMB 341 million	Investment management and consultancy	45.70%	45.70%	330	2	–	(5)
CCBT Fortune Private Equity Fund	Beijing, the PRC	RMB 422 million	Investment management and consultancy	32.83%	32.83%	413	–	4	(2)

(Expressed in millions of RMB, unless otherwise stated)

26 Fixed assets

Group

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2012	**65,691**	**18,933**	**30,075**	**23,233**	**137,932**
Additions	**4,109**	**5,054**	**1,278**	**731**	**11,172**
Transfer in/(out)	**1,353**	**(1,904)**	**18**	**533**	**–**
Disposals	**(105)**	**(303)**	**(311)**	**(350)**	**(1,069)**
As at 30 June 2012	**71,048**	**21,780**	**31,060**	**24,147**	**148,035**
Accumulated depreciation					
As at 1 January 2012	**(13,761)**	**–**	**(18,965)**	**(10,517)**	**(43,243)**
Charge for the period	**(1,227)**	**–**	**(2,221)**	**(2,132)**	**(5,580)**
Disposals	**10**	**–**	**302**	**333**	**645**
As at 30 June 2012	**(14,978)**	**–**	**(20,884)**	**(12,316)**	**(48,178)**
Allowances for impairment losses (Note 32)					
As at 1 January 2012	**(459)**	**–**	**(1)**	**(7)**	**(467)**
Disposals	**–**	**–**	**–**	**1**	**1**
As at 30 June 2012	**(459)**	**–**	**(1)**	**(6)**	**(466)**
Net carrying value					
As at 1 January 2012	**51,471**	**18,933**	**11,109**	**12,709**	**94,222**
As at 30 June 2012	**55,611**	**21,780**	**10,175**	**11,825**	**99,391**

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2011	57,848	15,639	26,724	19,375	119,586
Additions through acquisition	–	–	10	52	62
Additions	3,808	10,150	5,053	3,158	22,169
Transfer in/(out)	4,396	(6,233)	62	1,775	–
Disposals	(361)	(623)	(1,774)	(1,127)	(3,885)
As at 31 December 2011	65,691	18,933	30,075	23,233	137,932
Accumulated depreciation					
As at 1 January 2011	(11,646)	–	(16,360)	(7,661)	(35,667)
Additions through acquisition	–	–	(8)	(45)	(53)
Charge for the year	(2,212)	–	(4,264)	(3,921)	(10,397)
Disposals	97	–	1,667	1,110	2,874
As at 31 December 2011	(13,761)	–	(18,965)	(10,517)	(43,243)
Allowances for impairment losses (Note 32)					
As at 1 January 2011	(476)	–	(3)	(6)	(485)
Charge for the year	–	–	–	(1)	(1)
Disposals	17	–	2	–	19
As at 31 December 2011	(459)	–	(1)	(7)	(467)
Net carrying value					
As at 1 January 2011	45,726	15,639	10,361	11,708	83,434
As at 31 December 2011	51,471	18,933	11,109	12,709	94,222

(Expressed in millions of RMB, unless otherwise stated)

26 Fixed assets (continued)

Bank

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2012	**65,140**	**18,928**	**29,765**	**22,716**	**136,549**
Additions	**2,048**	**5,051**	**1,258**	**708**	**9,065**
Transfer in/(out)	**1,353**	**(1,904)**	**18**	**533**	**–**
Disposals	**(105)**	**(302)**	**(311)**	**(344)**	**(1,062)**
As at 30 June 2012	**68,436**	**21,773**	**30,730**	**23,613**	**144,552**
Accumulated depreciation					
As at 1 January 2012	**(13,680)**	**–**	**(18,762)**	**(10,272)**	**(42,714)**
Charge for the period	**(1,216)**	**–**	**(2,195)**	**(2,101)**	**(5,512)**
Disposals	**10**	**–**	**302**	**329**	**641**
As at 30 June 2012	**(14,886)**	**–**	**(20,655)**	**(12,044)**	**(47,585)**
Allowances for impairment losses (Note 32)					
As at 1 January 2012	**(459)**	**–**	**(1)**	**(6)**	**(466)**
Disposals	**–**	**–**	**–**	**1**	**1**
As at 30 June 2012	**(459)**	**–**	**(1)**	**(5)**	**(465)**
Net carrying value					
As at 1 January 2012	**51,001**	**18,928**	**11,002**	**12,438**	**93,369**
As at 30 June 2012	**53,091**	**21,773**	**10,074**	**11,564**	**96,502**

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2011	57,296	15,636	26,458	19,083	118,473
Additions	3,806	10,131	5,006	2,978	21,921
Transfer in/(out)	4,395	(6,225)	62	1,768	–
Disposals	(357)	(614)	(1,761)	(1,113)	(3,845)
As at 31 December 2011	65,140	18,928	29,765	22,716	136,549
Accumulated depreciation					
As at 1 January 2011	(11,585)	–	(16,201)	(7,506)	(35,292)
Charge for the year	(2,192)	–	(4,216)	(3,869)	(10,277)
Disposals	97	–	1,655	1,103	2,855
As at 31 December 2011	(13,680)	–	(18,762)	(10,272)	(42,714)
Allowances for impairment losses (Note 32)					
As at 1 January 2011	(476)	–	(3)	(6)	(485)
Disposals	17	–	2	–	19
As at 31 December 2011	(459)	–	(1)	(6)	(466)
Net carrying value					
As at 1 January 2011	45,235	15,636	10,254	11,571	82,696
As at 31 December 2011	51,001	18,928	11,002	12,438	93,369

(Expressed in millions of RMB, unless otherwise stated)

26 Fixed assets (continued)

Notes:

(1) As at 30 June 2012, ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB12,482 million (31 December 2011: RMB11,222 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group and the Bank to these assets nor have any significant impact on the business operation of the Group and the Bank.

(2) Analysed by remaining terms of the leases

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

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Long term leases (over 50 years) held overseas	**43**	37	**–**	–
Medium term leases (10-50 years) held overseas	**2,169**	125	**107**	111
Short term leases (less than 10 years) held overseas	**3**	6	**3**	6
Long term leases (over 50 years) held in Mainland China	**3,839**	3,836	**3,837**	3,834
Medium term leases (10-50 years) held in Mainland China	**48,140**	45,990	**47,727**	45,573
Short term leases (less than 10 years) held in Mainland China	**1,417**	1,477	**1,417**	1,477
Total	**55,611**	51,471	**53,091**	51,001

27 Land use rights

Group

	Six months ended 30 June 2012	2011
Cost/deemed cost		
As at 1 January	**20,475**	20,458
Additions	**25**	172
Disposals	**(4)**	(155)
As at 30 June/31 December	**20,496**	20,475
Amortisation		
As at 1 January	**(3,872)**	(3,387)
Charge for the period/year	**(267)**	(508)
Disposals	**1**	23
As at 30 June/31 December	**(4,138)**	(3,872)
Allowances for impairment losses (Note 32)		
As at 1 January	**(146)**	(149)
Disposals	**–**	3
As at 30 June/31 December	**(146)**	(146)
Net carrying value		
As at 1 January	**16,457**	16,922
As at 30 June/31 December	**16,212**	16,457

(Expressed in millions of RMB, unless otherwise stated)

27 Land use rights (continued)

Bank

	Six months ended 30 June 2012	2011
Cost/deemed cost		
As at 1 January	**20,417**	20,397
Additions	**12**	172
Disposals	**(4)**	(152)
As at 30 June/31 December	**20,425**	20,417
Amortisation		
As at 1 January	**(3,867)**	(3,383)
Charge for the period/year	**(254)**	(507)
Disposals	**1**	23
As at 30 June/31 December	**(4,120)**	(3,867)
Allowances for impairment losses (Note 32)		
As at 1 January	**(146)**	(149)
Disposals	**–**	3
As at 30 June/31 December	**(146)**	(146)
Net carrying value		
As at 1 January	**16,404**	16,865
As at 30 June/31 December	**16,159**	16,404

28 Intangible assets

Group

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2012	**4,245**	**539**	**4,784**
Additions	**33**	**19**	**52**
Disposals	**(11)**	**(6)**	**(17)**
As at 30 June 2012	**4,267**	**552**	**4,819**
Amortisation			
As at 1 January 2012	**(3,033)**	**(83)**	**(3,116)**
Charge for the period	**(233)**	**(16)**	**(249)**
Disposals	**5**	**–**	**5**
As at 30 June 2012	**(3,261)**	**(99)**	**(3,360)**
Allowances for impairment losses (Note 32)			
As at 1 January 2012	**(1)**	**(7)**	**(8)**
As at 30 June 2012	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2012	**1,211**	**449**	**1,660**
As at 30 June 2012	**1,005**	**446**	**1,451**

(Expressed in millions of RMB, unless otherwise stated)

28 Intangible assets (continued)

Group (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2011	3,906	49	3,955
Additions through acquisition	48	424	472
Additions	409	71	480
Disposals	(118)	(5)	(123)
As at 31 December 2011	4,245	539	4,784
Amortisation			
As at 1 January 2011	(2,626)	(11)	(2,637)
Additions through acquisition	(27)	–	(27)
Charge for the year	(491)	(74)	(565)
Disposals	111	2	113
As at 31 December 2011	(3,033)	(83)	(3,116)
Allowances for impairment losses (Note 32)			
As at 1 January 2011	(1)	(7)	(8)
As at 31 December 2011	(1)	(7)	(8)
Net carrying value			
As at 1 January 2011	1,279	31	1,310
As at 31 December 2011	1,211	449	1,660

Bank

	Software	**Others**	**Total**
Cost/deemed cost			
As at 1 January 2012	**4,127**	**102**	**4,229**
Additions	**26**	**19**	**45**
Disposals	**(11)**	**(6)**	**(17)**
As at 30 June 2012	**4,142**	**115**	**4,257**
Amortisation			
As at 1 January 2012	**(2,970)**	**(75)**	**(3,045)**
Charge for the period	**(224)**	**(8)**	**(232)**
Disposals	**5**	**–**	**5**
As at 30 June 2012	**(3,189)**	**(83)**	**(3,272)**
Allowances for impairment losses (Note 32)			
As at 1 January 2012	**(1)**	**(7)**	**(8)**
As at 30 June 2012	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2012	**1,156**	**20**	**1,176**
As at 30 June 2012	**952**	**25**	**977**

(Expressed in millions of RMB, unless otherwise stated)

28 Intangible assets (continued)

Bank (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2011	3,858	38	3,896
Additions	386	69	455
Disposals	(117)	(5)	(122)
As at 31 December 2011	4,127	102	4,229
Amortisation			
As at 1 January 2011	(2,604)	(11)	(2,615)
Charge for the year	(477)	(66)	(543)
Disposals	111	2	113
As at 31 December 2011	(2,970)	(75)	(3,045)
Allowances for impairment losses (Note 32)			
As at 1 January 2011	(1)	(7)	(8)
As at 31 December 2011	(1)	(7)	(8)
Net carrying value			
As at 1 January 2011	1,253	20	1,273
As at 31 December 2011	1,156	20	1,176

29 Goodwill

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

	Six months ended 30 June 2012	2011
As at 1 January	**1,662**	1,534
Additions through acquisitions	**–**	194
Effect of exchange difference	**15**	(66)
As at 30 June/31 December	**1,677**	1,662

(2) Impairment test for cash-generating unit containing goodwill

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

Based on the result of the impairment test, no impairment losses on goodwill were recognised as at 30 June 2012 (31 December 2011: Nil).

(Expressed in millions of RMB, unless otherwise stated)

30 Deferred tax

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Deferred tax assets	**23,860**	21,410	**24,439**	22,003
Deferred tax liabilities	**(368)**	(358)	**(25)**	(23)
Total	**23,492**	21,052	**24,414**	21,980

(1) Analysed by nature

Group

	30 June 2012		31 December 2011	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(16,606)**	**(4,164)**	(9,066)	(2,271)
– Allowances for impairment losses	**105,518**	**26,290**	86,022	21,386
– Early retirement benefits and accrued salaries	**23,185**	**5,791**	22,755	5,689
– Others	**(15,391)**	**(4,057)**	(12,758)	(3,394)
Total	**96,706**	**23,860**	86,953	21,410
Deferred tax liabilities				
– Fair value adjustments	**(1,330)**	**(320)**	(1,323)	(309)
– Allowances for impairment losses	**(47)**	**(11)**	(46)	(11)
– Others	**(147)**	**(37)**	(148)	(38)
Total	**(1,524)**	**(368)**	(1,517)	(358)

Bank

	30 June 2012		31 December 2011	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(16,645)**	**(4,172)**	(9,106)	(2,281)
– Allowances for impairment losses	**105,176**	**26,230**	85,634	21,320
– Early retirement benefits and accrued salaries	**23,078**	**5,769**	22,606	5,651
– Others	**(10,099)**	**(3,388)**	(7,268)	(2,687)
Total	**101,510**	**24,439**	91,866	22,003
Deferred tax liabilities				
– Fair value adjustments	**(59)**	**(15)**	(55)	(13)
– Allowances for impairment losses	**(47)**	**(11)**	(46)	(11)
– Others	**4**	**1**	4	1
Total	**(102)**	**(25)**	(97)	(23)

(Expressed in millions of RMB, unless otherwise stated)

30 Deferred tax (continued)

(2) Movements of deferred tax

Group

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2012	**5,689**	**(2,580)**	**21,375**	**(3,432)**	**21,052**
Recognised in profit or loss	**102**	**(263)**	**4,904**	**(662)**	**4,081**
Recognised in other comprehensive income	**–**	**(1,641)**	**–**	**–**	**(1,641)**
As at 30 June 2012	**5,791**	**(4,484)**	**26,279**	**(4,094)**	**23,492**
As at 1 January 2011	4,688	(2,919)	15,760	53	17,582
Recognised in profit or loss	998	210	5,615	(3,443)	3,380
Recognised in other comprehensive income	–	229	–	–	229
Addition through acquisition	3	(100)	–	(42)	(139)
As at 31 December 2011	5,689	(2,580)	21,375	(3,432)	21,052

