

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

# 2015 INTERIM REPORT

Stock Code:03328





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# Definitions

The following terms will have the following meanings in this Interim Report unless otherwise stated:

“Model Code”	Refers to Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 of the Hong Kong Listing rules
“Company Law”	Refers to the Company Law of the People’s Republic of China
“Articles of Associations”	Refers to the Articles of Association of Bank of Communications Co., Ltd. as approved by CBRC
“Securities Law”	Refers to Securities Law of the People’s Republic of China
“Reporting Period”	Refers to the period from 1 January 2015 to 30 June 2015
“Group”	Refers to the Bank and its subsidiaries
“Bank”	Refers to Bank of Communications Co., Ltd.
“Ministry of Finance”	Refers to the Ministry of Finance of the People’s Republic of China
“North Eastern China”	Refers to Includes Liaoning Province, Jilin Province and Heilongjiang Province
“Overseas”	Refers to Includes Hong Kong Branch, New York Branch, Singapore Branch, Seoul Branch, Tokyo Branch, Frankfurt Branch, Macau Branch, Ho Chi Minh City Branch, San Francisco Branch, Sydney Branch, Taipei Branch, Brisbane Branch, Bank of Communications (UK) Co., Ltd., Bank of Communications (Luxembourg) Co., Ltd., representative office in Toronto and other overseas subsidiaries
“Northern China”	Refers to Includes Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region
“Eastern China”	Refers to Includes Shanghai (excluding the Head Office), Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province
“Central and Southern China”	Refers to Includes Henan Province, Hunan Province, Hubei Province, Guangdong Province, Hainan Province and Guangxi Autonomous Region
“HSBC”	Refers to The Hongkong and Shanghai Banking Corporation Limited
“Basis point”	Refers to one in ten thousand
“BoCom Insurance”	Refers to China BOCOM Insurance Co., Ltd.
“BoCom International”	Refers to BOCOM International Holdings Company Limited
“BoCom International Trust”	Refers to Bank of Communications International Trust Co., Ltd.
“BoCommLife Insurance”	Refers to BoCommLife Insurance Company Limited
“BoCom Schroder”	Refers to Bank of Communications Schroder Fund Management Co., Ltd.
“BoCom Leasing”	Refers to Bank of Communications Financial Leasing Co., Ltd.
“SSE”	Refers to the Shanghai Stock Exchange
“SSF”	Refers to the National Council for Social Security Fund

“Western China”	Refers to	Includes Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region, Xinjiang Uyghur Autonomous Region and Tibet Autonomous Region
“HKEx” or “Hong Kong Stock Exchange”	Refers to	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	Refers to	the Rules Governing the Listing of Securities on the HKEx
“CBRC”	Refers to	China Banking Regulatory Commission
“CSRC”	Refers to	China Securities Regulatory Commission
“Head Office”	Refers to	the Group’s Head Office in Shanghai
“BBM”	Refers to	Banco BBM S.A.
“Board of Directors”	Refers to	the board of directors of the Bank
“SFO”	Refers to	the Hong Kong Securities and Future Ordinance

# Corporate Information

## CORPORATE INFORMATION

Chinese name	交通銀行股份有限公司
Chinese abbreviation	交通銀行
English name	Bank of Communications Co., Ltd.
Legal representative	Niu Ximing

## CONTACT DETAILS

Name	Du Jianglong (secretary to the Board of Directors, Company Secretary)
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## GENERAL INFORMATION

Registered address	No.188, Yin Cheng Zhong Lu, Pudong New District, Shanghai, P.R. China
Postal code of registered address	200120
Head office address	No.188, Yin Cheng Zhong Lu, Pudong New District, Shanghai, P.R. China
Principal place of business in Hong Kong	20 Pedder Street, Central, Hong Kong
Website	www.bankcomm.com

## INFORMATION DISCLOSURE AND PLACES WHERE THE INTERIM REPORT AVAILABLE

Newspapers for information disclosure (A share)	China Securities Journal, Shanghai Securities News, Securities Times
Designated website for information disclosure (A share)	Website of SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a>
Designated website for information disclosure (H share)	Website of HKEx at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Places where the interim report is available	Head Office of the Bank

### LISTING INFORMATION

	Listing information		
Classes	Stock exchange	Stock name	Stock code
A share	SSE	Bank of Communications	601328
H share	HKEx	Bank of Communications	03328

### AUDITORS

Accounting firm appointed (domestic): PricewaterhouseCoopers Zhong Tian LLP

Accounting firm appointed (overseas): PricewaterhouseCoopers

### AUTHORISED REPRESENTATIVE

Yu Yali

Du Jianglong

### LEGAL ADVISER

Hong Kong legal adviser: DLA Piper Hong Kong

PRC legal adviser: King & Wood Mallesons

### SHARE REGISTRAR AND TRANSFER OFFICE

A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch  
3/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New District, Shanghai,  
P.R. China

H Share: Computershare Hong Kong Investor Services Limited  
Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai,  
Hong Kong

### OTHER INFORMATION

First registration date: 30 March 1987

The query index of details of first registration: State Administration for Industry & Commerce of the People's Republic of China ([www.saic.gov.cn](http://www.saic.gov.cn))

Registration date of change of business: 28 October 2013

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

Business registration number: 100000000005954

Tax registration number: 31004310000595X

Organisation code: 10000595-X

Changes in main responsibilities: None

# Financial Highlights

## (I) Major Financial Data and Indicators

The major interim financial data and indicators of the Group as at 30 June 2015 prepared under the International Financial Reporting Standards (“IFRS”) were as follows:

(In millions of RMB unless otherwise stated)

Major Financial Data	January to June 2015	January to June 2014	Increase/ (decrease) (%)
Net interest income	71,059	67,211	5.73
Profit before tax	48,289	47,195	2.32
Net profit (attributable to shareholders of parent company)	37,324	36,773	1.50
Earnings per share (attributable to shareholders of parent company, in RMB yuan)	0.50	0.50	–
	As at 30 June 2015	As at 31 December 2014	Increase/ (decrease) (%)
Total assets	7,122,155	6,268,299	13.62
Include: loans and advances to customers	3,709,152	3,431,735	8.08
Total liabilities	6,630,355	5,794,694	14.42
Include: due to customers	4,514,566	4,029,668	12.03
Shareholders' equity (attributable to shareholders of parent company)	488,779	471,055	3.76
Net assets per share (attributable to shareholders of parent company, in RMB yuan)	6.58	6.34	3.79
Net Capital <sup>1</sup>	588,364	584,502	0.66
Includes: Core Tier 1 Net Capital <sup>1</sup>	487,289	470,456	3.58
Other Tier 1 Capital <sup>1</sup>	18	10	80.00
Tier 2 Capital <sup>1</sup>	101,057	114,036	(11.38)
Risk-weighted assets <sup>1</sup>	4,485,830	4,164,477	7.72

## Financial Highlights (Continued)

Major Financial Indicator (%)	January to June 2015	January to June 2014	Changes (percentage point)
Cost-to-income ratio <sup>2</sup>	25.87	25.71	0.16
Annualised return on average assets	1.12	1.21	(0.09)
Annualised return on average shareholders' equity	15.55	17.10	(1.55)
	30 June 2015	31 December 2014	Changes (percentage point)
Impaired loans ratio	1.35	1.25	0.10
Provision coverage of impaired loans	170.43	178.88	(8.45)
Capital adequacy ratio <sup>1</sup>	13.12	14.04	(0.92)
Tier 1 Capital adequacy ratio <sup>1</sup>	10.86	11.30	(0.44)
Core Tier 1 Capital adequacy ratio <sup>1</sup>	10.86	11.30	(0.44)

Note:

1. Calculated pursuant to the "Administrative Measures for the Capital of Commercial Banks (Provisional)" issued by the China Banking Regulatory Commission ("CBRC"). As at the end of June 2014, the Bank has implemented the advanced method of capital management upon receiving approval from regulatory authorities.
2. Refers to business and administrative expenses against the total of various net incomes.

### (II) Credit Rating in the recent 3 years

	First half of 2015	2014	2013
Standard & Poor's	A-/A2/Stable	A-/A2/Stable	A-/--/Stable
Moody's	A2/P-1/Stable	A2/P-1/Stable	A3/P-2/Stable
Fitch	A/F1/Stable	A/F1/Stable	A/F1/Stable

Note: The rating format is "rating of long-term foreign currency deposit"/"rating of short-term foreign currency deposit"/"rating outlook".

# Management Discussion and Analysis

## (I) Business Review

In the first half of 2015, the Group proactively seized the developing trends such as interest rate liberalisation, financial integration and information networking. Surrounding the theme of transformation development, the Bank undertook a reform of its internal operation mechanism and innovative operating models to promote a harmonized and healthy development of all business lines. Annualised return on average assets (ROAA) and annualised return on average equity (ROAE) increased by 0.04 and 0.76 percentage point as compared with last year to 1.12% and 15.55%, respectively.