Bank

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2012	**5,651**	**(2,294)**	**21,309**	**(2,686)**	**21,980**
Recognised in profit or loss	**118**	**(266)**	**4,910**	**(701)**	**4,061**
Recognised in other comprehensive income	**–**	**(1,627)**	**–**	**–**	**(1,627)**
As at 30 June 2012	**5,769**	**(4,187)**	**26,219**	**(3,387)**	**24,414**
As at 1 January 2011	4,657	(2,694)	15,689	1,118	18,770
Recognised in profit or loss	994	198	5,620	(3,804)	3,008
Recognised in other comprehensive income	–	202	–	–	202
As at 31 December 2011	5,651	(2,294)	21,309	(2,686)	21,980

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

(Expressed in millions of RMB, unless otherwise stated)

31 Other assets

	Note	Group 30 June 2012	Group 31 December 2011	Bank 30 June 2012	Bank 31 December 2011
Repossessed assets	(1)				
– Buildings		**1,472**	1,553	**1,472**	1,549
– Land use rights		**208**	219	**208**	219
– Others		**60**	60	**60**	60
		1,740	1,832	**1,740**	1,828
Long-term deferred expenses		**564**	493	**518**	462
Receivables from CCBIG	(2)	**–**	–	**20,499**	18,205
Other receivables		**19,563**	15,920	**20,040**	13,696
Leasehold improvements		**2,234**	2,401	**2,218**	2,389
Gross balances		**24,101**	20,646	**45,015**	36,580
Allowances for impairment losses (Note 32)					
– Repossessed assets		**(238)**	(278)	**(238)**	(278)
– Others		**(2,137)**	(2,225)	**(2,133)**	(2,225)
		(2,375)	(2,503)	**(2,371)**	(2,503)
Net balances		**21,726**	18,143	**42,644**	34,077

(1) For the six months ended 30 June 2012, the original cost of repossessed assets disposed of by the Group amounted to RMB187 million (for the six months ended 30 June 2011: RMB256 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

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

32 Movements of allowances for impairment losses

Group

		Six months ended 30 June 2012				
	Note	As at 1 January	Charge for the period/ (write-back)	Transfer in/(out)	Write-offs	As at 30 June
Deposits with banks and non-bank financial institutions	14	9	–	–	–	9
Placements with banks and non-bank financial institutions	15	65	(4)	–	–	61
Interest receivable	19	1	–	–	–	1
Loans and advances to customers	20(3)	171,217	14,726	(10)	(1,170)	184,763
Held-to-maturity investments	22	3,994	55	35	(7)	4,077
Debt securities classified as receivables	23	615	370	–	–	985
Fixed assets	26	467	–	–	(1)	466
Land use rights	27	146	–	–	–	146
Intangible assets	28	8	–	–	–	8
Other assets	31	2,503	14	–	(142)	2,375
Total		179,025	15,161	25	(1,320)	192,891

Transfer in/(out) includes the exchange difference; write-offs include disposals.

(Expressed in millions of RMB, unless otherwise stated)

32 Movements of allowances for impairment losses (continued)

Group (continued)

	Note	2011				
		As at 1 January	Charge for the year/ (write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	14	11	(16)	14	–	9
Placements with banks and non-bank financial institutions	15	84	(37)	35	(17)	65
Interest receivable	19	1	–	–	–	1
Loans and advances to customers	20(3)	143,102	32,403	(958)	(3,330)	171,217
Held-to-maturity investments	22	5,003	(15)	(192)	(802)	3,994
Debt securities classified as receivables	23	120	495	–	–	615
Fixed assets	26	485	1	–	(19)	467
Land use rights	27	149	–	–	(3)	146
Intangible assets	28	8	–	–	–	8
Other assets	31	2,981	(169)	–	(309)	2,503
Total		151,944	32,662	(1,101)	(4,480)	179,025

Bank

	Note	**Six months ended 30 June 2012**				
		As at 1 January	**Charge for the period/ (write-back)**	**Transfer in/(out)**	**Write-offs**	**As at 30 June**
Deposits with banks and non-bank financial institutions	14	**9**	**–**	**–**	**–**	**9**
Placements with banks and non-bank financial institutions	15	**65**	**(4)**	**–**	**–**	**61**
Interest receivable	19	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	20(3)	**170,183**	**14,615**	**(28)**	**(1,116)**	**183,654**
Held-to-maturity investments	22	**3,994**	**55**	**35**	**(7)**	**4,077**
Debt securities classified as receivables	23	**615**	**370**	**–**	**–**	**985**
Fixed assets	26	**466**	**–**	**–**	**(1)**	**465**
Land use rights	27	**146**	**–**	**–**	**–**	**146**
Intangible assets	28	**8**	**–**	**–**	**–**	**8**
Other assets	31	**2,503**	**10**	**–**	**(142)**	**2,371**
Total		**177,990**	**15,046**	**7**	**(1,266)**	**191,777**

	Note	2011				
		As at 1 January	Charge for the year/ (write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	14	11	(16)	14	–	9
Placements with banks and non-bank financial institutions	15	84	(37)	35	(17)	65
Interest receivable	19	1	–	–	–	1
Loans and advances to customers	20(3)	142,261	32,121	(964)	(3,235)	170,183
Held-to-maturity investments	22	5,003	(15)	(192)	(802)	3,994
Debt securities classified as receivables	23	120	495	–	–	615
Fixed assets	26	485	–	–	(19)	466
Land use rights	27	149	–	–	(3)	146
Intangible assets	28	8	–	–	–	8
Other assets	31	2,978	(242)	–	(233)	2,503
Total		151,100	32,306	(1,107)	(4,309)	177,990

(Expressed in millions of RMB, unless otherwise stated)

33 Amounts due from/to subsidiaries

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

	30 June 2012	31 December 2011
Deposits with banks and non-bank financial institutions	11,295	9,118
Placements with banks and non-bank financial institutions	18,837	7,750
Interest receivable	24	136
Available-for-sale financial assets	2,554	3,333
Other assets	23,530	18,394
Total	56,240	38,731

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

	30 June 2012	31 December 2011
Deposits from banks and non-bank financial institutions	4,519	4,587
Placements from banks and non-bank financial institutions	1,610	2,397
Financial assets sold under repurchase agreements	–	1,133
Deposits from customers	9,598	1,633
Interest payable	136	78
Other liabilities	11	42
Total	15,874	9,870

34 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Banks	550,256	461,574	550,362	464,173
Non-bank financial institutions	484,795	504,655	486,160	505,860
Total	1,035,051	966,229	1,036,522	970,033

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Mainland China	1,033,683	966,085	1,034,439	968,168
Overseas	1,368	144	2,083	1,865
Total	1,035,051	966,229	1,036,522	970,033

(Expressed in millions of RMB, unless otherwise stated)

35 Placements from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Banks	**99,207**	77,474	**59,586**	44,692
Non-bank financial institutions	**2,114**	1,251	**2,052**	962
Total	**101,321**	78,725	**61,638**	45,654

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Mainland China	**46,489**	33,045	**14,941**	5,745
Overseas	**54,832**	45,680	**46,697**	39,909
Total	**101,321**	78,725	**61,638**	45,654

36 Financial liabilities at fair value through profit or loss

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Structured financial instruments	**10,907**	11,332	**8,196**	8,642
Financial liabilities related to precious metals	**27,894**	22,324	**27,894**	22,324
Total	**38,801**	33,656	**36,090**	30,966

The Group's and the Bank's financial liabilities at fair value through profit or loss are all financial liabilities designated at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity of the Group and the Bank is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period presented and cumulatively as at 30 June 2012 and 31 December 2011.

37 Financial assets sold under repurchase agreements

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Securities				
– PBOC bills	**890**	10,010	**890**	10,010
– Government bonds	**1,061**	–	**–**	–
	1,951	10,010	**890**	10,010
Discounted bills	**858**	451	**858**	451
Loans	**398**	–	**–**	1,133
Total	**3,207**	10,461	**1,748**	11,594

(Expressed in millions of RMB, unless otherwise stated)

38 Deposits from customers

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Demand deposits				
– Corporate customers	**3,603,730**	3,576,929	**3,601,728**	3,569,524
– Personal customers	**1,995,804**	1,839,812	**1,984,275**	1,829,426
Subtotal	**5,599,534**	5,416,741	**5,586,003**	5,398,950
Time deposits (including call deposits)				
– Corporate customers	**2,286,308**	1,949,188	**2,257,490**	1,920,555
– Personal customers	**3,054,995**	2,621,521	**3,020,261**	2,586,588
Subtotal	**5,341,303**	4,570,709	**5,277,751**	4,507,143
Total	**10,940,837**	9,987,450	**10,863,754**	9,906,093

Deposits from customers include:

		Group		Bank	
		30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
(1)	Pledged deposits				
	– Deposits for acceptance	**145,082**	104,880	**145,288**	104,699
	– Deposits for guarantee	**36,861**	40,570	**36,861**	40,570
	– Deposits for letter of credit	**50,132**	59,445	**50,132**	59,441
	– Others	**215,876**	158,088	**217,795**	157,986
	Total	**447,951**	362,983	**450,076**	362,696
(2)	Outward remittance and remittance payables	**28,610**	9,508	**28,534**	9,434

(3) As at 30 June 2012, the balance of wealth management products with principal guaranteed by the Group and the Bank was RMB342,435 million (31 December 2011: RMB154,062 million).

(Expressed in millions of RMB, unless otherwise stated)

39 Accrued staff costs

Group

	Note	Six months ended 30 June 2012			
		As at 1 January	**Accrued**	**Paid**	**As at 30 June**
Salaries, bonuses, allowances and subsidies		**19,871**	**23,974**	**(23,085)**	**20,760**
Defined contribution retirement schemes		**552**	**3,769**	**(3,797)**	**524**
Other social insurance and welfare		**1,630**	**3,107**	**(2,578)**	**2,159**
Housing funds		**124**	**2,139**	**(2,079)**	**184**
Union running costs and employee education costs		**1,174**	**987**	**(614)**	**1,547**
Supplementary retirement benefits	(1)	**7,032**	**105**	**(270)**	**6,867**
Early retirement benefits		**5,542**	**322**	**(678)**	**5,186**
Compensation to employees for termination of employment relationship		**6**	**6**	**(7)**	**5**
Total		**35,931**	**34,409**	**(33,108)**	**37,232**

	Note	2011			
		As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies		14,873	49,703	(44,705)	19,871
Defined contribution retirement schemes		492	8,495	(8,435)	552
Other social insurance and welfare		1,265	6,581	(6,216)	1,630
Housing funds		112	3,989	(3,977)	124
Union running costs and employee education costs		954	2,013	(1,793)	1,174
Supplementary retirement benefits	(1)	6,901	638	(507)	7,032
Early retirement benefits		6,765	409	(1,632)	5,542
Compensation to employees for termination of employment relationship		7	10	(11)	6
Total		31,369	71,838	(67,276)	35,931

Bank

	Note	Six months ended 30 June 2012			
		As at 1 January	**Accrued**	**Paid**	**As at 30 June**
Salaries, bonuses, allowances and subsidies		**19,222**	**23,176**	**(22,142)**	**20,256**
Defined contribution retirement schemes		**550**	**3,705**	**(3,734)**	**521**
Other social insurance and welfare		**1,544**	**3,064**	**(2,509)**	**2,099**
Housing funds		**124**	**2,123**	**(2,066)**	**181**
Union running costs and employee education costs		**1,162**	**976**	**(608)**	**1,530**
Supplementary retirement benefits	(1)	**7,032**	**105**	**(270)**	**6,867**
Early retirement benefits		**5,542**	**322**	**(678)**	**5,186**
Compensation to employees for termination of employment relationship		**6**	**6**	**(7)**	**5**
Total		**35,182**	**33,477**	**(32,014)**	**36,645**

	Note	2011			
		As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies		14,133	48,153	(43,064)	19,222
Defined contribution retirement schemes		491	8,397	(8,338)	550
Other social insurance and welfare		1,169	6,525	(6,150)	1,544
Housing funds		111	3,968	(3,955)	124
Union running costs and employee education costs		945	1,997	(1,780)	1,162
Supplementary retirement benefits	(1)	6,901	638	(507)	7,032
Early retirement benefits		6,765	409	(1,632)	5,542
Compensation to employees for termination of employment relationship		7	10	(11)	6
Total		30,522	70,097	(65,437)	35,182

(Expressed in millions of RMB, unless otherwise stated)

39 Accrued staff costs (continued)

(1) Supplementary retirement benefits

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

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

	30 June 2012	31 December 2011
Present value of supplementary retirement benefit obligations	**6,837**	7,033
Unrecognised actuarial gains/(losses)	**30**	(1)
As at 30 June/31 December	**6,867**	7,032

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

	30 June 2012	31 December 2011
As at 1 January	**7,032**	6,901
Paid	**(270)**	(507)
Expenses recognised in profit or loss		
– Interest cost	**105**	251
– Past service costs	**–**	387
As at 30 June/31 December	**6,867**	7,032

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

(c) Principal actuarial assumptions of the Group and the Bank as at the end of the reporting period:

	30 June 2012	31 December 2011
Discount rate	**3.50%**	3.50%
Health care cost increases	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**13.3 years**	13.6 years

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

40 Taxes payable

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Income tax	**22,212**	38,899	**21,986**	38,747
Business tax and surcharges	**7,830**	7,752	**7,759**	7,688
Others	**175**	538	**115**	515
Total	**30,217**	47,189	**29,860**	46,950

(Expressed in millions of RMB, unless otherwise stated)

41 Interest payable

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Deposits from banks and non-bank financial institutions	**1,756**	1,405	**1,720**	1,392
Deposits from customers	**98,987**	76,850	**98,788**	76,665
Debts securities issued	**3,157**	1,921	**3,157**	1,921
Others	**445**	378	**297**	334
Total	**104,345**	80,554	**103,962**	80,312

42 Provisions

	Group and Bank	
	30 June 2012	31 December 2011
Litigation provisions	**876**	896
Others	**4,071**	4,284
Total	**4,947**	5,180

43 Debt securities issued

		Group		Bank	
	Note	**30 June 2012**	31 December 2011	**30 June 2012**	31 December 2011
Certificates of deposit issued	(1)	**92,765**	48,451	**78,092**	38,189
Bonds issued	(2)	**993**	–	**993**	–
Subordinated bonds issued	(3)	**119,870**	119,861	**119,870**	119,861
Total		**213,628**	168,312	**198,955**	158,050

(1) Certificates of deposit were mainly issued by overseas branches of the Bank and CCB Asia in Hong Kong and recognised at amortised cost.

(2) Bonds issued

		Group and Bank	
	Note	**30 June 2012**	31 December 2011
3.08% fixed rate RMB bonds maturing in June 2014	(a)	**500**	–
3.25% fixed rate RMB bonds maturing in June 2015	(b)	**500**	–
Total nominal value		**1,000**	–
Less: unamortised issuance costs		**(7)**	–
Carrying value as at 30 June/31 December		**993**	–

(a) 3.08% fixed rate RMB bonds were issued on 21 June, 2012 in Hong Kong, and will mature on 28 June, 2014.

(b) 3.25% fixed rate RMB bonds were issued on 21 June, 2012 in Hong Kong, and will mature on 28 June, 2015.

(Expressed in millions of RMB, unless otherwise stated)

43 Debt securities issued (continued)

(3) Subordinated bonds issued

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

	Note	Group and Bank 30 June 2012	Group and Bank 31 December 2011
3.20% subordinated fixed rate bonds maturing in February 2019	(a)	**12,000**	12,000
4.00% subordinated fixed rate bonds maturing in February 2024	(b)	**28,000**	28,000
3.32% subordinated fixed rate bonds maturing in August 2019	(c)	**10,000**	10,000
4.04% subordinated fixed rate bonds maturing in August 2024	(d)	**10,000**	10,000
4.80% subordinated fixed rate bonds maturing in December 2024	(e)	**20,000**	20,000
5.70% subordinated fixed rate bonds maturing in November 2026	(f)	**40,000**	40,000
Total nominal value		**120,000**	120,000
Less: Unamortised issuance cost		**(130)**	(139)
Carrying value as at 30 June/31 December		**119,870**	119,861

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

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

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

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

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

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

44 Other liabilities

	Group 30 June 2012	Group 31 December 2011	Bank 30 June 2012	Bank 31 December 2011
Dividend payable	**59,164**	25	**59,128**	–
Deferred income	**8,166**	7,455	**8,044**	7,296
Insurance reserve of CCB Life	**4,994**	2,670	**–**	–
Capital expenditure payable	**4,340**	5,518	**4,340**	5,517
Securities underwriting and redemption payable	**2,789**	2,000	**2,789**	2,000
Dormant accounts	**2,466**	2,193	**2,466**	2,193
Payment and collection clearance accounts	**725**	572	**725**	572
Settlement accounts	**621**	452	**629**	452
Payables to China Jianyin Investment Limited	**85**	107	**85**	107
Others	**26,724**	14,606	**17,434**	9,575
Total	**110,074**	35,598	**95,640**	27,712

45 Share capital

	Group and Bank 30 June 2012	Group and Bank 31 December 2011
Listed in Hong Kong (H share)	**240,417**	240,417
Listed in Mainland China (A share)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares and rank pari passu with the same rights and benefits.

(Expressed in millions of RMB, unless otherwise stated)

46 Capital reserve

	Group and Bank	
	30 June 2012	31 December 2011
Share premium	**135,047**	135,047
Others	**136**	131
Total	**135,183**	135,178

47 Investment revaluation reserve

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

Group

	Six months ended 30 June 2012		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	**8,492**	**(2,109)**	**6,383**
Gains/(losses) during the period			
– Debt securities	**7,813**	**(1,950)**	**5,863**
– Equity instruments and funds	**(275)**	**69**	**(206)**
	7,538	**(1,881)**	**5,657**
Reclassification adjustments			
– Impairment	**(262)**	**65**	**(197)**
– Disposals	**(738)**	**185**	**(553)**
– Others	**20**	**(5)**	**15**
	(980)	**245**	**(735)**
As at 30 June	**15,050**	**(3,745)**	**11,305**

	2011		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	9,024	(2,318)	6,706
Gains/(losses) during the year			
– Debt securities	5,118	(1,203)	3,915
– Equity instruments and funds	(6,004)	1,501	(4,503)
	(886)	298	(588)
Reclassification adjustments			
– Impairment	1,106	(277)	829
– Disposals	(810)	202	(608)
– Others	58	(14)	44
	354	(89)	265
As at 31 December	8,492	(2,109)	6,383

(Expressed in millions of RMB, unless otherwise stated)

47 Investment revaluation reserve (continued)

Bank

	Six months ended 30 June 2012		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	**8,566**	**(2,094)**	**6,472**
Gains/(losses) during the period			
– Debt securities	**7,810**	**(1,945)**	**5,865**
– Equity instruments	**(268)**	**67**	**(201)**
	7,542	**(1,878)**	**5,664**
Reclassification adjustments			
– Impairment	**(264)**	**66**	**(198)**
– Disposals	**(760)**	**190**	**(570)**
– Others	**20**	**(5)**	**15**
	(1,004)	**251**	**(753)**
As at 30 June	**15,104**	**(3,721)**	**11,383**

	2011		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	9,039	(2,296)	6,743
Gains/(losses) during the year			
– Debt securities	4,942	(1,151)	3,791
– Equity instruments	(5,825)	1,456	(4,369)
	(883)	305	(578)
Reclassification adjustments			
– Impairment	1,106	(277)	829
– Disposals	(754)	188	(566)
– Others	58	(14)	44
	410	(103)	307
As at 31 December	8,566	(2,094)	6,472

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

48 Surplus reserve

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

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

(Expressed in millions of RMB, unless otherwise stated)

49 General reserve

The general reserve of the Group and the Bank at the end of the reporting period is set up based upon the requirements of:

	Note	Group		Bank	
		30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
MOF	(1)	**79,182**	66,458	**79,182**	66,458
Hong Kong Banking Ordinance	(2)	**647**	596	**105**	105
Other regulatory bodies in Mainland China	(3)	**229**	205	**–**	–
Other overseas regulatory bodies		**105**	83	**104**	82
Total		**80,163**	67,342	**79,391**	66,645

(1) Pursuant to relevant regulations issued by the MOF, the Bank is required to set aside a general reserve through appropriations of profit after tax according to a certain provision ratio of the ending balance of gross risk-bearing assets to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets.

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

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

50 Profit distribution

The Bank declared a cash dividend of RMB59,128 million for the year ended 31 December 2011 according to the profit distribution plan approved by the Annual General Meeting held on 7 June 2012.

51 Notes to consolidated cash flow statement

Cash and cash equivalents

	30 June 2012	31 December 2011	30 June 2011
Cash	**53,823**	58,308	47,172
Surplus deposit reserves with central banks	**396,769**	324,568	269,061
Demand deposits with banks and non-bank financial institutions	**32,816**	33,072	33,609
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**206,639**	78,795	19,499
Placements with banks and non-bank financial institutions with original maturity with or within three months	**122,968**	63,720	33,006
Total	**813,015**	558,463	402,347

52 Operating segments

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

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

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

(1) Geographical segments

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

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

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

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

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

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

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

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

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

(Expressed in millions of RMB, unless otherwise stated)

52 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2012								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	26,739	14,274	14,906	17,397	20,497	6,416	68,269	1,194	169,692
Internal net interest income/(expense)	3,037	6,358	10,331	7,784	6,289	4,158	(38,876)	919	–
Net interest income	29,776	20,632	25,237	25,181	26,786	10,574	29,393	2,113	169,692
Net fee and commission income	10,857	8,903	8,026	7,564	6,519	2,952	3,869	553	49,243
Net trading gain/(loss)	281	345	166	74	128	69	(766)	53	350
Dividend income	–	–	–	45	10	13	11	10	89
Net gain arising from investment securities	85	–	–	384	639	15	665	26	1,814
Other operating income, net	2,961	180	110	163	379	42	2,666	123	6,624
Operating income	43,960	30,060	33,539	33,411	34,461	13,665	35,838	2,878	227,812
Operating expenses	(16,009)	(10,195)	(11,695)	(13,059)	(12,358)	(5,608)	(4,279)	(1,367)	(74,570)
Impairment losses	(7,158)	(1,478)	(1,520)	(1,921)	(1,126)	(728)	(906)	99	(14,738)
Share of profits less losses of associates and jointly controlled entities	–	–	–	(5)	–	–	–	13	8
Profit before tax	20,793	18,387	20,324	18,426	20,977	7,329	30,653	1,623	138,512
Capital expenditure	1,444	1,093	1,351	2,286	1,610	1,009	515	2,062	11,370
Depreciation and amortisation	1,159	761	970	1,216	1,082	572	833	54	6,647
	30 June 2012								
Segment assets	2,563,903	1,970,485	2,466,289	2,097,289	2,180,809	858,760	5,629,901	540,422	18,307,858
Interests in associates and jointly controlled entities	–	–	–	387	–	–	–	1,918	2,305
	2,563,903	1,970,485	2,466,289	2,097,676	2,180,809	858,760	5,629,901	542,340	18,310,163
Deferred tax assets									23,860
Elimination									(4,828,278)
Total assets									13,505,745
Segment liabilities	2,547,919	1,960,710	2,452,220	2,085,662	2,167,217	853,540	4,882,012	514,970	17,464,250
Deferred tax liabilities									368
Elimination									(4,828,278)
Total liabilities									12,636,340
Off-balance sheet credit commitments	586,419	370,657	429,114	239,835	234,569	102,732	12,002	55,117	2,030,445

(Expressed in millions of RMB, unless otherwise stated)

52 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2011								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	21,781	12,042	13,602	15,468	17,039	5,294	58,988	1,492	145,706
Internal net interest income/(expense)	3,327	5,463	7,472	5,497	4,727	3,230	(29,645)	(71)	–
Net interest income	25,108	17,505	21,074	20,965	21,766	8,524	29,343	1,421	145,706
Net fee and commission income	11,647	8,647	7,382	7,297	6,058	2,860	3,150	630	47,671
Net trading gain/(loss)	296	261	169	44	143	83	(126)	(201)	669
Dividend income	–	–	–	23	–	–	24	14	61
Net gain arising from investment securities	–	–	–	288	8	9	540	85	930
Other operating income/(expense), net	260	147	95	270	426	40	(217)	1,188	2,209
Operating income	37,311	26,560	28,720	28,887	28,401	11,516	32,714	3,137	197,246
Operating expenses	(12,275)	(8,739)	(9,959)	(11,204)	(10,589)	(4,801)	(3,668)	(1,322)	(62,557)
Impairment losses	(2,890)	(1,874)	(1,634)	(2,082)	(4,124)	(114)	(1,343)	136	(13,925)
Share of profits less losses of associates and jointly controlled entities	–	–	–	–	–	–	–	25	25
Profit before tax	22,146	15,947	17,127	15,601	13,688	6,601	27,703	1,976	120,789
Capital expenditure	855	382	785	1,131	946	502	425	9	5,035
Depreciation and amortisation	1,023	712	898	1,106	969	496	962	56	6,222
	31 December 2011								
Segment assets	2,309,626	1,773,562	2,241,298	1,874,631	1,982,662	769,288	5,140,899	441,119	16,533,085
Interests in associates and jointly controlled entities	–	–	–	–	–	–	–	2,069	2,069
	2,309,626	1,773,562	2,241,298	1,874,631	1,982,662	769,288	5,140,899	443,188	16,535,154
Deferred tax assets									21,410
Elimination									(4,274,730)
Total assets									12,281,834
Segment liabilities	2,304,167	1,769,903	2,232,283	1,869,614	1,976,095	766,375	4,402,281	418,827	15,739,545
Deferred tax liabilities									358
Elimination									(4,274,730)
Total liabilities									11,465,173
Off-balance sheet credit commitments	565,867	365,648	406,115	245,292	233,361	103,085	12,002	50,579	1,981,949

(Expressed in millions of RMB, unless otherwise stated)

52 Operating segments (continued)

(2) Business segments

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

	Six months ended 30 June 2012				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income/(expense)	100,654	(7,963)	73,863	3,138	169,692
Internal net interest (expense)/income	(15,983)	54,987	(38,408)	(596)	–
Net interest income	84,671	47,024	35,455	2,542	169,692
Net fee and commission income	21,892	16,205	10,165	981	49,243
Net trading (loss)/gain	(7)	322	(9)	44	350
Dividend income	–	–	–	89	89
Net gain arising from investment securities	–	–	200	1,614	1,814
Other operating income, net	231	129	2,768	3,496	6,624
Operating income	106,787	63,680	48,579	8,766	227,812
Operating expenses	(29,754)	(36,846)	(2,851)	(5,119)	(74,570)
Impairment losses	(10,734)	(4,489)	520	(35)	(14,738)
Share of profits less losses of associates and jointly controlled entities	–	–	–	8	8
Profit before tax	66,299	22,345	46,248	3,620	138,512
Capital expenditure	3,378	7,413	368	211	11,370
Depreciation and amortisation	1,975	4,334	215	123	6,647
	30 June 2012				
Segment assets	4,985,037	1,774,021	6,308,657	625,968	13,693,683
Interests in associates and jointly controlled entities	–	–	–	2,305	2,305
	4,985,037	1,774,021	6,308,657	628,273	13,695,988
Deferred tax assets					23,860
Elimination					(214,103)
Total assets					13,505,745
Segment liabilities	6,302,753	5,653,169	159,463	734,690	12,850,075
Deferred tax liabilities					368
Elimination					(214,103)
Total liabilities					12,636,340
Off-balance sheet credit commitments	1,676,703	298,625	–	55,117	2,030,445