**Stable and positive business development.** As at the end of the Reporting Period, the Group's total assets exceeded RMB7 trillion for the first time and reached RMB7,122.155 billion, representing an increase of 13.62% as compared to the beginning of the year. Among which, total assets of overseas banking institutions reached USD132.750 billion, exceeding the hundred billion USD level for the first time since the end of last year, representing an increase of 31.42% as compared to the beginning of the year. The customer deposits balance reached RMB4,514.566 billion, representing an increase of 12.03% as compared to the beginning of the year; and the customer loans balance (before provision, if not specifically stated, same applies hereinafter) amounted to RMB3,709.152 billion, representing an increase of 8.08% from the beginning of the year.

**Continually optimising profit structure.** During the Reporting Period, net profits increased by 1.50% on a year-on-year basis to RMB37.324 billion. Among which, net fee and commission income was RMB19.386 billion, representing a year-on-year increase of 23.47%. The proportion of net fee and commission income increased year-on-year by 2.68 percentage points to 19.96%, resulting in a greater revenue contribution by non-interest related income. In particular, the asset management business and wealth management business, consulting and advisory business developed quickly. The commission income from management business and investment banking business reached RMB5.028 billion and RMB4.686 billion, respectively, representing an increase of 38.86% and 48.95%, respectively.

**Assets quality remained stable.** The Group strengthened its control overdue assets and firmly refining its loans and guarantee business by reducing high risk loans and increased collateralization in order to effectively alleviate the pressure of asset quality deterioration. During the Reporting Period, the Group terminated high risk loans by RMB36 billion and reduced loan risk through collateralization by RMB38.4 billion. As at the end of the Reporting Period, the impaired loans balance was RMB50.153 billion, a slowdown is noted in the increasing rate. In the second quarter, the growth rate decreased by 1.83 percentage points as compared to the last quarter. The impaired loans ratio was 1.35%, representing an increase of 0.10 percentage point from the beginning of the year; the loan provision ratio increased by 0.06 percentage point from the beginning of the year to 2.30%.

**Continual deepening of transformation development.** The Group is persistent in its transformation development plan to lower capital consumption and continue to deepen its belief of capital limitations through the enhancement of internal capital management and delicacy management in order to encourage business structure modification. As at the end of the Reporting Period, the risk-weighted assets increased by 7.72% from the beginning of the year, which is 5.90 percentage points lower than the growth rate of assets. The percentage of risk-weighted assets out of total assets was 3.46 percentage points lower than that in the beginning of the year. The Bank placed emphasis on the development of less capital intensive business such as credit cards and wealth management. As at the end of the Reporting Period, the total number of domestic credit cards in use (including quasi-credit cards) reached more than 40 million with an aggregate spending amount of over RMB700 billion in the first half of the year. The scale of on and off balance sheet wealth management product denominated in Renminbi increased by 27.55% from the beginning of the year to RMB1.3 trillion, continuously keeping a leading position in the industry.

**Accelerating the strategy of “One Bank both Internationalised and Integrated”.** Total assets of overseas banking institutions and subsidiaries increased by 29.04% from the beginning of the year, accounting for approximately 14.08% of the Group’s total assets and representing an increase of 1.69 percentage points from the beginning of the year; net profits increased by 3.49% on a year-on-year basis, accounting for approximately 9.71% of the Group’s net profits, representing a year-on-year increase of 0.20 percentage point. The ability to operate as an international and integrated business continues to be strengthened. The act of realising the acquisition of BBM in Brazil by the Group exemplifies a new leap of its strategy towards internationalisation.

**Intensify Reform at a new level.** The “BoCom Plan to Deepen Reform” was approved by the State Council which further established the Bank’s market image as the pioneer in reform. The reform of business divisional structure was promoted in a structured manner and the profits before tax and provision increased by 17.44% on a year-on-year basis for the six major business division profit centres made. The operation momentum was effectively stimulated due to the wide adoption of the value assessment system of all products and all employees. Under the developing trends of “Internet +”, the bank strongly promotes the construction of its internet finance business center and creates the “Second BoCom”.

**Further promoted brand image.** In 2015, the Group is honoured to be listed in the *FORTUNE*’s “Top 500 Global Companies” for seven consecutive years, ranked No. 190 in terms of revenue, moving up 27 ranks as compared to last year. The Group also ranked No. 17 among the thousands of banks worldwide in terms of Tier 1 Capital rated by The Banker magazine, moving up by 2 ranks as compared to last year, being the second year listed in the top 20 among all banks in the world.

### 1. Corporate banking business

- During the Reporting Period, the Group's profit before tax in relation to corporate banking business increased by 0.44% on a year-on-year basis to RMB28.652 billion; net fee and commission income increased by 23.94% on a year-on-year basis to RMB11.229 billion; the total number of corporate customers of domestic branches increased by 6.65% from the beginning of the year.
- As at the end of the Reporting Period, the Group's corporate deposit balance increased by 15.67% from the beginning of the year to RMB3,084.103 billion; corporate loan balance increased by 7.92% from the beginning of the year to RMB2,766.272 billion.
- As at the end of the Reporting Period, the Group's corporate impaired loan balance increased by 16.13% from the beginning of the year to RMB39.532 billion; the impaired loans ratio increased by 0.10 percentage point from the beginning of the year to 1.43%.

The Group caught on the trend of interest rate liberalisation and focused on developing its wealth management business and continued to promote the transformation and structure optimisation of the corporate banking business in order to enhance the level of cooperation in customer business. In alignment with the implementation of the national strategy, the Group supported the issuance of local bonds in various ways and built the brand image in ancillary financial services fields, including "One Belt and One Road", "Integration of Beijing-Tianjin-Hebei" and "Yangtze River Economic Zone". The Group greatly supported the real economic development by actively fulfilling its social responsibilities, being fully involved in essential markets and expanding the overall financial scale. Fully exhibiting the advantage of having all financial licenses, the Group eased customers' demand for integrated financial services. The Group continued to support the construction of corporate financial risk middle offices, and effectively enhanced the capacity of industry study, risk forecasting and full coverage financial risk management.

### **(1) Corporate and institutional business**

Relying on the one-stop financial service system with the integration of “equity, bond, and loan”, the Bank offered financial services to state-owned enterprises in the strategic reform area such as combinations of equities, introduction of strategic investor, and asset securitisation. Focusing on the key areas, the Bank established an interest distribution mechanism for the branches in regions of “One Belt and One Road”, “Integration of Beijing-Tianjin-Hebei” and Yangtze River Economic Zone, to promote regional synergistic development. It conducted annual bank-enterprise exchange activities for key customers called “BoCom-HSBC 1+1” and the “Win to Fortune” treasurer club activities, and also actively supporting domestic enterprises to “Go Global”. To build the new “government finance”, the Bank established a social capital pool for the Public-Private-Partnership (PPP) projects and fully launched government finance APP project. During the Reporting Period, the Group became the first to be qualified in the government cross-border trading platform in the comprehensive pilot trade zone, and one of the first cooperation banks to be qualified for providing guarantee to the General Administration of Customs. By accelerating the research, development and promotion of new products, the Bank successfully launched the first batch of certificates of deposit (CDs) business for enterprises, and its smart vehicle financing system was awarded “Top 10 Best Financial Product Innovations” by *The Banker*. The Bank strengthened its close cooperation with retail finance and incorporated corporate wealth management into community finance to explore untapped business through joint efforts and coordination of public and private sectors.

### **(2) Micro, small and medium enterprises (MSMEs) business**

The Bank placed great effort in promoting its products such as “POS loans” and “Wo Yi Loans”, automatically exploring customers’ potential needs in financing and conducting dynamic credit assessment, achieving a completely online operation of the entire credit granting process. Riding on the characteristics of MSMEs business operations and centring high-quality customer base in the supply chain, high-tech parks, government support and area of guidance, the Bank strongly promoted project-based business management mode to effectively realise the expansion in the volume of high-quality customer base and make the credit granting process more efficient and convenient. The Bank accelerated the construction of specialised institutions for micro and small businesses and built professional teams specialising in providing financial services to micro and small enterprises (SMEs), to comprehensively improve its ability to provide financial service to MSMEs. As at the end of the Reporting Period, loans balance to MSMEs provided by domestic branches increased by 2.30% from the beginning of the year to RMB1,294.346 billion, accounting for up to 36.73% of the loans balance of domestic and local entities.

### **(3) “One Branch Offering Nationwide Service” industrial chain financial service**

Seizing the national strategic opportunities of “Internet +”, the Bank tapped into the financial demands of corporate customers in the field of industrial chain by constantly improving its IT system and enhancing customer cooperation. The Bank built the branding of “Express Receivable Collector” and “Express Bill Discounting” and promoted agency discounting of commercial bills, which built its market image as an expert of commercial bill. The bank made great efforts in the research and development of “Express Chain” brand and offered online financial products in the upstream and downstream of petrochemical fields. As at the end of the Reporting Period, there were more than 1,300 qualified industrial chain networks and more than 11,000 qualified industrial chain companies being developed by the domestic branches. The Bank was awarded “Best Supply Chain Finance Project” by *The Asian Banker*. The market popularity and brand reputation were continuously improved.