(Expressed in millions of RMB, unless otherwise stated)

52 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2011				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income/(expense)	86,710	(526)	57,451	2,071	145,706
Internal net interest (expense)/income	(11,690)	40,650	(27,987)	(973)	–
Net interest income	75,020	40,124	29,464	1,098	145,706
Net fee and commission income	21,928	15,386	9,413	944	47,671
Net trading gain/(loss)	–	384	502	(217)	669
Dividend income	–	–	–	61	61
Net gain arising from investment securities	–	–	265	665	930
Other operating income/(expense), net	373	113	(165)	1,888	2,209
Operating income	97,321	56,007	39,479	4,439	197,246
Operating expenses	(26,384)	(31,940)	(1,930)	(2,303)	(62,557)
Impairment losses	(12,552)	(1,365)	(105)	97	(13,925)
Share of profits less losses of associates and jointly controlled entities	–	–	–	25	25
Profit before tax	58,385	22,702	37,444	2,258	120,789
Capital expenditure	1,515	3,257	188	75	5,035
Depreciation and amortisation	1,873	4,024	232	93	6,222
	31 December 2011				
Segment assets	4,643,350	1,662,434	5,411,041	700,464	12,417,289
Interests in associates and jointly controlled entities	–	–	–	2,069	2,069
	4,643,350	1,662,434	5,411,041	702,533	12,419,358
Deferred tax assets					21,410
Elimination					(158,934)
Total assets					12,281,834
Segment liabilities	5,911,337	4,981,889	160,905	569,618	11,623,749
Deferred tax liabilities					358
Elimination					(158,934)
Total liabilities					11,465,173
Off-balance sheet credit commitments	1,689,179	242,191	–	50,579	1,981,949

(Expressed in millions of RMB, unless otherwise stated)

53 Entrusted lending business

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

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Entrusted loans	**1,024,034**	1,027,817	**992,870**	971,331
Entrusted funds	**1,024,034**	1,027,817	**992,870**	971,331

54 Pledged assets

(1) Assets pledged as security

(a) Carrying value of pledged assets analysed by asset type

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Pledged deposits	**169**	388	**169**	388
Loans	**398**	–	**–**	1,133
Discounted bills	**858**	451	**858**	451
Bonds	**1,273**	597	**212**	597
PBOC bills	**890**	10,110	**890**	10,110
Total	**3,588**	11,546	**2,129**	12,679

(b) Carrying value of pledged assets analysed by classification

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Deposits with banks and non-bank financial institutions	**169**	388	**169**	388
Loans and advances to customers	**1,256**	451	**858**	1,584
Available-for-sale financial assets	**212**	597	**212**	597
Held-to-maturity investments	**1,951**	10,110	**890**	10,110
Total	**3,588**	11,546	**2,129**	12,679

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 30 June 2012 and 31 December 2011, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of RMB, unless otherwise stated)

55 Commitments and contingent liabilities

(1) Credit commitments

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

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

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

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Loan commitments				
– with an original maturity within one year	**140,321**	129,745	**137,426**	127,134
– with an original maturity of one year or over	**277,346**	349,032	**277,104**	348,992
Credit card commitments	**298,625**	266,447	**272,990**	242,191
	716,292	745,224	**687,520**	718,317
Bank acceptances	**383,126**	335,517	**382,934**	335,391
Financing guarantees	**204,181**	189,258	**202,858**	188,537
Non-financing guarantees	**461,302**	439,322	**461,202**	439,231
Sight letters of credit	**38,850**	42,778	**38,850**	42,778
Usance letters of credit	**186,701**	203,810	**188,526**	204,242
Others	**39,993**	26,040	**50,065**	28,288
Total	**2,030,445**	1,981,949	**2,011,955**	1,956,784

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments.

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Credit risk-weighted amount of contingent liabilities and commitments	**963,185**	929,681	**961,783**	928,188

(Expressed in millions of RMB, unless otherwise stated)

55 Commitments and contingent liabilities (continued)

(3) Operating lease commitments

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

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Within one year	**3,589**	3,363	**3,356**	3,130
After one year but within two years	**2,784**	2,640	**2,664**	2,503
After two years but within three years	**2,009**	1,836	**1,951**	1,770
After three years but within five years	**2,511**	2,130	**2,497**	2,113
After five years	**1,792**	1,467	**1,784**	1,461
Total	**12,685**	11,436	**12,252**	10,977

(4) Capital commitments

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

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Contracted for	**2,203**	4,793	**2,168**	4,759
Authorised but not contracted for	**10,724**	5,802	**10,690**	5,782
Total	**12,927**	10,595	**12,858**	10,541

(Expressed in millions of RMB, unless otherwise stated)

55 Commitments and contingent liabilities (continued)

(5) Underwriting obligations

As at 30 June 2012, the unexpired underwriting commitments of the Group and the Bank were RMB36,350 million (As at 31 December 2011: Nil).

(6) Redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 30 June 2012, were RMB53,905 million (As at 31 December 2011: RMB72,205 million).

(7) Outstanding litigation and disputes

As at 30 June 2012, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,172 million (as at 31 December 2011: RMB2,173 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 42). The Group considers that the provisions made are reasonable and adequate.

(8) Provisions against commitments and contingent liabilities

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

56 Related party relationships and transactions

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

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

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 30 June 2012, Huijin directly held 57.14% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and jointly controlled entities.

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

The Group has issued subordinated debts with a nominal value of RMB120 billion (31 December 2011: RMB120 billion). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) *Transactions with parent companies*

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

Amounts

	Six months ended 30 June			
	2012		2011	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**472**	**0.16%**	289	0.13%
Interest expense	**278**	**0.22%**	42	0.05%

(Expressed in millions of RMB, unless otherwise stated)

56 Related party relationships and transactions (continued)

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

(a) *Transactions with parent companies (continued)*

Balances outstanding as at the end of the reporting period

	Note	30 June 2012 Balance	30 June 2012 Ratio to similar transactions	31 December 2011 Balance	31 December 2011 Ratio to similar transactions
Interest receivable		**472**	**0.67%**	186	0.33%
Held-to-maturity investments		**16,680**	**0.92%**	16,680	0.96%
Deposits from customers		**11,128**	**0.10%**	3,559	0.04%
Interest payable		**250**	**0.24%**	22	0.03%
Other liabilities	(i)	**33,787**	**30.69%**	–	–
Credit commitments		**288**	**0.02%**	288	0.01%

(i) Other liabilities as at 30 June 2012 represent cash dividends payable to Huijin approved by the 2011 Annual General Meeting.

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

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

Amounts

	Note	Six months ended 30 June 2012 Amount	2012 Ratio to similar transactions	2011 Amount	2011 Ratio to similar transactions
Interest income		**14,591**	**4.94%**	11,221	5.02%
Interest expense		**2,415**	**1.92%**	633	0.81%
Fee and commission income		**239**	**0.47%**	176	0.36%
Fee and commission expense		**–**	**–**	56	4.59%
Operating expenses	(i)	**444**	**0.60%**	371	0.59%

Balances outstanding as at the end of the reporting period

	Note	30 June 2012 Balance	30 June 2012 Ratio to similar transactions	31 December 2011 Balance	31 December 2011 Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**23,103**	**4.35%**	41,033	14.83%
Placements with banks and non-bank financial institutions		**95,706**	**55.24%**	21,941	20.12%
Financial assets at fair value through profit or loss		**1,554**	**6.41%**	2,106	9.12%
Positive fair value of derivatives		**531**	**3.47%**	529	3.74%
Financial assets held under resale agreements		**31,802**	**9.91%**	10,007	5.00%
Interest receivable		**12,770**	**18.00%**	11,358	20.00%
Loans and advances to customers		**33,220**	**0.48%**	33,244	0.53%
Available for sale financial assets		**153,842**	**22.04%**	134,765	19.96%
Held-to-maturity investments		**482,022**	**26.68%**	443,695	25.45%
Debt securities classified as receivables		**64,449**	**21.47%**	64,549	21.51%
Other assets	(ii)	**1**	**0.00%**	32	0.18%
Deposits from banks and non-bank financial institutions	(iii)	**75,766**	**7.32%**	67,006	6.93%
Placements from banks and non-bank financial institutions		**36,899**	**36.42%**	33,744	42.86%
Negative fair value of derivatives		**734**	**5.43%**	514	3.86%
Financial assets sold under repurchase agreements		**1,077**	**33.58%**	–	–
Deposits from customers		**29,578**	**0.27%**	40,238	0.40%
Interest payable		**78**	**0.07%**	163	0.20%
Other liabilities		**103**	**0.09%**	234	0.66%
Credit commitments		**9,797**	**0.59%**	7,822	0.39%

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

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

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

(Expressed in millions of RMB, unless otherwise stated)

56 Related party relationships and transactions (continued)

(2) Transactions with associates and jointly controlled entities of the Group

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

Amounts

	Six months ended 30 June	
	2012	2011
Interest expense	**1**	1

Balances outstanding as at the end of the reporting period

	30 June 2012	31 December 2011
Loans and advances to customers	**–**	497
Deposits from customers	**112**	824

(3) Transactions between the Bank and its subsidiaries

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

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

Amounts

	Six months ended 30 June	
	2012	2011
Interest income	**282**	144
Interest expense	**334**	171
Fee and commission income	**226**	112
Fee and commission expense	**27**	3
Dividend income	**70**	40
Net trading gain	**8**	11
Other operating income, net	**5**	12

Balances outstanding as at the end of the reporting period are presented in Note 33.

As of 30 June 2012, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB3,032 million (As at 30 June 2011: RMB3,416 million).

For the six months ended 30 June 2012, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 30 June 2012, the balances of the above transactions were RMB992 million (As at 31 December 2011: RMB783 million) and RMB147 million respectively (As at 31 December 2011: RMB148 million).

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

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

56 Related party relationships and transactions (continued)

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2012 and for the year ended 2011, there were no material transactions and balances with key management personnel.

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

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

(7) Defined contribution retirement schemes

The Group participates in various defined contribution retirement schemes organized by municipal and provincial governments for its employees in Mainland China. For its overseas employees, the Group participates in various defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations. The details of the Group's defined contribution retirement schemes are described in Note 39.

57 Risk Management

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

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. The Chief Risk Officer, who reports directly to the President, is responsible for the Group's overall risk management. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures management, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core businesses sectors and their management procedures. The Group Audit Committee is assisted in these functions by the Audit Department. The Audit Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the findings of which are reported to the Group Audit Committee.

(1) Credit risk

Credit risk management

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

Credit business

The Risk Management Department, under the supervision of the Chief Risk Officer, is responsible for establishing credit risk management policies and performing credit risk measurement and analysis. The Credit Management Department is responsible for monitoring the implementation of credit risk management policies and coordinating credit approval and credit ratings activities. The Credit Management Department works together with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Group Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, the Special Assets Resolution Department and the Legal and Compliance Department to implement credit risk management policies and procedures.

57 Risk Management (continued)

(1) Credit risk (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has sped up the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors loans, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks. The centralized risk management was also expedited in the cities where the first-tier branches are located, and the Bank will continue to explore the ways of specifying the operating characteristic for those branches, in addition to develop an intensive management for risk, reallocation of resource, and improving the quality and efficiency.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

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

Credit grading classification

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

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

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

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

Treasury business

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

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

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Deposits with central banks	**2,437,769**	2,321,501	**2,428,030**	2,315,432
Deposits with banks and non-bank financial institutions	**530,577**	276,752	**537,112**	279,861
Placements with banks and non-bank financial institutions	**173,270**	109,040	**186,977**	110,533
Financial liabilities at fair value through profit or loss	**16,174**	14,375	**11,175**	8,715
Positive fair value of derivatives	**15,319**	14,127	**14,385**	13,073
Financial assets held under resale agreements	**321,055**	200,045	**321,041**	200,045
Interest receivable	**70,956**	56,776	**70,495**	56,420
Loans and advances to customers	**6,876,580**	6,325,194	**6,707,448**	6,189,363
Available-for-sale debt securities	**684,487**	661,036	**673,267**	651,585
Held-to-maturity investments	**1,806,707**	1,743,569	**1,805,455**	1,742,342
Debt securities classified as receivables	**300,119**	300,027	**299,434**	299,765
Other financial assets	**17,426**	13,695	**38,406**	29,676
Total	**13,250,439**	12,036,137	**13,093,225**	11,896,810
Off-balance sheet credit commitments	**2,030,445**	1,981,949	**2,011,955**	1,956,784
Maximum credit risk exposure	**15,280,884**	14,018,086	**15,105,180**	13,853,594

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

		Group		Bank	
	Note	**30 June 2012**	31 December 2011	**30 June 2012**	31 December 2011
Individually assessed and impaired gross amount		**64,580**	65,625	**64,446**	65,490
Allowances for impairment losses		**(39,576)**	(38,109)	**(39,449)**	(38,020)
Subtotal		**25,004**	27,516	**24,997**	27,470
Collectively assessed and impaired gross amount		**5,837**	5,290	**5,735**	5,178
Allowances for impairment losses		**(3,762)**	(3,276)	**(3,753)**	(3,265)
Subtotal		**2,075**	2,014	**1,982**	1,913
Overdue but not impaired – not more than 90 days		**24,968**	14,567	**24,387**	14,209
Allowances for impairment losses	(i)	**(1,962)**	(696)	**(1,957)**	(696)
Subtotal		**23,006**	13,871	**22,430**	13,513
Neither overdue nor impaired					
– Unsecured loans		**1,957,893**	1,739,648	**1,893,897**	1,703,090
– Guaranteed loans		**1,383,527**	1,308,879	**1,335,682**	1,265,752
– Loans secured by tangible assets other than monetary assets		**2,913,692**	2,737,839	**2,860,483**	2,688,465
– Loans secured by monetary assets		**710,846**	624,563	**706,472**	617,362
Gross amount		**6,965,958**	6,410,929	**6,796,534**	6,274,669
Allowances for impairment losses	(i)	**(139,463)**	(129,136)	**(138,495)**	(128,202)
Subtotal		**6,826,495**	6,281,793	**6,658,039**	6,146,467
Total		**6,876,580**	6,325,194	**6,707,448**	6,189,363

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Group

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the balances secured by collateral are shown as follows:

	30 June 2012		
	Overdue but not impaired loans and advances		**Impaired loans and advances which are subject to individual assessment**
	Corporate	**Personal**	**Corporate**
Balance secured by collateral	**2,296**	**16,340**	**16,056**
Others	**3,762**	**2,570**	**48,524**
Total	**6,058**	**18,910**	**64,580**

	31 December 2011		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Balance secured by collateral	170	11,935	17,607
Others	123	2,339	48,018
Total	293	14,274	65,625

Bank

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the balances secured by collateral are shown as follows:

	30 June 2012		
	Overdue but not impaired loans and advances		**Impaired loans and advances which are subject to individual assessment**
	Corporate	**Personal**	**Corporate**
Balance secured by collateral	**2,195**	**16,067**	**15,989**
Others	**3,756**	**2,369**	**48,457**
Total	**5,951**	**18,436**	**64,446**

	31 December 2011		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Balance secured by collateral	45	11,766	17,605
Others	122	2,276	47,885
Total	167	14,042	65,490

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Group

	30 June 2012			31 December 2011		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,268,261**	**17.96%**	**440,991**	1,141,376	17.56%	393,347
– Transportation, storage and postal services	**831,514**	**11.78%**	**331,889**	765,763	11.79%	303,444
– Production and supply of electric power, gas and water	**628,601**	**8.90%**	**153,841**	591,315	9.10%	145,490
– Real estate	**478,722**	**6.78%**	**402,581**	465,899	7.17%	387,527
– Leasing and commercial services	**394,092**	**5.58%**	**174,742**	386,588	5.95%	168,593
– Wholesale and retail trade	**364,119**	**5.16%**	**138,932**	322,106	4.96%	113,374
– Water, environment and public utility management	**229,847**	**3.26%**	**108,835**	226,655	3.49%	100,239
– Construction	**214,498**	**3.04%**	**75,089**	190,096	2.93%	66,963
– Mining	**192,375**	**2.72%**	**26,028**	173,824	2.68%	26,793
– Education	**81,797**	**1.16%**	**33,247**	85,069	1.31%	35,214
– Telecommunications, computer services and software	**21,978**	**0.31%**	**6,444**	24,077	0.37%	7,271
– Others	**365,409**	**5.17%**	**124,700**	300,148	4.62%	111,642
Total corporate loans and advances	**5,071,213**	**71.82%**	**2,017,319**	4,672,916	71.93%	1,859,897
Personal loans and advances	**1,847,622**	**26.16%**	**1,668,588**	1,705,622	26.25%	1,558,628
Discounted bills	**142,508**	**2.02%**	**–**	117,873	1.82%	–
Gross loans and advances to customers	**7,061,343**	**100.00%**	**3,685,907**	6,496,411	100.00%	3,418,525

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

	30 June 2012				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the period**	**Written off during the period**
Manufacturing	**28,461**	**(16,986)**	**(28,769)**	**5,456**	**482**
Transportation, storage and postal services	**4,582**	**(2,695)**	**(20,094)**	**1,142**	**29**

	31 December 2011				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	25,883	(15,167)	(25,254)	5,750	1,748
Transportation, storage and postal services	7,139	(3,636)	(18,106)	6,371	28

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Bank

	30 June 2012			31 December 2011		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	1,237,098	17.94%	438,906	1,121,439	17.61%	391,393
– Transportation, storage and postal services	815,984	11.84%	327,657	752,130	11.83%	298,202
– Production and supply of electric power, gas and water	615,465	8.93%	151,772	581,301	9.14%	144,399
– Real estate	452,329	6.56%	380,505	439,905	6.92%	365,509
– Leasing and commercial services	393,584	5.71%	174,433	385,789	6.07%	168,317
– Wholesale and retail trade	347,816	5.05%	135,855	306,287	4.82%	110,193
– Water, environment and public utility management	229,755	3.33%	108,798	226,560	3.56%	100,202
– Construction	211,971	3.08%	74,749	188,765	2.97%	66,764
– Mining	190,239	2.76%	26,028	169,852	2.67%	26,793
– Education	81,720	1.19%	33,199	84,983	1.34%	35,161
– Telecommunications, computer services and software	21,754	0.32%	6,318	23,510	0.37%	7,146
– Others	332,561	4.83%	122,472	283,334	4.46%	109,506
Total corporate loans and advances	4,930,276	71.54%	1,980,692	4,563,855	71.76%	1,823,585
Personal loans and advances	1,818,426	26.39%	1,647,360	1,677,910	26.38%	1,538,107
Discounted bills	142,400	2.07%	–	117,781	1.86%	–
Gross loans and advances to customers	6,891,102	100.00%	3,628,052	6,359,546	100.00%	3,361,692

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

	30 June 2012				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the period	Written off during the period
Manufacturing	28,393	(16,918)	(28,587)	5,475	481
Transportation, storage and postal services	4,516	(2,636)	(19,963)	1,091	29

	31 December 2011				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	25,815	(15,099)	(25,071)	5,680	1,748
Transportation, storage and postal services	7,073	(3,616)	(17,987)	6,294	28

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Group

	30 June 2012			31 December 2011		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,577,349**	**22.34%**	**962,917**	1,476,118	22.72%	882,276
Bohai Rim	**1,223,271**	**17.32%**	**522,777**	1,137,623	17.51%	497,565
Western	**1,193,276**	**16.90%**	**674,289**	1,108,112	17.06%	622,268
Central	**1,128,151**	**15.98%**	**611,834**	1,051,837	16.19%	567,187
Pearl River Delta	**1,030,533**	**14.59%**	**651,432**	955,937	14.71%	597,404
Northeastern	**434,766**	**6.16%**	**209,388**	406,035	6.25%	197,775
Head Office	**130,524**	**1.85%**	**486**	105,632	1.63%	486
Overseas	**343,473**	**4.86%**	**52,784**	255,117	3.93%	53,564
Gross loans and advances to customers	**7,061,343**	**100.00%**	**3,685,907**	6,496,411	100.00%	3,418,525

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

	30 June 2012		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**24,817**	**(12,878)**	**(33,555)**
Central	**9,489**	**(5,587)**	**(23,333)**
Western	**9,430**	**(5,475)**	**(25,176)**
Pearl River Delta	**8,755**	**(5,071)**	**(22,459)**
Bohai Rim	**8,102**	**(5,666)**	**(25,026)**
Northeastern	**5,996**	**(3,280)**	**(9,449)**
Head Office	**1,887**	**(863)**	**(3,636)**
Overseas	**1,941**	**(756)**	**(2,553)**
Total	**70,417**	**(39,576)**	**(145,187)**

	31 December 2011		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	19,264	(9,721)	(29,988)
Central	11,885	(6,296)	(21,313)
Western	10,653	(5,878)	(23,568)
Pearl River Delta	9,699	(5,458)	(21,106)
Bohai Rim	9,428	(5,850)	(23,412)
Northeastern	6,264	(3,379)	(8,733)
Head office	1,744	(864)	(2,978)
Overseas	1,978	(663)	(2,010)
Total	70,915	(38,109)	(133,108)

The definitions of geographical segments are set out in Note 52(1).

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Bank

	30 June 2012			31 December 2011		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,573,107**	**22.84%**	**961,535**	1,472,744	23.17%	881,074
Western	**1,193,123**	**17.31%**	**674,260**	1,108,061	17.42%	622,253
Bohai Rim	**1,169,628**	**16.98%**	**507,980**	1,090,356	17.15%	483,614
Central	**1,126,908**	**16.35%**	**611,636**	1,050,747	16.52%	567,015
Pearl River Delta	**1,030,533**	**14.95%**	**651,432**	955,937	15.03%	597,404
Northeastern	**434,766**	**6.31%**	**209,388**	406,035	6.38%	197,775
Head Office	**130,524**	**1.89%**	**486**	105,632	1.66%	486
Overseas	**232,513**	**3.37%**	**11,335**	170,034	2.67%	12,071
Gross loans and advances to customers	**6,891,102**	**100.00%**	**3,628,052**	6,359,546	100.00%	3,361,692

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

	30 June 2012		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**24,817**	**(12,878)**	**(33,471)**
Central	**9,489**	**(5,587)**	**(23,306)**
Western	**9,430**	**(5,475)**	**(25,173)**
Pearl River Delta	**8,755**	**(5,071)**	**(22,459)**
Bohai Rim	**8,036**	**(5,607)**	**(24,476)**
Northeastern	**5,996**	**(3,280)**	**(9,449)**
Head Office	**1,887**	**(863)**	**(3,635)**
Overseas	**1,771**	**(688)**	**(2,236)**
Total	**70,181**	**(39,449)**	**(144,205)**

	31 December 2011		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	19,264	(9,721)	(29,914)
Central	11,885	(6,296)	(21,289)
Western	10,653	(5,878)	(23,567)
Pearl River Delta	9,699	(5,458)	(21,106)
Bohai Rim	9,361	(5,829)	(22,924)
Northeastern	6,264	(3,379)	(8,733)
Head Office	1,743	(865)	(2,978)
Overseas	1,799	(594)	(1,652)
Total	70,668	(38,020)	(132,163)

The definitions of geographical segments are set out in Note 52(1).

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Unsecured loans	**1,967,381**	1,655,537	**1,903,031**	1,618,823
Guaranteed loans	**1,408,055**	1,422,349	**1,360,019**	1,379,031
Loans secured by tangible assets other than monetary assets	**2,968,511**	2,787,776	**2,914,976**	2,738,008
Loans secured by monetary assets	**717,396**	630,749	**713,076**	623,684
Gross loans and advances to customers	**7,061,343**	6,496,411	**6,891,102**	6,359,546

(f) Restructured loans and advances to customers

Group

	30 June 2012		31 December 2011	
	Total	**% of gross loans and advances to customers**	Total	% of gross loans and advances to customers
Restructured loans and advances to customers	**3,703**	**0.05%**	2,692	0.04%
Of which: Restructured loans and advances overdue for more than 90 days	**1,340**	**0.02%**	977	0.01%

Bank

	30 June 2012		31 December 2011	
	Total	**% of gross loans and advances to customers**	Total	% of gross loans and advances to customers
Restructured loans and advances to customers	**3,592**	**0.05%**	2,575	0.04%
Of which: Restructured loans and advances overdue for more than 90 days	**1,339**	**0.02%**	975	0.01%

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

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

	Group		Bank	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Individually assessed and impaired gross amount	**104**	102	**104**	102
Allowances for impairment losses	**(70)**	(74)	**(70)**	(74)
Subtotal	**34**	28	**34**	28
Neither overdue nor impaired				
– grade A to AAA	**890,375**	490,618	**904,538**	493,745
– grade B to BBB	**3,487**	92	**3,438**	92
– unrated	**131,006**	95,099	**137,120**	96,574
Subtotal	**1,024,868**	585,809	**1,045,096**	590,411
Total	**1,024,902**	585,837	**1,045,130**	590,439

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

(h) Distribution of debt securities investments analysed by rating

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

Group

	30 June 2012					
	Unrated	**AAA**	**AA**	**A**	**Lower than A**	**Total**
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	1,086	10	203	2,655	11,077	15,031
– Other enterprises	78	2,870	–	–	278	3,226
	1,164	2,880	203	2,655	11,355	18,257
Impairment						(8,284)
Subtotal						9,973
Neither overdue nor impaired						
– Government	899,645	2,483	7,511	160	82	909,881
– Central banks	353,074	1,537	7,043	1,229	–	362,883
– Policy banks	335,994	10	265	132	–	336,401
– Banks and non-bank financial institutions	697,853	40,400	21,083	7,943	2,979	770,258
– Cinda	109,710	–	–	–	–	109,710
– Public sector entities	–	64	86	–	–	150
– Other enterprises	23,980	275,308	7,185	1,704	1,800	309,977
	2,420,256	319,802	43,173	11,168	4,861	2,799,260
Impairment						(1,746)
Subtotal						2,797,514
Total						2,807,487

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Group (continued)

	31 December 2011					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Policy banks	–	–	–	45	–	45
– Banks and non-bank financial institutions	753	11	199	5,615	9,142	15,720
– Public sector entities	125	–	–	–	–	125
– Other enterprises	312	2,818	–	–	311	3,441
	1,190	2,829	199	5,660	9,453	19,331
Impairment						(8,674)
Subtotal						10,657
Neither overdue nor impaired						
– Government	891,088	2,642	7,029	473	83	901,315
– Central banks	429,101	4,574	2,187	–	185	436,047
– Policy banks	285,340	–	264	140	–	285,744
– Banks and non-bank financial institutions	644,925	33,578	14,415	8,018	3,765	704,701
– Cinda	131,761	–	–	–	–	131,761
– Public sector entities	–	63	87	–	65	215
– Other enterprises	5,157	234,469	5,418	3,250	1,593	249,887
	2,387,372	275,326	29,400	11,881	5,691	2,709,670
Impairment						(1,320)
Subtotal						2,708,350
Total						2,719,007

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Bank

	30 June 2012					
	Unrated	**AAA**	**AA**	**A**	**Lower than A**	**Total**
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	1,086	10	203	2,655	11,077	15,031
– Other enterprises	78	2,870	–	–	278	3,226
	1,164	2,880	203	2,655	11,355	18,257
Impairment						(8,284)
Subtotal						9,973
Neither overdue nor impaired						
– Government	898,491	2,480	7,242	160	82	908,455
– Central banks	352,907	1,537	3,276	1,229	–	358,949
– Policy banks	335,994	–	–	132	–	336,126
– Banks and non-bank financial institutions	697,644	40,253	19,558	5,291	2,440	765,186
– Cinda	109,710	–	–	–	–	109,710
– Public sector entities	–	64	86	–	–	150
– Other enterprises	19,316	273,620	6,558	1,384	1,650	302,528
	2,414,062	317,954	36,720	8,196	4,172	2,781,104
Impairment						(1,746)
Subtotal						2,779,358
Total						2,789,331

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Bank (continued)

	31 December 2011					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Policy banks	–	–	–	45	–	45
– Banks and non-bank financial institutions	753	11	199	5,615	9,142	15,720
– Public sector entities	125	–	–	–	–	125
– Other enterprises	312	2,818	–	–	311	3,441
	1,190	2,829	199	5,660	9,453	19,331
Impairment						(8,674)
Subtotal						10,657
Neither overdue nor impaired						
– Government	889,890	2,574	6,729	473	83	899,749
– Central banks	429,101	1,738	2,187	–	–	433,026
– Policy banks	285,340	–	–	130	–	285,470
– Banks and non-bank financial institutions	645,200	32,953	13,638	4,948	2,519	699,258
– Cinda	131,761	–	–	–	–	131,761
– Public sector entities	–	63	87	–	65	215
– Other enterprises	674	233,532	5,010	2,930	1,445	243,591
	2,381,966	270,860	27,651	8,481	4,112	2,693,070
Impairment						(1,320)
Subtotal						2,691,750
Total						2,702,407

57 Risk Management (continued)

(1) Credit risk (continued)

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

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

(j) Settlement risk

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

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

(2) Market risk

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

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

The Group is primarily exposed to structural interest rate risk arising from interest generating commercial banking assets and interest bearing commercial banking liabilities. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group manages this risk through regular interest rate gap analysis.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by entering into cross currency interest rate swaps to hedge these exposures on a portfolio basis.