### **(4) Cash management business**

The Bank successfully launched the national version and FTZ (Free Trade Zone) version of cross-border bi-directional RMB cash pool system, through which it built a global cash management platform and realised cross-border bi-directional transfer of RMB and foreign currency funds. It continued to improve products such as notes pool, secondary accounts and inter-bank capital management, and promoted optimisation of functions including deposit management by accounts for notes pool and fast pooling service mode. The Bank introduced innovative new products and service plans such as account management, reimbursement-processing products, POS collection for products, secondary accounts, mobile payment with corporate debit cards and payroll service etc., which further enriched its cash management product line. As at the end of the Reporting Period, corporate customers of e-channel “Win to Fortune” cash management amounted to nearly 12,000 and the cash management accounts (including Swiftnet) amounted to nearly 90,000. The Bank was awarded “Best Cash Management Bank” by *The Asset*.

### **(5) International settlement and trade finance**

By enhancing product innovation and promotion, the Bank gave great impetus to combined cross-border settlement and trade finance products to provide personalised global investment and financing services to enterprises. During the Reporting Period, the amount of international settlement processed by domestic branches increased year-on-year by 1.59% to RMB1,978.301 billion, and the amount of international trade finance reached RMB69.637 billion. The Bank actively utilised international factoring to provide small and medium-sized foreign trade enterprises with services such as accounts receivable management, financing facilities. During the Reporting Period, the volume of international factoring was RMB4.176 billion, among which the amount of the dual factoring business of Factors Chain International (“FCI”) reached RMB3.158 billion.

### **(6) Investment banking business**

The Bank placed great efforts in business innovation such as launching perpetual bonds, project income notes and foreign bonds. Riding on the financial policy to take good advantage of the increment in credit assets and enhance the asset quality of the existing credit assets, the Bank steadily pushed forward development of credit asset securitisation and credit asset transfer, and completed its first pilot project of credit asset transfer for the current year. It continuously promoted innovation business such as private equities' asset securitisation and USD-denominated direct investment, and deepened its cooperation relationship with high-quality customers. The Bank introduced innovative wealth management, direct investment in partnership shares, and corporate equity investment in investment banking type of non-credit business, with a focus on supporting the urbanisation of local governments at different levels, PPP financing, industrial merger & acquisition of high-quality enterprises, and reform of state-owned enterprises. During the Reporting Period, fee income from investment banking business reached RMB4.686 billion, accounting for 22.34% of the Group's total fee and commission income. The number of debt financing instruments (excluding local government debt) underwritten by domestic branches as lead underwriters increased by 4.84% on a year-on-year basis to 130, and the issuance amount of such instruments increased by 33.64% on a year-on-year basis to RMB247.578 billion. The Bank was awarded "Best All-Rounded Bank and Investment Bank Award" and "Best Financial Advisory Bank" by the *Securities Times*.

### **(7) Asset custody business**

To meet customer demands for multi-dimensional wealth management, the Bank developed a range of core custody products such as pension products, public offered funds, insurance funds, wealth management products, trusts, QDII, QFII, and RQFII, and accelerated research, development and publication of new custody products. It strengthened its position in the pension business by differentiating its pension business and deepening the underlying value of pension custody service. By expediting the pace of internationalisation of custody business and promoting the construction of overseas custody platform, the Bank further improved its global custody network. As at the end of the Reporting Period, assets under custody of the Bank increased by 15.64% from the beginning of the year to RMB4,810.923 billion.

### 2. Personal financial business

- During the Reporting Period, the Group's profit before tax in terms of personal banking business increased by 21.84% on a year-on-year basis to RMB7.157 billion; net fee and commission income increased by 25.48% on a year-on-year basis to RMB7.323 billion; the total number of individual customers in domestic branches increased by 5.40% since the beginning of the year.
- As at the end of the Reporting Period, the balance of personal deposits of the Group increased by 4.91% since the beginning of the year to RMB1,424.633 billion, and the proportion of personal deposits decreased by 2.13 percentage points since the beginning of the year to 31.56%. The balance of personal loans of the Group increased by 8.58% since the beginning of the year to RMB942.880 billion, and the proportion of personal loans increased by 0.11 percentage point since the beginning of the year to 25.42%.
- As at the end of the Reporting Period, the balance of personal impaired loans of the Group increased by 18.31% since the beginning of the year to RMB10.621 billion; the personal impaired loans ratio increased by 0.10 percentage point since the beginning of the year to 1.13%.

Believing in the “customer-centred” operating principles, the Group integrated the development advantage of “bulk retail”, which is to proactively support the innovation of new products and business models, and treat wealth management, consumer finance, small and micro enterprise (SME) finance and internet finance as its development engine in order to facilitate the ongoing stable development of the personal banking business.

#### **(1) Personal deposits and loans**

The Bank strongly expanded its saving deposits and fundamental customer base. It engineered a new customer-acquiring model called “Pedlar”. On holidays such as the Spring Festival, Women’s Day and Dragon Boat Festival, the Bank targeted middle and high end communities, high-quality issuing enterprises and high-end customer families and carried out community-type marketing, and to effectively attract new customers and new funds by continuously enriching the content of activities such as “Providing Green Life Services in Communities”, “Provide Green Life Services in Enterprises”, “Small Financiers” and “Outlet Preferential Purchase”.

The Bank deeply supported the residents' demand for owner-occupied housing and reasonable improvement housing by standardising the housing finance services, strengthening the interactivity of commercial real estate loans and mortgage loans, and optimising the overall process of the mortgage business. Consistent with the increasing spending power, the Bank spent great efforts in developing its consumption credits business, launched and promoted the micro consumer loan product "BoCom E-loan 2.0", and realised effective functions such as automatic approval, end-to-end online process, and automatic withdrawals and repayments etc. The Bank actively promoted the inclusive "Community Loan" program at the community branch outlets to meet the consumer's financing needs of community residents.

### **(2) Personal wealth management business**

The Bank organised the "2015 OTO Fortune Cup Snooker Amateur" and "OTO Community Carnival" and continued to launch featured services, including "Health Popularisation" and "Health & Fortune Dual Diagnosis" to high-end OTO customers with the aim to strengthen the influence of its wealth management brand. The Bank fully captured the capital market opportunities and intensively promoted the sales and development of its wealth management products. During the Reporting Period, the net income arising from Dollarbuy wealth management product, fund, insurance and precious metal intermediary business in domestic branches increased on a year-on-year basis by 44.2%, 410.1%, 51.2% and 11.7%, respectively. Staying close to the demands from ultra-high net worth (UHNW) private banking customers, the Bank promoted family trust, one-to-one customisation and one-to-many customisation as the key forms of private banking specialized services. The Bank utilised the business platform of its domestic and overseas branches and subsidiaries of the Group to sponsor the private banking cross-border wealth management services.

As at the end of the Reporting Period, retail asset under management ("AUM") by the Bank amounted to RMB2,368.611 billion, representing an increase of 10.06% from the beginning of the year. The total number of qualified BoCom fortune customers and qualified OTO Fortune customers increased by 5.76% and 10.71%, respectively as compared to the same period last year. The total number of private banking customers increased by 14.46% as compared to the beginning of the year. Private banking assets under management amounted to RMB345.2 billion, representing an increase of 18.63% since the beginning of the year.

### (3) **Bank card business**

#### **Credit card business**

Under the innovative marketing model, the Bank launched credit card activities such as “Weekly Swipe” and “Super Red Friday” and received positive market response. The Bank maintained the stability of the asset quality by consolidating risk management and strengthening the identification and management control over high risk customers. It implemented Phase one of the ‘Operational Big Platform’ system, established customer experience lab, enhanced business processing timeliness and degree of automation, and improved customer satisfaction. The Bank successfully launched the “spending and earning” services combining personal wealth management with credit card payment, and promoted business development and brand communication in combination with business focus and we-media channel characteristics, so as to achieve the new breakthrough of “Internet +”.

As at the end of the Reporting Period, the total amount of domestic credit cards in use (including quasi-credit cards) increased by 3.76 million since the beginning of the year to 40.04 million. In the first half of the year, the accumulated expenditure amounted to RMB709.6 billion, representing an increase of 37.65% from the prior year. Credit card overdraft balance amounted to RMB250.649 billion, representing an increase of 12.10% from the beginning of the year, while the impairment ratio over credit card overdraft was 2.02%, representing an increase of 0.34 percentage point from the beginning of the year.

#### **Debit card business**

Together with China Union Pay, the Bank launched a debit card with the theme of the China Pavilion in the 2015 Milan Expo, which boosted sales and marketing and improved BoCom’s brand image. The Bank partnered with international well-known watch companies to develop wearable payment products and create new payment experience. The Bank continued the marketing activity of “Red Friday – Benefits to Community” to improve the environment for using debit card in the communities. As at the end of the Reporting Period, the total number of domestic Pacific debit cards issuance amounted to 102.35 million, representing an increase of 3.95 million from the beginning of the year. The accumulated expenditure was RMB401.3 billion during the first half of the year, representing an increase of 8.02% from the same period in the prior year.