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

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

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

(a) VaR analysis

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(a) VaR analysis (continued)

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

	Six months ended 30 June 2012			
	30 June	**Average**	**Maximum**	**Minimum**
Risk valuation of trading portfolio	**89**	**57**	**116**	**26**
– Interest rate risk	**49**	**30**	**59**	**16**
– Foreign exchange risk[(1)]	**77**	**47**	**96**	**14**
– Commodity risk[(2)]	**4**	**7**	**80**	**–**

	Six months ended 30 June 2011			
	30 June	Average	Maximum	Minimum
Risk valuation of trading portfolio	79	65	127	12
– Interest rate risk	27	29	67	7
– Foreign exchange risk[(1)]	74	58	122	8

(1) The reporting of risk in relation to bullion is included in foreign exchange risk above.

(2) The group calculates the commodity risk since November 2011.

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

The above average, maximum and minimum VaR for interest rate risk, foreign exchange risk and commodity risk of the trading portfolio represent a breakdown of the average, maximum and minimum VaR for the whole portfolio and not the individual average, maximum and minimum VaR for each risk within the portfolio.

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

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

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

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

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

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

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease planned net interest income for the next twelve months from the balance sheet date by RMB45,627 million (as at 31 December 2011: RMB37,516 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the planned net interest income for the next twelve months from the balance sheet date would decrease or increase by RMB15,218 million (as at 31 December 2011: RMB21,061 million).

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(c) Interest rate risk

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

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

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

Group

		30 June 2012						
	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.49%	241,004	2,250,588	–	–	–	2,491,592
Deposits and placements with banks and non-bank financial institutions		3.84%	75	560,886	139,310	3,533	43	703,847
Financial assets held under resale agreements		4.39%	–	312,043	9,012	–	–	321,055
Loans and advances to customers	(ii)	6.37%	–	2,008,224	4,768,366	31,948	68,042	6,876,580
Investments	(iii)	3.55%	24,004	340,884	483,679	1,073,943	908,980	2,831,490
Other assets		–	281,181	–	–	–	–	281,181
Total assets		4.71%	546,264	5,472,625	5,400,367	1,109,424	977,065	13,505,745
Liabilities								
Borrowings from central banks		1.31%	–	2,438	350	–	–	2,788
Deposits and placements from banks and non-bank financial institutions		3.20%	–	1,031,549	68,362	36,461	–	1,136,372
Financial liabilities at fair value through profit or loss		1.62%	17,719	19,283	1,799	–	–	38,801
Financial assets sold under repurchase agreements		4.61%	–	2,203	1,004	–	–	3,207
Deposits from customers		2.03%	50,317	7,873,922	2,024,566	984,724	7,308	10,940,837
Debt securities issued		3.50%	–	30,741	54,368	29,930	98,589	213,628
Other liabilities		–	300,707	–	–	–	–	300,707
Total liabilities		2.18%	368,743	8,960,136	2,150,449	1,051,115	105,897	12,636,340
Asset-liability gap		2.53%	177,521	(3,487,511)	3,249,918	58,309	871,168	869,405

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

Group (continued)

		31 December 2011						
	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.54%	197,288	2,182,521	–	–	–	2,379,809
Deposits and placements with banks and non-bank financial institutions		2.75%	–	279,079	105,486	1,151	76	385,792
Financial assets held under resale agreements		4.03%	–	198,966	1,079	–	–	200,045
Loans and advances to customers	(ii)	5.69%	–	3,485,517	2,746,432	26,964	66,281	6,325,194
Investments	(iii)	3.27%	24,811	258,463	465,984	1,098,204	896,357	2,743,819
Other assets		–	247,175	–	–	–	–	247,175
Total assets		4.27%	469,274	6,404,546	3,318,981	1,126,319	962,714	12,281,834
Liabilities								
Borrowings from central banks		0.98%	–	2,220	–	–	–	2,220
Deposits and placements from banks and non-bank financial institutions		2.35%	–	948,479	58,520	37,955	–	1,044,954
Financial liabilities at fair value through profit or loss		1.33%	12,683	11,669	9,304	–	–	33,656
Financial assets sold under repurchase agreements		5.67%	–	9,543	918	–	–	10,461
Deposits from customers		1.61%	44,435	7,185,234	2,057,323	692,825	7,633	9,987,450
Debt securities issued		3.41%	–	18,100	20,518	31,123	98,571	168,312
Other liabilities		–	218,120	–	–	–	–	218,120
Total liabilities		1.70%	275,238	8,175,245	2,146,583	761,903	106,204	11,465,173
Asset-liability gap		2.57%	194,036	(1,770,699)	1,172,398	364,416	856,510	816,661

Notes:

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

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB40,006 million as at 30 June 2012 (31 December 2011: RMB25,121 million).

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

Bank

	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
		30 June 2012						
Assets								
Cash and deposits with central banks		1.49%	232,544	2,249,041	–	–	–	2,481,585
Deposits and placements with banks and non-bank financial institutions		3.80%	70	578,383	144,093	1,500	43	724,089
Financial assets held under resale agreements		4.39%	–	312,029	9,012	–	–	321,041
Loans and advances to customers	(ii)	6.42%	–	1,875,571	4,736,802	27,241	67,834	6,707,448
Investments	(iii)	3.57%	23,394	335,471	477,213	1,070,008	906,639	2,812,725
Other assets		–	296,190	–	–	–	–	296,190
Total assets		4.73%	552,198	5,350,495	5,367,120	1,098,749	974,516	13,343,078
Liabilities								
Borrowings from central banks		1.37%	–	2,438	320	–	–	2,758
Deposits and placements from banks and non-bank financial institutions		3.17%	–	1,012,276	50,873	35,011	–	1,098,160
Financial liabilities at fair value through profit or loss		1.62%	17,719	16,572	1,799	–	–	36,090
Financial assets sold under repurchase agreements		4.54%	–	744	1,004	–	–	1,748
Deposits from customers		2.04%	45,911	7,817,341	2,011,506	981,934	7,062	10,863,754
Debt securities issued		3.62%	–	26,026	46,129	28,211	98,589	198,955
Other liabilities		–	283,686	–	–	–	–	283,686
Total liabilities		2.18%	347,316	8,875,397	2,111,631	1,045,156	105,651	12,485,151
Asset-liability gap		2.55%	204,882	(3,524,902)	3,255,489	53,593	868,865	857,927

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

Bank (continued)

	Note	31 December 2011 Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.54%	192,636	2,180,857	–	–	–	2,373,493
Deposits and placements with banks and non-bank financial institutions		2.80%	–	277,365	112,959	24	46	390,394
Financial assets held under resale agreements		4.03%	–	198,966	1,079	–	–	200,045
Loans and advances to customers	(ii)	5.72%	–	3,371,429	2,729,704	22,166	66,064	6,189,363
Investments	(iii)	3.26%	23,949	253,680	460,878	1,093,014	894,834	2,726,355
Other assets		–	259,240	–	–	–	–	259,240
Total assets		4.27%	475,825	6,282,297	3,304,620	1,115,204	960,944	12,138,890
Liabilities								
Borrowings from central banks		0.98%	–	2,210	–	–	–	2,210
Deposits and placements from banks and non-bank financial institutions		2.30%	–	941,999	37,133	36,555	–	1,015,687
Financial liabilities at fair value through profit or loss		1.33%	12,683	11,669	6,614	–	–	30,966
Financial assets sold under repurchase agreements		4.85%	–	10,676	918	–	–	11,594
Deposits from customers		1.61%	40,221	7,119,711	2,047,688	691,184	7,289	9,906,093
Debt securities issued		3.52%	–	14,904	15,573	29,002	98,571	158,050
Other liabilities		–	207,713	–	–	–	–	207,713
Total liabilities		1.70%	260,617	8,101,169	2,107,926	756,741	105,860	11,332,313
Asset-liability gap		2.57%	215,208	(1,818,872)	1,196,694	358,463	855,084	806,577

Notes:

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

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB39,406 million as at 30 June 2012 (31 December 2011: RMB24,664 million).

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(d) Currency risk

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

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

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

Group

		30 June 2012			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,316,560	80,906	94,126	2,491,592
Deposits and placements with banks and non-bank financial institutions	(i)	903,060	77,011	44,831	1,024,902
Loans and advances to customers		6,410,020	289,344	177,216	6,876,580
Investments		2,773,503	27,376	30,611	2,831,490
Other assets		242,801	29,468	8,912	281,181
Total assets		12,645,944	504,105	355,696	13,505,745
Liabilities					
Borrowings from central banks		36	2,752	–	2,788
Deposits and placements from banks and non-bank financial institutions	(ii)	861,858	146,902	130,819	1,139,579
Financial liabilities at fair value through profit or loss		30,613	7,512	676	38,801
Deposits from customers		10,521,570	246,663	172,604	10,940,837
Debt securities issued		157,424	37,428	18,776	213,628
Other liabilities		262,662	16,136	21,909	300,707
Total liabilities		11,834,163	457,393	344,784	12,636,340
Net position		811,781	46,712	10,912	869,405
Net notional amount of derivatives		17,574	(15,016)	(1,969)	589

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

Group (continued)

	Note	31 December 2011 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,253,657	45,133	81,019	2,379,809
Deposits and placements with banks and non-bank financial institutions	(i)	536,807	25,609	23,421	585,837
Loans and advances to customers		5,955,730	245,419	124,045	6,325,194
Investments		2,672,309	29,090	42,420	2,743,819
Other assets		218,568	22,703	5,904	247,175
Total assets		11,637,071	367,954	276,809	12,281,834
Liabilities					
Borrowings from central banks		16	2,203	1	2,220
Deposits and placements from banks and non-bank financial institutions	(ii)	856,133	81,819	117,463	1,055,415
Financial liabilities at fair value through profit or loss		22,323	8,545	2,788	33,656
Deposits from customers		9,690,386	164,752	132,312	9,987,450
Debt securities issued		132,920	20,399	14,993	168,312
Other liabilities		182,299	8,305	27,516	218,120
Total liabilities		10,884,077	286,023	295,073	11,465,173
Net position		752,994	81,931	(18,264)	816,661
Net notional amount of derivatives		44,469	(79,952)	36,194	711

Notes:

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank

	Note	30 June 2012 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		**2,314,995**	**80,899**	**85,691**	**2,481,585**
Deposits and placements with banks and non-bank financial institutions	(i)	**907,050**	**89,433**	**48,647**	**1,045,130**
Loans and advances to customers		**6,328,070**	**253,587**	**125,791**	**6,707,448**
Investments		**2,770,259**	**25,463**	**17,003**	**2,812,725**
Other assets		**262,703**	**28,610**	**4,877**	**296,190**
Total assets		**12,583,077**	**477,992**	**282,009**	**13,343,078**
Liabilities					
Borrowings from central banks		**6**	**2,752**	**–**	**2,758**
Deposits and placements from banks and non-bank financial institutions	(ii)	**829,159**	**141,692**	**129,057**	**1,099,908**
Financial liabilities at fair value through profit or loss		**27,902**	**7,512**	**676**	**36,090**
Deposits from customers		**10,513,381**	**232,406**	**117,967**	**10,863,754**
Debt securities issued		**147,892**	**35,998**	**15,065**	**198,955**
Other liabilities		**264,420**	**15,512**	**3,754**	**283,686**
Total liabilities		**11,782,760**	**435,872**	**266,519**	**12,485,151**
Net position		**800,317**	**42,120**	**15,490**	**857,927**
Net notional amount of derivatives		**24,068**	**(12,105)**	**(11,554)**	**409**

	Note	31 December 2011 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,252,012	45,133	76,348	2,373,493
Deposits and placements with banks and non-bank financial institutions	(i)	543,655	30,651	16,133	590,439
Loans and advances to customers		5,898,547	220,940	69,876	6,189,363
Investments		2,671,599	27,916	26,840	2,726,355
Other assets		234,948	22,717	1,575	259,240
Total assets		11,600,761	347,357	190,772	12,138,890
Liabilities					
Borrowings from central banks		6	2,203	1	2,210
Deposits and placements from banks and non-bank financial institutions	(ii)	832,280	84,504	110,497	1,027,281
Financial liabilities at fair value through profit or loss		22,323	8,545	98	30,966
Deposits from customers		9,675,116	150,321	80,656	9,906,093
Debt securities issued		131,796	17,442	8,812	158,050
Other liabilities		193,377	7,920	6,416	207,713
Total liabilities		10,854,898	270,935	206,480	11,332,313
Net position		745,863	76,422	(15,708)	806,577
Net notional amount of derivatives		44,785	(69,562)	25,439	662

Notes:

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or obtain sufficient funds at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM. The ALM is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;
- optimising the Group's asset and liability structure, diversifying and stabilizing the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and
- managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment as at the end of the reporting period:

Group

	30 June 2012							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,041,000	450,592	–	–	–	–	–	2,491,592
Deposits and placements with banks and non-bank financial institutions	–	31,772	337,684	191,505	132,310	10,533	43	703,847
Financial assets held under resale agreements	–	–	261,059	50,984	9,012	–	–	321,055
Loans and advances to customers	31,029	143,672	242,184	507,353	1,792,591	1,605,104	2,554,647	6,876,580
Investments								
– Financial assets at fair value through profit or loss	8,077	–	434	1,029	5,924	7,999	788	24,251
– Available-for-sale financial assets	21,563	–	17,544	38,822	114,719	336,093	169,367	698,108
– Held-to-maturity investments	2,166	–	14,627	33,247	207,470	874,379	674,818	1,806,707
– Debt securities classified as receivables	368	–	–	6,469	14,683	74,338	204,261	300,119
– Investments in associates and jointly controlled entities	2,305	–	–	–	–	–	–	2,305
Other assets	145,399	40,817	20,673	34,973	29,077	6,502	3,740	281,181
Total assets	2,251,907	666,853	894,205	864,382	2,305,786	2,914,948	3,607,664	13,505,745
Liabilities								
Borrowings from central banks	–	6	320	2,112	350	–	–	2,788
Deposits and placements from banks and non-bank financial institutions	–	488,331	437,182	78,035	68,363	64,461	–	1,136,372
Financial liabilities at fair value through profit or loss	–	17,719	1,481	17,802	1,799	–	–	38,801
Financial assets sold under repurchase agreements	–	–	1,790	413	1,004	–	–	3,207
Deposits from customers	–	5,604,232	1,016,347	1,000,079	2,324,759	985,578	9,842	10,940,837
Debt securities issued								
– Certificates of deposit issued	–	–	9,528	21,213	54,368	6,948	708	92,765
– Bonds issued	–	–	–	–	–	993	–	993
– Subordinated bonds issued	–	–	–	–	–	21,989	97,881	119,870
Other liabilities	368	134,524	73,427	17,161	56,679	15,096	3,452	300,707
Total liabilities	368	6,244,812	1,540,075	1,136,815	2,507,322	1,095,065	111,883	12,636,340
Long/(short) position	2,251,539	(5,577,959)	(645,870)	(272,433)	(201,536)	1,819,883	3,495,781	869,405
Notional amount of derivatives								
– Interest rate contracts	–	–	19,282	23,441	166,008	45,967	23,105	277,803
– Exchange rate contracts	–	–	180,433	207,302	574,150	52,077	9,149	1,023,111
– Other contracts	–	–	2,829	2,127	3,539	1,179	–	9,674
Total	–	–	202,544	232,870	743,697	99,223	32,254	1,310,588

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Group (continued)

	31 December 2011							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,996,932	382,877	–	–	–	–	–	2,379,809
Deposits and placements with banks and non-bank financial institutions	–	32,603	151,071	95,405	98,454	8,183	76	385,792
Financial assets held under resale agreements	–	–	185,613	13,353	1,079	–	–	200,045
Loans and advances to customers	33,363	104,292	236,117	456,647	1,647,945	1,674,416	2,172,414	6,325,194
Investments								
– Financial assets at fair value through profit or loss	8,722	–	2	201	6,382	6,326	1,463	23,096
– Available-for-sale financial assets	22,308	–	7,678	42,776	136,627	314,230	151,439	675,058
– Held-to-maturity investments	2,004	–	24,140	22,928	156,543	911,631	626,323	1,743,569
– Debt securities classified as receivables	368	–	–	750	17,944	57,259	223,706	300,027
– Investments in associates and jointly controlled entities	2,069	–	–	–	–	–	–	2,069
Other assets	138,347	31,518	14,631	25,221	28,087	4,689	4,682	247,175
Total assets	2,204,113	551,290	619,252	657,281	2,093,061	2,976,734	3,180,103	12,281,834
Liabilities								
Borrowings from central banks	–	2,220	–	–	–	–	–	2,220
Deposits and placements from banks and non-bank financial institutions	–	445,029	320,833	156,922	57,350	64,820	–	1,044,954
Financial liabilities at fair value through profit or loss	–	12,682	8,460	3,182	9,304	–	28	33,656
Financial assets sold under repurchase agreements	–	–	2,469	7,074	918	–	–	10,461
Deposits from customers	–	5,396,360	844,136	896,678	2,145,634	694,911	9,731	9,987,450
Debt securities issued								
– Certificates of deposit issued	–	–	7,258	10,842	20,518	9,138	695	48,451
– Subordinated bonds issued	–	–	–	–	–	21,985	97,876	119,861
Other liabilities	358	134,242	11,632	14,833	40,171	12,495	4,389	218,120
Total liabilities	358	5,990,533	1,194,788	1,089,531	2,273,895	803,349	112,719	11,465,173
Long/(short) position	2,203,755	(5,439,243)	(575,536)	(432,250)	(180,834)	2,173,385	3,067,384	816,661
Notional amount of derivatives								
– Interest rate contracts	–	–	2,471	8,976	69,553	74,121	28,539	183,660
– Exchange rate contracts	–	–	165,801	181,875	334,292	48,370	10,399	740,737
– Other contracts	–	–	399	59	3,969	584	–	5,011
Total	–	–	168,671	190,910	407,814	123,075	38,938	929,408

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank

	30 June 2012							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,039,561	442,024	–	–	–	–	–	2,481,585
Deposits and placements with banks and non-bank financial institutions	–	34,004	337,857	203,492	140,193	8,500	43	724,089
Financial assets held under resale agreements	–	–	261,045	50,984	9,012	–	–	321,041
Loans and advances to customers	30,272	142,535	227,791	481,447	1,751,278	1,552,064	2,522,061	6,707,448
Investments								
– Financial assets at fair value through profit or loss	–	–	306	813	4,196	5,104	756	11,175
– Available-for-sale financial assets	19,191	–	15,656	35,756	111,402	334,146	168,366	684,517
– Held-to-maturity investments	2,166	–	14,628	33,207	207,470	874,040	673,944	1,805,455
– Debt securities classified as receivables	368	–	–	6,469	14,683	74,119	203,795	299,434
– Investments in subsidiaries	12,144	–	–	–	–	–	–	12,144
Other assets	161,322	43,213	20,282	34,561	28,191	4,881	3,740	296,190
Total assets	2,265,024	661,776	877,565	846,729	2,266,425	2,852,854	3,572,705	13,343,078
Liabilities								
Borrowings from central banks	–	6	320	2,112	320	–	–	2,758
Deposits and placements from banks and non-bank financial institutions	–	491,097	432,812	60,367	50,873	63,011	–	1,098,160
Financial liabilities at fair value through profit or loss	–	17,719	1,481	15,091	1,799	–	–	36,090
Financial assets sold under repurchase agreements	–	–	331	413	1,004	–	–	1,748
Deposits from customers	–	5,590,892	1,004,594	962,009	2,313,878	982,785	9,596	10,863,754
Debt securities issued								
– Certificates of deposit issued	–	–	8,388	17,638	46,129	5,229	708	78,092
– Bonds issued	–	–	–	–	–	993	–	993
– Subordinated bonds issued	–	–	–	–	–	21,989	97,881	119,870
Other liabilities	25	133,880	72,014	14,456	45,085	14,774	3,452	283,686
Total liabilities	25	6,233,594	1,519,940	1,072,086	2,459,088	1,088,781	111,637	12,485,151
Long/(short) position	2,264,999	(5,571,818)	(642,375)	(225,357)	(192,663)	1,764,073	3,461,068	857,927
Notional amount of derivatives								
– Interest rate contracts	–	–	19,222	23,344	160,187	43,403	23,105	269,261
– Exchange rate contracts	–	–	135,964	167,858	502,675	51,607	9,149	867,253
– Other contracts	–	–	2,578	2,076	2,895	–	–	7,549
Total	–	–	157,764	193,278	665,757	95,010	32,254	1,144,063

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis (continued)*

Bank (continued)

	31 December 2011							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,995,697	377,796	–	–	–	–	–	2,373,493
Deposits and placements with banks and non-bank financial institutions	–	30,093	148,930	98,343	105,958	7,024	46	390,394
Financial assets held under resale agreements	–	–	185,613	13,353	1,079	–	–	200,045
Loans and advances to customers	32,274	103,938	230,801	443,386	1,613,532	1,628,225	2,137,207	6,189,363
Investments								
– Financial assets at fair value through profit or loss	–	–	2	201	4,332	2,748	1,432	8,715
– Available-for-sale financial assets	20,284	–	6,791	40,350	132,784	312,415	150,959	663,583
– Held-to-maturity investments	2,004	–	24,141	22,888	156,503	911,447	625,359	1,742,342
– Debt securities classified as receivables	368	–	–	750	17,944	57,047	223,656	299,765
– Investments in subsidiaries	11,950	–	–	–	–	–	–	11,950
Other assets	154,043	30,666	14,212	24,889	27,432	3,316	4,682	259,240
Total assets	2,216,620	542,493	610,490	644,160	2,059,564	2,922,222	3,143,341	12,138,890
Liabilities								
Borrowings from central banks	–	2,210	–	–	–	–	–	2,210
Deposits and placements from banks and non-bank financial institutions	–	447,667	322,533	146,309	35,808	63,370	–	1,015,687
Financial liabilities at fair value through profit or loss	–	12,682	8,460	3,182	6,614	–	28	30,966
Financial assets sold under repurchase agreements	–	–	3,161	7,515	918	–	–	11,594
Deposits from customers	–	5,378,414	819,917	869,435	2,135,490	693,169	9,668	9,906,093
Debt securities issued								
– Certificates of deposit issued	–	–	5,719	9,185	15,573	7,017	695	38,189
– Subordinated bonds issued	–	–	–	–	–	21,985	97,876	119,861
Other liabilities	23	133,015	10,765	13,154	34,286	12,082	4,388	207,713
Total liabilities	23	5,973,988	1,170,555	1,048,780	2,228,689	797,623	112,655	11,332,313
Long/(short) position	2,216,597	(5,431,495)	(560,065)	(404,620)	(169,125)	2,124,599	3,030,686	806,577
Notional amount of derivatives								
– Interest rate contracts	–	–	1,798	6,532	68,583	67,200	28,539	172,652
– Exchange rate contracts	–	–	132,742	149,261	291,538	47,107	10,399	631,047
– Other contracts	–	–	298	–	2,839	–	–	3,137
Total	–	–	134,838	155,793	362,960	114,307	38,938	806,836

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet credit commitments of the Group and the Bank as at the end of the reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	30 June 2012							
	Carrying amount	**Gross cash outflow**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Non-derivative financial liabilities								
Borrowings from central banks	**2,788**	**2,794**	**6**	**320**	**2,117**	**351**	**–**	**–**
Deposits and placements from banks and non-bank financial institutions	**1,136,372**	**1,157,601**	**488,820**	**437,658**	**79,213**	**70,590**	**81,320**	**–**
Financial liabilities at fair value through profit or loss	**38,801**	**39,247**	**17,719**	**1,502**	**18,141**	**1,885**	**–**	**–**
Financial assets sold under repurchase agreements	**3,207**	**3,260**	**–**	**1,798**	**415**	**1,047**	**–**	**–**
Deposits from customers	**10,940,837**	**11,215,966**	**5,605,431**	**1,026,842**	**1,018,226**	**2,409,564**	**1,143,510**	**12,393**
Debt securities issued								
– Certificates of deposit issued	**92,765**	**93,890**	**–**	**9,535**	**21,262**	**54,936**	**7,228**	**929**
– Bonds issued	**993**	**1,080**	**–**	**–**	**–**	**32**	**1,048**	**–**
– Subordinated bonds issued	**119,870**	**163,316**	**–**	**–**	**736**	**4,744**	**42,104**	**115,732**
Other financial liabilities	**118,885**	**118,885**	**57,974**	**59,568**	**169**	**667**	**–**	**507**
Total	**12,454,518**	**12,796,039**	**6,169,950**	**1,537,223**	**1,140,279**	**2,543,816**	**1,275,210**	**129,561**
Off-balance sheet loan commitments and credit card commitments (Note)		**716,292**	**553,523**	**45,190**	**23,727**	**61,908**	**29,833**	**2,111**
Guarantees, acceptances and other financial facilities (Note)		**1,314,153**	**–**	**273,599**	**266,937**	**474,237**	**213,229**	**86,151**

	31 December 2011							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	2,220	2,220	2,220	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	1,044,954	1,068,048	445,050	322,102	159,237	59,685	81,974	–
Financial liabilities at fair value through profit or loss	33,656	33,684	12,682	8,476	3,192	9,305	–	29
Financial assets sold under repurchase agreements	10,461	10,615	–	2,480	7,175	960	–	–
Deposits from customers	9,987,450	10,201,224	5,400,418	851,975	915,887	2,217,601	802,755	12,588
Debt securities issued								
– Certificates of deposit issued	48,451	49,133	–	7,261	10,859	20,655	9,432	926
– Subordinated bonds issued	119,861	164,820	–	–	1,504	3,976	42,488	116,852
Other financial liabilities	52,449	52,449	48,745	140	160	2,896	–	508
Total	11,299,502	11,582,193	5,909,115	1,192,434	1,098,014	2,315,078	936,649	130,903
Off-balance sheet loan commitments and credit card commitments (Note)		745,224	557,208	53,318	25,953	76,123	30,629	1,993
Guarantees, acceptances and other financial facilities (Note)		1,236,725	–	251,994	258,931	403,962	226,551	95,287