### 3. Interbank and financial market business

- During the Reporting Period, the Group's net interest income in terms of treasury market business increased by 27.01% on a year-on-year basis to RMB14.028 billion.
- During the Reporting Period, the Group's profits before tax in terms of treasury market business decreased by 2.99% on a year-on-year basis to RMB11.703 billion.

The Group flexibly reacted to the complex macroeconomic environment and the volatile prices in financial market by accurately seizing market opportunities, constantly broadening the interbank cooperation channel, fostering product innovation, optimising its processes and enhancing service level, in order to provide omnidirectional and multi-level financial services for interbank customers and to drive the comprehensive development of interbank and market business.

#### **(1) Institutional financial business**

In order to absorb precipitation funds and encourage low cost liabilities, the Bank further strengthened its cooperation with for example, Shanghai Clearing House Co., Ltd., China Securities Depository, Clearing Company Limited, China Securities Finance Corporation Limited, China Securities Inter-organisation Quotation System Co., Ltd. to explore the key financial market sectors. With respect to interbank collaboration, the Bank entered into interbank platform contracts with 134 banks, representing an increase of 17.5% since the beginning of the year. The total number of third-party depository customers arising from interbank collaboration increased by 134.1% since the beginning of the year. In terms of collaborations with securities companies, the total number of online customers engaging in margin financing and securities leading increased by 19.9% since the beginning of the year; and AUM of such depository customers increased by 310.5% since the beginning of the year. The Bank has online banking transfer system linked with 54 securities companies, representing 76% market coverage. For collaborations with futures trading companies, the balance of margin deposits of futures trading companies amounted to RMB72.55 billion, remained as a leader in the market by scale of deposits amount. The interbank wealth management business developed positively. Total sales amounted to RMB1.7 trillion, increased by 402.5% on a year-on-year basis.

### **(2) Money market transactions**

The Bank accurately envisaged the market movements, seized market opportunities and enhanced capital operation to improve capital efficiency. On one hand, the Bank made enormous efforts to grow the market in order to broaden the counterparty coverage; on the other hand, the Bank steadily improved its capital return by managing the duration structure. During the Reporting Period, the total volume of Renminbi money market transactions by domestic branches was RMB6.38 trillion, among which RMB5.65 trillion was lent to financial institutions and RMB0.73 trillion was borrowed from financial institutions. The total volume of foreign currency money market transaction was USD93.058 billion.

### **(3) Trading book business**

In terms of Renminbi bond transactions, the Bank carefully studied the changing trends of market environment and central bank monetary policy, to actively capture the changes in market interest rate resulting from price fluctuations in funds, and proactively searched for bond trading opportunities. During the Reporting Period, the transaction volume of domestic branches in respect of RMB-denominated bonds reached RMB1.34 trillion. The Bank proactively explored the potential of innovated business development and successfully developed the RMB bond lending business and standard bond forward transactions, which greatly promoted the RMB interest rate swap cross-border arbitrage.

For foreign exchange transactions, although the exchange rate of Renminbi against US dollar fluctuated significantly, the Bank flexibly adjusted its trading strategy and correctly grasped the moving pattern in both domestic and offshore markets. The Bank increased the RMB and foreign exchange cross-market combination transactions in a risk-controlled manner, which continuously enhanced the efficiency in capital utilisation. The Bank actively performed its duty as a market maker in the interbank foreign exchange market and participated in the business innovation in the foreign exchange market. During the Reporting Period, the transaction volume of inter-bank market exchange foreign transactions executed by the domestic branches reached USD414.5 billion.

### **(4) Banking book investments**

The Bank actively seized the opportunity of bond market, reasonably grasped the pace of bond allocation and appropriately increased the local bond investment. During the Reporting Period, the Group's investment in bond securities amounted to RMB1,385.429 billion, representing an increase of 19.47% from the beginning of the year. The securities investment yield was 4.18%, representing a year-on-year decrease of 10 basis points.

### **(5) Precious metal business**

The Bank successfully carried out innovative businesses such as being the first in conducting gold option business through inquiry made in the market and gold import business via the depository of the international board in the Shanghai Gold Exchange. During the Reporting Period, the domestic branches have achieved RMB62.284 billion in terms of volume for personal precious metal brokerage transactions, representing an increase of 23.73% from the prior year; the sales of real precious metals business amounted to RMB1.285 billion, representing an increase of 24.16% on a year-on-year basis; the accumulated transaction volume of proprietary gold trading increased by 3.24 times as compared with the same period in the prior year to 1,142.98 tonnes. The Bank maintained an active role in the market. The Bank was awarded the “Market Outstanding Contribution Award”, “Excellent Financial Member”, “Inquiry Business Outstanding Contribution Award”, “International Business Outstanding Contribution Award” and others by Shanghai Gold Exchange for the year of 2014.

### **(6) Asset management business**

The Bank seized the opportunities of the mixed ownership reform of the state-owned enterprise, the key reform projects of the government, and the innovative equity investment model, which contributed in establishing the industry fund brand of the Bank. The Bank set up BoCom Culture Fund and successfully participated in the first mixed ownership reform project for state-owned enterprises in Shanghai, i.e., SMG private placement project. The Bank established the new urbanisation development fund to sponsor high-quality infrastructure construction and improvement projects, supporting the nation’s new urbanisation development strategy; and actively took part in the reform projects of the local government and successfully launched the BoCom – Huiyin Mixed Ownership Reform Special Fund and Luxin Venture Capital Guidance Fund. During the Reporting Period, the Bank’s asset management business centre successfully became the cornerstone investor of GF Securities in the Hong Kong IPO and the anchor investor of Huatai Securities in the Hong Kong IPO, effectively increasing the global influence of the asset management brand.

Considering product innovation as its breakthrough, the Bank closely followed the market hot areas to launch competitive products such as “Kai Xin Tian Li” and “Si Yin Rui Hang” and promote the products to transform from expected return type to net value type, to further enrich the content of wealth management business. The Bank successfully launched the BoCom Shengtong Picks portfolio fund products which form part of the absolute benefit series wealth management product line featuring “mixed allocation funds, fund of funds and enhancement fund with fixed increment”. As at the end of the Reporting Period, the on and off-balance-sheet wealth management product scale denominated in Renminbi increased by 27.55% from the beginning of the year to RMB1.3 trillion, continuously keeping a leading position in the industry; the income from intermediary services increased by 60.81% on a year-on-year basis.

#### 4. “Trinity” network construction

- **During the Reporting Period, the annualised profit per capita of the Group increased year-on-year by 5.70% to RMB823.5 thousand. As at the end of the Reporting Period, the deposit per outlet (excluding community branch outlets) increased by 12.11% from the beginning of the year to RMB1.629 billion.**
- **As at the end of the Reporting Period, the total amount of domestic banking branch outlets increased by 182 from the beginning of the year to 2,967, of which 183 were newly opened and 1 with low-yield was closed down.**
- **As at the end of the Reporting Period, the ratio of self-service bank to physical outlet increased to 2.41:1; the diversion rate of e-banking increased by 2.69 percentage points since the beginning of the year to 85.82%.**
- **As at the end of the Reporting Period, the total number of relationship managers in domestic branches increased year-on-year by 3.7% to 22,148.**

The Bank continued to support the building of “Trinity” service channel which comprises of physical outlets, e-banking and relationship managers, to actively explore the channel integration. This improved the network arrangement and helped promote the transformation of tier-2 branches and base-level institutions. It also accelerated the innovation of e-banking products and improved the capability of channel diversion, which prepares the Bank for internet finance challenges. Building of stronger relationship manager teams to increase both the quantity and quality of relationship managers.

### (1) **Physical outlets**

The Bank accelerated the transformative development of tier-2 branches and base-level institutions, fully stimulated the business vitality of tier-2 branches and adjusted the area, staff and cost structure of outlets, so as to reduce operating costs and improve comprehensive efficiency. The Bank continues to commit in the construction of various types of base-level outlets, on one hand it persistently designed all-function flagship outlets to “Be big and comprehensive”, the total number of comprehensive outlets of the Bank reached 515 as at the end of the Reporting Period; while on the other hand, it strived to “Be small and unique” by promoting mass community branch outlets. The total number of community branch outlets reached 251 as at the end of the Reporting Period.

As at the end of the Reporting Period, the total number of domestic outlets increased by 182 from the beginning of the year to 2,967, of which 183 were newly opened and 1 was closed down because of lower yields. The Bank’s network covered 232 cities at or above prefecture level, representing an increase by 2 cities as compared to the same period last year with the coverage ratio at prefecture and municipal-level cities up 0.60 percentage point from the beginning of the year to 69.46%. In particular, the coverage ratio in West China was 42.75%.

### (2) **E-banking**

The Bank optimised the experience of E-banking customers, continued to improve the security and customer satisfaction of transactions via electronic channel, and actively pushed forward the construction of internet financial business centre. As at the end of the Reporting Period, the number of e-banking transactions in domestic branches exceeded 1.485 billion with the transaction amount exceeding RMB100.18 trillion. The diversion rate of e-channels increased by 2.69 percentage points from the beginning of the year to 85.82%.