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank

	30 June 2012							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	2,758	2,763	6	320	2,117	320	–	–
Deposits and placements from banks and non-bank financial institutions	1,098,160	1,117,797	491,587	433,165	60,917	52,529	79,599	–
Financial liabilities at fair value through profit or loss	36,090	36,536	17,719	1,502	15,430	1,885	–	–
Financial assets sold under repurchase agreements	1,748	1,794	–	332	415	1,047	–	–
Deposits from customers	10,863,754	11,138,634	5,592,076	1,015,081	980,098	2,398,558	1,140,674	12,147
Debt securities issued								
– Certificates of deposit issued	78,092	78,965	–	8,394	17,678	46,561	5,403	929
– Bonds issued	993	1,080	–	–	–	32	1,048	–
– Subordinated bonds issued	119,870	163,316	–	–	736	4,744	42,104	115,732
Other financial liabilities	103,434	103,434	42,580	59,532	153	662	–	507
Total	12,304,899	12,644,319	6,143,968	1,518,326	1,077,544	2,506,338	1,268,828	129,315
Off-balance sheet loan commitments and credit card commitments (Note)		687,520	553,523	19,684	22,766	59,891	29,545	2,111
Guarantees, acceptances and other financial facilities (Note)		1,324,435	–	275,821	275,751	474,107	212,605	86,151

	31 December 2011							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	2,210	2,210	2,210	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	1,015,687	1,036,867	447,688	323,783	148,369	36,736	80,291	–
Financial liabilities at fair value through profit or loss	30,966	30,993	12,682	8,476	3,192	6,614	–	29
Financial assets sold under repurchase agreements	11,594	11,779	–	3,189	7,630	960	–	–
Deposits from customers	9,906,093	10,119,604	5,382,466	827,734	888,559	2,207,347	800,974	12,524
Debt securities issued								
– Certificates of deposit issued	38,189	38,766	–	5,721	9,199	15,681	7,239	926
– Subordinated bonds issued	119,861	164,820	–	–	1,504	3,976	42,488	116,852
Other financial liabilities	44,024	44,024	40,341	139	149	2,887	–	508
Total	11,168,624	11,449,063	5,885,387	1,169,042	1,058,602	2,274,201	930,992	130,839
Off-balance sheet loan commitments and credit card commitments (Note)		718,317	557,208	29,473	25,051	74,233	30,359	1,993
Guarantees, acceptances and other financial facilities (Note)		1,238,467	–	251,967	259,571	405,377	226,265	95,287

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other financial facilities do not represent the amount to be paid.

57 Risk Management (continued)

(4) Operational risk

Operational risk represents the risk of loss due to deficient and flawed internal processes, personnel and information system, or other external events.

The Group has continued to further strengthen the operational risk management processes to ensure operational stability and business as usual, by enhancing the self-assessment of operational risk, establishing key risk controls and examination, accelerating development of operational risk tools and systems, streamlining and reviewing important system parameters, performing emergency drills to ensure continuous business operations in adverse scenarios and promoting business continuity management:

– continuous self-assessment of operational risk – The Group continuously improves and expands the scope of self-assessment, placing particular focus on off-balance sheet related items to enhance respective regulations, processes and services;

– establishment of examination of key risk controls – The Group carries out examination over key risk controls, and continues to refine, expand and re-examine the scope and contents of the monitoring checks, placing particular focus on key business areas and preventive checks on major operational risk areas;

– strengthening the centralized operational risk management evaluation system – The Group refines the operational risk indicators with respect to corporate and personal credit businesses, which assists and drives branches' evaluation of the operational risks;

– improvement in segregation of duties – The Group continues to improve and review the roles and responsibilities of its key staff positions to ensure adequate segregation of duties (responsibilities), further strengthening the system of checks and balances;

– steady progress in business continuity management – The Group conducts emergency operational drills in pilot branches, which improves the strategies and mechanisms of the Tier 2 institutions and networks in response to natural disasters;

– strengthening major risks and unforeseen events reporting process – The Group formalizes the supervision and monitoring over major risks and unforeseen events by prescribing the information recording and reporting processes. Clear information channels have also been established to increase the ability of the Bank to address these risks and events;

– streamline and review of important system parameters – The Group continues to evaluate management system parameters and timely remediates deficiency to ensure secured and smooth system operations; and

– the Group has implemented laws, rules and regulations concerning anti-money laundering (AML). The Group continued to improve its internal control system relating to AML. The Group follows "know-your-customer" principle in identifying and recording customers' identities and transactions diligently, and proactively identifies and reports significant, suspicious and suspected terrorist-related transactions. Training and publicity for AML has also been enhanced. All these measures are put in place to effectively fulfill the statutory AML obligations.

(5) Fair value

(a) Financial assets

The Group's financial assets mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets at fair value through profit or loss, financial assets held under resale agreements, loans and advances to customers, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

Available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value in the financial statements. The following table shows the carrying values and the fair values of the debt securities classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values.

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(5) Fair value (continued)

(a) Financial assets (continued)

Group

	Carrying value		Fair value	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Debt securities classified as receivables	**300,119**	300,027	**287,772**	291,829
Held-to-maturity investments	**1,806,707**	1,743,569	**1,831,255**	1,753,842
Total	**2,106,826**	2,043,596	**2,119,027**	2,045,671

Bank

	Carrying value		Fair value	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Debt securities classified as receivables	**299,434**	299,765	**287,096**	291,569
Held-to-maturity investments	**1,805,455**	1,742,342	**1,830,002**	1,752,585
Total	**2,104,889**	2,042,107	**2,117,098**	2,044,154

(b) Financial liabilities

The Group's financial liabilities mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values at the balance sheet date, except for the subordinated bonds issued.

The carrying value and fair value of subordinated bonds issued of the Group and the Bank are presented as follows:

	Carrying value		Fair value	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
Subordinated bonds issued	**119,870**	119,861	**120,174**	117,969

(6) Capital management

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

Capital adequacy ratio is a reflection of the Group's ability to run stable operations and resist adverse risks. The CBRC requires commercial banks to maintain the capital adequacy ratio at or above minimum of 8% and the core capital adequacy ratio at or above minimum of 4%. Supplementary capital of a commercial bank cannot exceed 100% of its core capital, and long-term subordinated debts qualified for inclusion in the supplementary capital cannot exceed 50% of the core capital. Any amount in excess of the balance of the trading book over 10% of total on and off-balance sheet assets or RMB8,500 million will be subject to provision for market risk in the computation of capital adequacy ratio. The Group timely monitors, analyses and reports capital adequacy ratio level to exercise effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, accumulating capital internally and raising capital through external channels, to ensure that the capital adequacy ratio and core capital adequacy ratio of the Group and the Bank are in full compliance with regulatory requirements and meet internal management needs. This helps insulate against potential risks as well as support the healthy business development. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need. The Group regularly compares its position with its capital adequacy ratio target to ensure capital will be adequate for future or otherwise to plan for supplementation of capital.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimize the Group's total capital and structure, as well as improve the competitiveness of the Group's cost of capital.

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(6) Capital management (continued)

The Group's consolidated regulatory capital positions calculated in accordance with the guidance issued by the CBRC as at the end of reporting period are as follows:

	Note	30 June 2012	31 December 2011
Core capital adequacy ratio	(a)	**11.19%**	10.97%
Capital adequacy ratio	(b)	**13.82%**	13.68%
Components of capital base			
Core capital:			
– Share capital		**250,011**	250,011
– Capital reserve, investment revaluation reserve and exchange reserve	(c)	**131,157**	130,562
– Surplus reserve and general reserve		**147,737**	134,918
– Retained earnings	(c),(d)	**285,744**	229,649
– Non-controlling interests		**5,085**	5,520
		819,734	750,660
Supplementary capital:			
– General provision for doubtful debts		**72,564**	66,180
– Positive changes in fair value of financial instruments at fair value through profit or loss		**6,086**	3,675
– Subordinated bonds issued		**120,000**	120,000
		198,650	189,855
Total capital base before deductions		**1,018,384**	940,515
Deductions:			
– Goodwill		**(1,483)**	(1,662)
– Unconsolidated equity investments		**(15,688)**	(12,402)
– Others	(e)	**(1,437)**	(1,945)
Net capital		**999,776**	924,506
Risk-weighted assets	(f)	**7,236,586**	6,760,117

Notes:

(a) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill and 50% of unconsolidated equity investments and other items, by risk-weighted assets.

(b) Capital adequacy ratio is calculated by dividing the net capital by risk-weighted assets.

(c) The investment revaluation reserve arising from the accumulated net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital. In addition, the unrealised accumulated net positive changes in fair value of financial instruments at fair value through profit or loss, net of income tax, are excluded from the core capital and included in the supplementary capital.

(d) The dividend proposed after the reporting period has been deducted from retained earnings.

(e) Others mainly represent investments in those asset backed securities specified by CBRC which required reduction.

(f) The balances of risk-weighted assets include an amount equal to 12.5 times the Group's market risk capital.

58 Events after the reporting period

There are no significant events after the reporting period.

59 Ultimate parent

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

60 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2012 and which have not been adopted in the financial statements.

- Amendments to IFRS 7, “Financial Instruments: Disclosures”
- IFRS 9, “Financial Instruments”
- IFRS 10, “Consolidated Financial Statements”
- IFRS 11, “Joint Arrangements”
- IFRS 12, “Disclosure of Interests in Other Entities”
- IFRS 13, “Fair Value Measurement”

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

(Expressed in millions of RMB unless otherwise stated)

The following information of the Group does not form part of the interim financial statements, and is included herein for information purposes only.

1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the period ended 30 June 2012 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the net profit for the period ended 30 June 2012 or total equity as at 30 June 2012 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP respectively.

2 Liquidity ratios

	30 June 2012	**Average for six months ended 30 June 2012**	31 December 2011	Average for the year ended 31 December 2011
RMB current assets to RMB current liabilities	**56.56%**	**55.13%**	53.70%	52.33%
Foreign currency current assets to foreign currency current liabilities	**58.24%**	**55.89%**	53.54%	51.40%

The above liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which being the arithmetic mean of each calendar month's liquidity ratio. The Group prepared liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

3 Currency concentrations

	30 June 2012			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**514,825**	**132,013**	**229,094**	**875,932**
Spot liabilities	**(483,480)**	**(138,107)**	**(213,431)**	**(835,018)**
Forward purchases	**449,184**	**22,809**	**195,397**	**667,390**
Forward sales	**(464,508)**	**(9,665)**	**(210,510)**	**(684,683)**
Net options position	**308**	**–**	**–**	**308**
Net long position	**16,329**	**7,050**	**550**	**23,929**
Net structural position	**19**	**2,144**	**132**	**2,295**

	31 December 2011			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	358,091	181,021	119,685	658,797
Spot liabilities	(276,244)	(179,624)	(139,599)	(595,467)
Forward purchases	303,678	11,648	107,787	423,113
Forward sales	(383,693)	(3,648)	(79,593)	(466,934)
Net long position	1,832	9,397	8,280	19,509
Net structural position	15	(74)	64	5

(Expressed in millions of RMB unless otherwise stated)

3 Currency concentrations (continued)

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

4 Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2012			
	Banks and non-bank financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**10,850**	**528**	**149,399**	**160,777**
– of which attributed to Hong Kong	**4,759**	**–**	**124,339**	**129,098**
Europe	**793**	**105**	**79,571**	**80,469**
North and South America	**30,941**	**84**	**85,086**	**116,111**
Total	**42,584**	**717**	**314,056**	**357,357**

	31 December 2011			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	19,327	675	171,002	191,004
– of which attributed to Hong Kong	12,190	–	142,388	154,578
Europe	3,390	112	66,528	70,030
North and South America	24,361	84	57,448	81,893
Total	47,078	871	294,978	342,927

The above cross-border claims are disclosed in accordance with the requirements of the Rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

(Expressed in millions of RMB unless otherwise stated)

5 Overdue loans and advances to customers by geographical sector

	30 June 2012	31 December 2011
Yangtze River Delta	**16,810**	8,361
Bohai Rim	**6,549**	6,596
Central	**7,401**	6,331
Pearl River Delta	**5,781**	5,056
Western	**4,935**	3,789
Northeastern	**3,420**	3,116
Head Office	**1,883**	1,736
Overseas	**171**	192
Total	**46,950**	35,177

The above analysis represents the gross amount of loans and advances overdue for more than 90 days as required by the Rules.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

6 Non-bank Mainland China exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 30 June 2012, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

Definitions

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

"Bank"	China Construction Bank Corporation
"Bank of America"	Bank of America Corporation
"Baosteel Group"	Baosteel Group Corporation
"Board"	Board of directors
"CBRC"	China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Financial Leasing"	CCB Financial Leasing Corporation Limited
"CCB International"	CCB International (Holdings) Limited
"CCB Life"	CCB Life Insurance Company Limited
"CCB London"	China Construction Bank (London) Limited
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Trust"	CCB Trust Co., Limited
"CSRC"	China Securities Regulatory Commission
"Group", "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Limited
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PBC"	People's Bank of China
"PRC GAAP"	Accounting Standards for Business Enterprises promulgated by the MOF on 15 February 2006 and other relevant requirements
"RMB"	Renminbi
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Grid"	State Grid Corporation of China
"Temasek"	Temasek Holdings (Private) Limited
"Yangtze Power"	China Yangtze Power Co., Limited

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. We use words such as "will", "may", "expect", "try", "strive", and similar expressions to identify forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements. These factors include, among others: changes in general economic conditions in the markets in which the Group operates, changes in the government's adjustment and control policies and in laws and regulations, and factors specific to the Group.