**Self-service banking.** The Bank optimised the card issuing and signing processes via Intelligent Teller Machine (iTM), consolidating the foundation of construction of all-inclusive outlets. It increased the use of specialised machines such as the “wealth management machine” and “payment machine”, to resolve the “last mile” financial service problem. During the Reporting Period, the number of self-service machines at domestic branches increased by 1,750 to more than 28,800 in total and the number of self-served banks increased by 914 to 14,600 in total. The ratio of self-served banks vs. branch outlets increased to 2.41:1. The transaction volume at self-served banks was 331 million and the transaction amount was RMB813.337 billion. 489 Intelligent Teller Machines (iTM) have been promoted across the Bank.

**Online-banking.** The Bank effectively improved online transaction security through measures such as security upgrading and transaction standardisation. The number of e-banking customers achieved sustainable growth and the number of e-banking transactions had significantly increased. As at the end of the Reporting Period, the number of e-banking (including personal and corporate e-banking, excluding mobile banking, the same below) customers increased by 14.39% since the beginning of the year, while the number of e-banking transactions had a year-on-year increase of 73.06%.

**Mobile-banking.** Through in-depth digging and analysis of customer data and optimising the design of mobile banking 3.0, the Bank realised customer personalisation settings and function of directional pushing. As at the end of Reporting Period, the Bank's total number of mobile-banking customers increased by 21.28% since the beginning of the year. The number of the mobile-banking transactions increased year-on-year by 91.63% to 103 million. The total transaction amounts made via mobile-banking increased year-on-year by 168.18% to RMB1.29 trillion.

### **(3) Relationship manager**

The Bank continued to build stronger relationship manager teams by optimising the management mechanism of relationship managers, broadening the room for development for relationship managers, enhancing the education and training of relationship managers, and increasing in both the quantity and quality of the relationship managers. As at the end of the Reporting Period, the number of relationship managers in domestic branches increased year-on-year by 3.7% to 22,148 in total, among which, the number of the corporate relationship managers increased year-on-year by 0.7% to 9,573 while retail relationship managers increased year-on-year by 6.0% to 12,575.

### **(4) Customer service**

The Bank is committed to strengthen consumer rights protection by conducting tour inspection and organising special competitions on consumer protection service to improve the quality of customer service. During the Reporting Period, the Bank was ranked No. 1 in the China Retail Banking Satisfaction Study with a score of 837, up by 29 from 2014.

### 5. Internationalisation and universal operation

#### **(1) Internationalisation strategy**

- During the Reporting Period, due to the short-term fluctuations in financial market, net profits of overseas banking entities decreased by 8.99% on a year-on-year basis to RMB2.066 billion.
- As at the end of the Reporting Period, the total assets of overseas banking entities increased by 31.42% since the beginning of the year to RMB811.580 billion.
- As at the end of the Reporting Period, the balance of the impaired loans balance in overseas banking entities decreased by 20.41% since the beginning of the year to RMB156 million, and the impaired loan ratio decreased by 0.03 percentage point as compared to the beginning of the year to 0.04%.

The Group is constantly campaigning for its internationalisation strategy. The total number of overseas entities is steadily growing and the goal of establishing a global servicing network covering all major international financial centres and locations where China has frequent economic and trade contacts was basically completed. The scale and contribution of overseas assets continued to increase. The Group achieved rapid development of businesses contributing to increasing features and profits, such as domestic and overseas synergy business, cross-border Renminbi business and offshore services. The global wealth management and financial service capabilities were further elevated.

### **Overseas service network**

The expansion plan of the overseas footprint is constantly improving. In April 2015, Brisbane Branch was opened; in May 2015, the Luxembourg subsidiary was opened, and the Group successfully signed the agreement to acquire a controlling stake in BBM. As at the end of the Reporting Period, the Group had set up 14 branches or subsidiaries and 1 representative office in Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, London, Sydney, San Francisco, Taipei, Toronto, Brisbane and Luxembourg with total 56 overseas operating locations (excluding the representative office). The Bank established agency relationship with 1,639 banks in over 144 countries and regions, signed cross-border Renminbi settlement agency agreements with 124 banks in over 29 countries and regions, set up 233 cross-border Renminbi inter-bank accounts, as well as opened 74 foreign currency settlement accounts in 18 currencies with 56 overseas financial institutions in over 25 countries and regions.

### **Domestic and overseas interrelated business**

Grasping the national's strategic policy of "Building a New Open Economic System", the Bank completely exemplified its advantages of an international and comprehensive operation, with a focus on promoting businesses such as medium and long term financing under credit insurance and cross-border investment and financing in countries along "One Belt and One Road", it provided corporate customers with domestic and overseas integrated high-quality financial services. During the Reporting Period, the total transaction amount of the interrelated business increased by 4.45% on a year-on-year basis to USD33.126 billion, and its accumulated revenue hit RMB3.105 billion.

### **Cross-border Renminbi transaction**

The Bank proactively pushed the research, the development and optimisation of new product "Rong Yuan Tong" to promote innovation and optimisation of products and service schemes including cross-border Renminbi centralised operation of multi-national enterprises and third party payment. By taking full advantages of the interactive businesses between onshore and offshore, the Bank truly expanded its business in areas such as settlement, financing, investment, and financial market, and enabled the healthy and rapid development of its cross-border Renminbi business. During the Reporting Period, the transaction amount of the cross-border Renminbi settlement by domestic and overseas institutions increased by 43.08% on a year-on-year basis to RMB673.333 billion.

### **Offshore services**

The Bank strengthened its efforts to accommodate the “One Belt and One Road” strategy and its support for enterprises to “go global”, and accelerated the plan to increase high-quality assets projects through large overseas syndicated banking projects. The Bank further defined customer expansion planning, enhanced compliance and anti-money laundering management and consolidated development foundation. The Bank also optimised the onshore and offshore interactive mechanism, so as to improve the development synergy. As at the end of the Reporting Period, the total amount of offshore assets was USD12.200 billion. The Bank was in the forefront among its peers in the domestic offshore inter-bank market in terms of offshore international settlement volume, loan balance and number of customers.

### **(2) Universal operation**

- During the Reporting Period, net profits attributable to the parent company from the subsidiaries (excluding Bank of Communications (UK) Co., Ltd. and Bank of Communications (Luxembourg) Co., Ltd.) amounted to RMB1,555 million, representing a year-on-year increase of 26.53%, the proportion of which to the net profit of the Group increased by 0.83 percentage point to 4.17% on a year-on-year basis.
- As at the end of the Reporting Period, the total assets of the subsidiaries (excluding Bank of Communications (UK) Co., Ltd. and Bank of Communications (Luxembourg) Co., Ltd.) increased by 19.81% from the beginning of the year to RMB191.042 billion, the proportion of which to the total assets of the Group increased by 0.14 percentage point to 2.68% from the beginning of the year.
- During the Reporting Period, the total amount of social financing provided by the subsidiaries was RMB504.837 billion.

Relying on the synergistic model of “Sector + Segment + Subsidiary”, the Group vigorously improved the three core capabilities of its subsidiaries, which are development, synergy, and competitiveness, and building three key features of its subsidiaries which are high volume business, aviation and air-cargo finance, and wealth management. In addition, the Group deepened strategic collaboration and sharpened the edge in the corresponding industries, in order to strengthen cross-border, cross-industry and cross-market operating ability and service capabilities. While achieving fast development of main businesses with constantly improved market status, the subsidiaries actively played the role of being the innovative bodies and fully blended with the Group’s overall compositions.

- BoCom Leasing’s leasing asset balance as at the end of the Reporting Period amounted to RMB128.185 billion, representing an increase of 16.00% from the beginning of the year. It was rated A- by Standard & Poor’s and A by Fitch in terms of long-term international entity rating.
- BoCom International Trust enhanced the innovation cooperation with the Group and successfully launched the PPP investment fund business. As at the end of the Reporting Period, asset under management increased by 16.20% from the beginning of the year to RMB463.699 billion. The trust compensation rate and the ratio of impaired proprietary assets both remained zero.
- BoCom Schroder ranked top in the industry in terms of fund performance. 9 funds including BoCom Wenjian and BoCom Chengzhang were ranked the top 1/4 among funds of the same kind, and BoCom Theme was awarded “2014 Golden Bull Prize for Mixed Open-end Fund” by the *China Securities Journal*. As at the end of the Reporting Period, the AUM increased by 87.52% from the beginning of the year to RMB359.592 billion.
- During the Reporting Period, BoCommLife Insurance realised gross premium income of RMB3.141 billion, representing a year-on-year increase of 42.55%. The growth rate remained above industry average.
- With increasing market influence, BoCom International Trust was awarded the “Most Popular Broker with Investors in Mainland China and Hong Kong” and “Broker with Outstanding Research Team” by institutions including *Hong Kong Commercial Daily*.
- BoCom Insurance’s premium growth rate and net compensation rate were better than the market average, with good business development in both quality and efficiency.

- Rural banks achieved a steady growth in their business, and actively supported the development of local economy. As at the end of the Reporting Period, total assets of the four rural banks increased by 4.83% from the beginning of the year to RMB6.056 billion. During the Reporting Period, their total net profits were RMB39.2651 million.

### **Playing a leading and exploratory role, BoCom turned a new page of its reform deepening and transformative development**

In June 2015, *BoCom's Plan to Deepen the Reform* was approved by the State Council, which gives the Bank the advanced opportunity in its path to pursue deep reform and transformation development. As the pioneer of the various financial reforms in China historically, the Bank shall continue to grasp the significant changes in the economics and financial situation and insist on the direction of the reform of marketisation, having innovative frameworks and mechanisms, being problem-driven and steady implementation. By further improving the corporate governance mechanism and changing the internal operation mechanism, an effective decision, execution and balanced mechanism shall be formed. The Bank will release dividends based on the deepened reform and accelerate the transformation and development to significantly improve the core key performance indicators. The three main aspects in *BoCom's Plan to Deepen the Reform* are:

**Explore the corporate governance of large-scale commercial bank with Chinese characteristics as a pioneer and sufficiently motivates the vitality of all stakeholders.** While holding on to its position as a state-owned company, the Bank will maximize its benefits of having HSBC as a strategic investor and deepen the global financial cooperation with HSBC. The Bank diligently establishes a new level of open financial cooperation of the China market and attempts to be the role model cooperating with large banks with global visions. Key employees of the Bank actively increased in purchasing BoCom shares and voluntarily set the lock-up period to align their interests with the Bank's. In addition, the Bank explored to improve the business authorisation mechanism and to explore realising the business authorisation mechanism through “full authorisation from Shareholders Meeting to Board of Directors” and “sufficient authorisation from the Board of Directors to Senior Management”.

**Deepen the reform of internal management mechanism of commercial bank to create a commercial bank with both political and market advantages.** The Bank is customer-centric, it has a clear roadmap about its structural reform of the Head Office, focusing on five sectors including corporate finance, inter-bank finance, personal finance, internet finance and risk management, and five systems including asset and liability management, capital operation management, performance assessment, remuneration and authorised operation to push forward operation mechanism reform

of the Head Office. Adjustments to the structure and framework of the sales servicing functions were essentially completed. The bank will place high emphasis on the reform on the remuneration evaluation mechanism to effectively encourage enthusiasm and competitiveness of all the employees. The Bank will establish market-based recruitment mechanism and procedures for its middle-senior professional managers, and adopt a mechanism for employing and nurturing talents that is suitable under the modern corporate policy and market competition needs in order to truly resolve the long outstanding problems around human resource management, remuneration management, and performance assessment mechanism. The Bank established and developed the responsibility system by taking “performance assessment, comprehensive competence evaluation, internal control assessment and service evaluation” as the key performance indicators. In addition, the Bank’s subsidiaries implemented an assessment mechanism for remuneration which is closely associated with the performance risk. The Bank promised to implement the mechanism to investigate the risk management responsibility, and establish an overall risk management system and internal control system with the core of “full coverage, whole process, accountability and risk culture”.

**Implement transformation and innovation in the operation of commercial banking to develop a forward-looking business model with profitability growth.**

The Bank will deepen the divisional structure reform to realise the business development model driven by two engines: “divisional structure operation” and “branch operation”. The Bank established an internet finance center to focus on developing the internet finance business with the internet mindset, to promote capital utilisation and improve market value. The Bank uses the “Trinity” network of “physical outlets + E-banking + relationship managers” as the foundation to transform the operating network model. It insisted on the joint development of both on-balance sheet and off-balance sheet businesses and encouraged the transformation towards a wealth management bank. The Bank also explored the integrated business development in domestic and overseas markets.

The Bank is confident that through the full-scale execution of the reform deepening plan, it will deepen the reform in releasing bonuses in order to bring its corporate governance mechanism, business operation efficiency, business development level, risk management and control ability, social service level, overall market assessment and stakeholders’ satisfaction to a higher level among its domestic peers, and to become a modern bank group that is internationalised, integrated and with exceptional wealth management features, and managed at an internationally advanced level.

## (II) Financial Statements Analysis

### 1. Analysis on major income statement items

#### (1) Profit before tax

During the Reporting Period, the Group's profit before tax increased by RMB1.094 billion to RMB48.289 billion, representing an increase of 2.32% on a year-on-year basis. Profit before tax was mainly derived from net interest income and net fee and commission income.

The table below illustrates selected items which make up the Group's profits before tax for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2015	2014
Net interest income	71,059	67,211
Net fee and commission income	19,386	15,701
Impairment losses on loans and advances to customers	(11,454)	(10,159)
Profits before tax	48,289	47,195

#### (2) Net interest income

During the Reporting Period, the Group's net interest income increased by RMB3.848 billion on a year-on-year basis to RMB71.059 billion, accounting for 73.15% of the Group's net operating income and constituting the major component of the Group's income.

The table below shows the average daily balances, associated interest income and expenses, and annualised average yield or annualised average cost of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated:

## Management Discussion and Analysis (Continued)

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2015			For the six months ended 30 June 2014		
	Average balance	Interest income/ (expense)	Annualised average yield/ (cost) (%)	Average balance	Interest income/ (expense)	Annualised average yield/ (cost) (%)
<b>Assets</b>						
Balances with central banks	874,830	6,565	1.50	839,715	6,441	1.53
Due from banks and other financial institutions	636,419	11,021	3.46	476,511	9,773	4.10
Loans and advances to customers and receivables	3,640,072	109,081	5.99	3,344,422	104,372	6.24
Include: Corporate loans and receivables	2,619,488	76,869	5.87	2,501,360	76,181	6.09
Individual loans	901,034	29,849	6.63	755,214	26,091	6.91
Discount bills	119,550	2,363	3.95	87,848	2,100	4.78
Investment securities	1,226,081	25,616	4.18	1,066,974	22,826	4.28
Total interest-bearing assets	6,271,004 <sup>3</sup>	150,590 <sup>3</sup>	4.80	5,626,192 <sup>3</sup>	141,728 <sup>3</sup>	5.04
Total non-interest-bearing assets	299,415			224,616		
<b>TOTAL ASSETS</b>	<b>6,570,419<sup>3</sup></b>			<b>5,850,808<sup>3</sup></b>		
<b>Liabilities and Shareholders' Equity</b>						
Due to customers	4,245,883	50,350	2.37	3,939,571	46,079	2.34
Include: Corporate deposits	2,834,823	32,868	2.32	2,660,032	31,157	2.34
Individual deposits	1,411,060	17,482	2.48	1,279,539	14,922	2.33
Due to banks and other financial institutions	1,552,866	27,189	3.50	1,273,807	27,755	4.36
Debt securities issued and others	193,191	3,685	3.81	127,050	2,367	3.73
Total interest-bearing liabilities	5,885,542 <sup>3</sup>	79,531 <sup>3</sup>	2.70	5,238,998 <sup>3</sup>	74,517 <sup>3</sup>	2.84
Shareholders' equity and non-interest bearing liabilities	684,877			611,810		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>6,570,419<sup>3</sup></b>			<b>5,850,808<sup>3</sup></b>		
<b>Net interest income</b>		<b>71,059</b>			<b>67,211</b>	
<b>Net interest spread<sup>1</sup></b>			<b>2.10<sup>3</sup></b>			<b>2.20<sup>3</sup></b>
<b>Net interest margin<sup>2</sup></b>			<b>2.27<sup>3</sup></b>			<b>2.39<sup>3</sup></b>
<b>Net interest spread<sup>1</sup></b>			<b>2.16<sup>4</sup></b>			<b>2.26<sup>4</sup></b>
<b>Net interest margin<sup>2</sup></b>			<b>2.33<sup>4</sup></b>			<b>2.45<sup>4</sup></b>

## Management Discussion and Analysis (Continued)

Note:

1. This represents the difference between the annualised average yield on total average interest-bearing assets and the annualised average cost of total average interest-bearing liabilities.
2. This ratio represents the net interest income to total average interest-bearing assets.
3. This excludes the impact of wealth management products.
4. This excludes the impact of wealth management products and takes into account the tax exemption on the interest income from investments in government bonds and local municipal bonds.

During the Reporting Period, the Group's net interest income increased by 5.73% on a year-on-year basis. The net interest spread and net interest margin decreased by 10 and 12 basis points on a year-on-year basis to 2.10% and 2.27%, respectively. The net interest spread and net interest margin in the second quarter decreased by 2 and 5 basis points, respectively as compared with the first quarter.

The table below illustrates the impact of changes in balances and interest rates on the Group's interest income and interest expense. The changes are based on the changes in average daily balance and interest rates on interest-bearing assets and interest-bearing liabilities during the periods indicated.

(in millions of RMB)

	Comparison between January to June 2015 and January to June 2014		
	Increase/(decrease) due to		
	Balance	Interest rate	Net increase/ (decrease)
<b>Interest-bearing assets</b>			
Balances with central banks	269	(145)	124
Due from banks and other financial institutions	3,278	(2,030)	1,248
Loans and advances to customers and receivables	9,224	(4,515)	4,709
Investment securities	3,405	(615)	2,790
Changes in interest income	16,176	(7,305)	8,871
<b>Interest-bearing liabilities</b>			
Due to customers	3,584	687	4,271
Due to banks and other financial institutions	6,083	(6,649)	(566)
Debt securities issued and others	1,234	84	1,318
Changes in interest expense	10,901	(5,878)	5,023
Changes in net interest income	5,275	(1,427)	3,848

During the Reporting Period, the Group's net interest income increased by RMB3.848 billion as compared to the corresponding period of the prior year, of which the increase of RMB5.275 billion was due to changes in the average balances of assets and liabilities, and the decrease of RMB1.427 billion was due to changes in the average rate of return and average cost ratio.

### ① **Interest income**

During the Reporting Period, the Group's gross interest income increased by 6.19% or RMB8.871 billion on a year-on-year basis to RMB152.283 billion.

#### A. *Interest income from loans and advances to customers and receivables*

Interest income derived from loans and advances to customers and receivables accounted for the largest proportion of the Group's interest income. During the Reporting Period, interest income derived from loans and advances to customers and receivables increased by 4.51% or RMB4.709 billion on a year-on-year basis to RMB109.081 billion. This was largely due to the year-on-year increase of 8.84% in the average balance of loans and advances to customers and receivables.

#### B. *Interest income from investment securities*

During the Reporting Period, interest income derived from investment securities increased by 12.22% or RMB2.790 billion on a year-on-year basis to RMB25.616 billion. This was largely due to the year-on-year increase of 14.91% in the average balance of investment securities.

#### C. *Interest income from balances with central banks*

The balances with central banks mainly included balances in statutory reserves and in excess reserves. During the Reporting Period, the interest income arising from balances with central banks increased by RMB124 million on a year-on-year basis to RMB6.565 billion. The increase of the average balance with central banks of 4.18% on a year-on-year basis was primarily due to the growth in customer deposits.

#### D. *Interest income from balances due from banks and other financial institutions*

Total interest income from balances due from banks and other financial institutions increased by 12.77% or RMB1.248 billion on a year-on-year basis to RMB11.021 billion. This was largely due to the year-on-year increase of 33.56% in the average balance due from banks and other financial institutions.

### ② Interest expense

During the Reporting Period, the Group's interest expense increased by RMB5.023 billion or 6.59% on a year-on-year basis to RMB81.224 billion.

#### A. Interest expense on balances due to customers

Customer deposits were the Group's main source of funding. During the Reporting Period, interest expense on customer deposits increased by 9.27% or RMB4.271 billion on a year-on-year basis to RMB50.350 billion, accounting for 61.99% of the total interest expense. The increase in interest expense on customer deposits was mainly due to a year-on-year increase in average balance of customer deposits by 7.78% and a year-on-year increase in average cost ratio by 3 basis points.

#### B. Interest expense on balances due to banks and other financial institutions

During the Reporting Period, interest expense on balances due to banks and other financial institutions decreased by 2.04% or RMB566 million on a year-on-year basis to RMB27.189 billion. This was mainly due to the year-on-year decrease in average cost ratio by 86 basis points.

#### C. Interest expense on bond issuance and other interest bearing liabilities

During the Reporting Period, the interest expense on bond issuance and other interest bearing liabilities increased by 55.68% or RMB1.318 billion on a year-on-year basis to RMB3.685 billion. This was mainly due to a year-on-year increase in average balance of bond issuance and other interest bearing liabilities by 52.06% and a year-on-year increase in average cost ratio by 8 basis points.

### (3) Net fee and commission income

Net fee and commission income was a major component of the Group's net operating income. During the Reporting Period, the Group continuously improved the quality and efficiency of intermediary business development, accelerated the transformation of its profit-making model and moved towards a business model with diversified revenue streams. During the Reporting Period, the Group's net fee and commission income increased by 23.47% or RMB3.685 billion on a year-on-year basis to RMB19.386 billion. Agency service, investment banking and management service were the main drivers of the Group's intermediary businesses.

The table below illustrates the major components of the Group's net fee and commission income for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2015	2014
Settlement service	1,762	1,758
Bank cards	5,487	5,118
Investment banking	4,686	3,146
Guarantee and commitment	2,109	2,257
Management service	5,028	3,621
Agency service	1,568	940
Others	332	474
<b>Total fee and commission income</b>	<b>20,972</b>	<b>17,314</b>
<b>Less: Fee and commission expense</b>	<b>(1,586)</b>	<b>(1,613)</b>
<b>Net fee and commission income</b>	<b>19,386</b>	<b>15,701</b>

Fee income from payment settlement service increased by 0.23% or RMB4 million on a year-on-year basis, to RMB1.762 billion, which stayed flat as compared to the same period last year.

Fee income from bank card services increased by 7.21% or RMB369 million on a year-on-year basis to RMB5.487 billion. This was mainly due to the increase in card issuance, spending volume as well as transaction volume at self-service facilities.

Fee income from investment banking services increased by 48.95% or RMB1.540 billion on a year-on-year basis to RMB4.686 billion. This was mainly due to the sharp increase in fee income from consultant service of the Group.

Fee income from guarantee and commitment services decreased by 6.56% or RMB148 million on a year-on-year basis to RMB2.109 billion. This was mainly due to the slight reduction in the volume of bank acceptance bills.

Fee income from management services increased by 38.86% or RMB1.407 billion on a year-on-year basis to RMB5.028 billion, mainly driven by the increase in the fee income from assets management and wealth management agency services.

Fee income from agency services increased by 66.81% or RMB628 million on a year-on-year basis to RMB1.568 billion. This was mainly due to the significant increase in the fee income from fund distribution and insurance agency services.

#### **(4) Operating costs**

During the Reporting Period, the Group's operating cost increased by 7.52% or RMB1.739 billion on a year-on-year basis to RMB24.855 billion, while its cost-to-income ratio was 25.87%, representing a year-on-year increase of 0.16 percentage point.

#### **(5) Impairment losses on loans and advances to customers**

During the Reporting Period, the Group's impairment losses on loans and advances to customers increased by 12.75% or RMB1.295 billion on a year-on-year basis to RMB11.454 billion. The increase in impairment loss comprised of ① collective assessment increased by RMB2.020 billion on a year-on-year basis to RMB6.677 billion; and ② individual assessment decreased by RMB725 million on a year-on-year basis to RMB4.777 billion. During the Reporting Period, credit cost ratio increased by 0.03 percentage point on a year-on-year basis to 0.62%.

#### **(6) Income tax**

During the Reporting Period, the Group's income tax expense increased by 4.69% or RMB483 million on a year-on-year basis to RMB10.783 billion. The effective tax rate of 22.33% is lower than the statutory tax rate of 25%, which is mainly due to the tax exemption on interest income from government bonds and local municipal bonds held by the Group, according to the relevant tax provisions.

## Management Discussion and Analysis (Continued)

The table below illustrates the Group's current tax and deferred tax for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2015	2014
Current tax	10,724	8,561
Deferred tax	59	1,739

### 2. Analysis on major balance sheet items

#### (1) **Assets**

As at the end of the Reporting Period, the Group's total assets were RMB7,122.155 billion, representing an increase of RMB853.856 billion or 13.62% from the beginning of the year.

The table below illustrates the outstanding balances (after impairment allowances) of the principal components of the Group's total assets and their proportion to the total assets as at the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2015		31 December 2014	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	3,623,674	50.88	3,354,787	53.52
Investment securities	1,390,554	19.52	1,162,876	18.55
Cash and balances with central banks	1,111,252	15.60	938,055	14.97
Due from banks and other financial institutions	652,691	9.16	525,033	8.38
Total assets	7,122,155		6,268,299	

### ① **Loans and advances to customers**

During the Reporting Period, the Group reasonably controlled the amount, direction and pace of credit disbursements, which brought a balanced and steady growth in loans. As at the end of the Reporting Period, the Group's total loans and advances to customers were RMB3,709.152 billion, representing an increase of RMB277.417 billion or 8.08% from the beginning of the year, among which the increase in RMB loans from domestic branches amounted to RMB223.368 billion or 7.07% from the beginning of the year.

#### *Loans concentration by industry*

During the Reporting Period, the Group actively supported the upgrade of industrial structure and development of the real economy as well as vigorously promoted the optimisation of their business structure.

## Management Discussion and Analysis (Continued)

The table below illustrates the distribution of the Group's loans and advances to customers by industry as of the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2015		31 December 2014	
	Balance	Proportion (%)	Balance	Proportion (%)
Mining	102,007	2.75	98,886	2.88
Manufacturing				
– Petroleum and chemical	122,990	3.32	120,727	3.52
– Electronics	86,611	2.34	77,856	2.27
– Steel	36,833	0.99	38,760	1.13
– Machinery	115,991	3.13	110,486	3.22
– Textile and clothing	39,929	1.08	39,389	1.15
– Other manufacturing	249,756	6.72	237,455	6.92
Electricity, gas and water production and supply	134,712	3.63	132,234	3.85
Construction	117,132	3.16	107,521	3.13
Transportation, storage and postal service	424,819	11.45	388,980	11.33
Telecommunications, IT services and software	13,945	0.38	12,291	0.36
Wholesale and retail	360,647	9.72	333,003	9.70
Accommodation and catering	33,162	0.89	30,536	0.89
Financial services	48,934	1.32	45,693	1.33
Real estate	217,603	5.87	207,566	6.05
Services	260,910	7.03	233,905	6.82
Water conservancy, environmental and other public utilities	138,219	3.73	138,903	4.05
Education, science, culture and public health	66,329	1.79	59,833	1.74
Others	87,033	2.35	74,806	2.18
Discounted bills	108,710	2.93	74,548	2.17
<b>Total corporate loans</b>	<b>2,766,272</b>	<b>74.58</b>	<b>2,563,378</b>	<b>74.69</b>
Mortgage	567,276	15.29	529,871	15.44
Credit card overdraft	250,649	6.76	223,593	6.52
Others	124,955	3.37	114,893	3.35
<b>Total personal loans</b>	<b>942,880</b>	<b>25.42</b>	<b>868,357</b>	<b>25.31</b>
<b>Gross amount of loans and advances to customers before impairment allowances</b>	<b>3,709,152</b>	<b>100.00</b>	<b>3,431,735</b>	<b>100.00</b>

As at the end of the Reporting Period, the Group has a total outstanding corporate loan balance of RMB2,766.272 billion, representing an increase of 7.92% or RMB202.894 billion as compared to the beginning of the year. The four most concentrated industries were manufacturing, transportation, storage and postal service, and wholesale, retail and servicing industries, which accounted for 61.40% of total corporate loans.

As at the end of the Reporting Period, the Group has a total outstanding personal loan balance of RMB942.880 billion, representing an increase of 8.58% or RMB74.523 billion as compared to the beginning of the year. The proportion of personal loans as a percentage to total loans and advances to customers increased by 0.11 percentage point from the beginning of the year to 25.42%.

#### *Loan concentration by borrowers*

As at the end of the Reporting Period, the largest single borrower of the Group accounted for 1.45% of the Group's net capital, and the total loans of top 10 customers accounted for 11.77% of the Group's net capital, which were in compliance with regulatory requirements.

## Management Discussion and Analysis (Continued)

The table below illustrates the loan balances to the top 10 single borrowers of the Group as at the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2015		
	Type of industry	Loan balances	Percentage of total loans and advances (%)
Customer A	Transportation, storage and postal service	8,553	0.24
Customer B	Transportation, storage and postal service	8,085	0.22
Customer C	Others	7,586	0.20
Customer D	Transportation, storage and postal service	7,075	0.19
Customer E	Manufacturing – other manufacturing	7,054	0.19
Customer F	Water conservancy, environmental and other public utilities	6,833	0.18
Customer G	Transportation, storage and postal service	6,492	0.18
Customer H	Transportation, storage and postal service	6,326	0.17
Customer I	Services	5,724	0.15
Customer J	Transportation, storage and postal service	5,498	0.15
<b>Total</b>		<b>69,226</b>	<b>1.87</b>

### *Loan concentration by geographical locations*

The Group's loan customers are mainly located in the Yangtze River Delta, the Bohai Rim Economic Zone and the Pearl River Delta. As at the end of the Reporting Period, the loans and advances to customers in these three regions accounted for 32.84%, 18.71% and 7.35% of the total loan portfolio, respectively, among which, the loan balance in the Yangtze River Delta and the Pearl River Delta increased by 10.38% and 6.44%, respectively from the beginning of the year, and the loan balance in the Bohai Rim Economic Zone decreased by 4.01% since the beginning of the year.

### *Loan quality*

As at the end of the Reporting Period, the impaired loans ratio was 1.35%, representing an increase of 0.10 percentage point from the beginning of the year. The provision coverage ratio of impaired loans decreased by 8.45 percentage points from the beginning of the year to 170.43%. The provision rate was 2.30%, increased by 0.06 percentage point from the beginning of the year.

The table below illustrates certain information on the Group's impaired loans and loans overdue by more than 90 days as at the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2015	31 December 2014
Impaired loans	50,153	43,017
Loans overdue by more than 90 days	70,993	44,614
Percentage of impaired loans to gross amount of loans and advances to customers (%)	1.35	1.25

### ② **Investment securities**

As at the end of the Reporting Period, the Group's net balance of investment securities increased by RMB227.678 billion or 19.58% from the beginning of the year to RMB1,390.554 billion. Overall yield on investment securities reached a relatively satisfactory level of 4.18%, mainly benefiting from the reasonable allocation and continuous optimisation of the investment composition.

## Management Discussion and Analysis (Continued)

### *Investment composition in securities*

The table below illustrates the composition of the Group's investment in securities shown by financial asset classification based on holding purposes and by type of issuers as of the dates indicated:

#### – By financial asset classification based on holding purposes

(in millions of RMB unless otherwise stated)

	30 June 2015		31 December 2014	
	Balance	Proportion (%)	Balance	Proportion (%)
Financial assets at fair value through profit or loss	141,066	10.14	105,702	9.09
Loans and receivables investments	265,758	19.11	211,588	18.20
Financial assets – available-for-sale	236,787	17.03	210,016	18.06
Held-to-maturity investments	746,943	53.72	635,570	54.65
<b>Total</b>	<b>1,390,554</b>	<b>100.00</b>	<b>1,162,876</b>	<b>100.00</b>

#### – By type of issuers

(in millions of RMB unless otherwise stated)

	30 June 2015		31 December 2014	
	Balance	Proportion (%)	Balance	Proportion (%)
Governments and central banks	443,456	31.89	345,199	29.68
Public sector entities	20,672	1.49	20,119	1.73
Banks and other financial institutions	475,079	34.16	425,079	36.56
Corporate entities	451,347	32.46	372,479	32.03
<b>Total</b>	<b>1,390,554</b>	<b>100.00</b>	<b>1,162,876</b>	<b>100.00</b>

**Top 10 financial bonds held by the Group**

(in millions of RMB unless otherwise stated)

Bond names	Face value	Annual interest rate (%)	Maturity date	Impairment allowance
2015 banks and non-bank financial institutions bond	5,910	4.95	19/01/2018	–
2011 banks and non-bank financial institutions bond	5,000	5.50	26/10/2021	–
2014 banks and non-bank financial institutions bond	4,000	5.98	18/08/2029	–
2012 banks and non-bank financial institutions bond	3,800	4.70	29/06/2022	–
2012 banks and non-bank financial institutions bond	3,500	4.30	14/02/2017	–
2013 banks and non-bank financial institutions bond	3,200	4.95	17/06/2023	–
2012 banks and non-bank financial institutions bond	3,000	4.20	28/02/2017	–
2013 policy bank bond	3,000	3.89	10/01/2016	–
2013 policy bank bond	2,900	4.16	10/01/2018	–
2013 policy bank bond	2,800	4.10	26/02/2020	–

**(2) Liabilities**

As at the end of the Reporting Period, the Group's total liabilities increased by RMB835.661 billion or 14.42%, from the beginning of the year to RMB6,630.355 billion. Among this balance, customer deposits increased by RMB484.898 billion from the beginning of the year, which accounted for 68.09% of total liabilities, representing a decline of 1.45 percentage points from the beginning of the year. Balance due to banks and other financial institutions increased by RMB290.933 billion, accounting for 25.63% of total liabilities, which represents an increase of 1.33 percentage points from the beginning of the year.

## Customer deposits

Customer deposits were the Group's main source of capital. As at the end of the Reporting Period, the Group's customer deposits balance increased by RMB484.898 billion or 12.03%, from the beginning of the year to RMB4,514.566 billion. In terms of the Group's customer structure, total corporate customer deposits accounted for 68.31% of total deposits, representing an increase of 2.14 percentage points from the beginning of the year; while total personal deposits accounted for 31.56% of total deposits, representing a decrease of 2.13 percentage points from the beginning of the year. In terms of deposit tenure, the proportion of demand deposits decreased by 4.33 percentage points from the beginning of the year to 43.76%, while the proportion of time deposits increased by 4.34 percentage points from the beginning of the year to 56.11%.

The table below illustrates the Group's corporate and personal deposits as of the dates indicated:

	(in millions of RMB)	
	30 June 2015	31 December 2014
Corporate deposits	3,084,103	2,666,271
Include: Corporate demand deposits	1,415,102	1,395,657
Corporate time deposits	1,669,001	1,270,614
Personal deposits	1,424,633	1,357,902
Include: Personal demand deposits	560,477	542,124
Personal time deposits	864,156	815,778

### 3. Analysis on major cash flow items

As at the end of the Reporting Period, the Group's cash and cash equivalents increased by RMB180.163 billion from the beginning of the year to RMB493.789 billion.

The net cash inflows from operating activities increased by RMB366.188 billion on a year-on-year basis to RMB355.947 billion, mainly due to the increase in the cash inflows from customer deposits and balances due to banks and other financial institutions.

The net cash outflows from investing activities increased by RMB171.485 billion on a year-on-year basis to RMB172.386 billion, mainly due to the increase in net cash outflows from activities related to investment securities.

The net cash outflows from financing activities increased by RMB23.964 billion on a year-on-year basis to RMB3.340 billion, mainly due to the increase in cash outflows related to bond redemptions, withdrawals of certificates of deposits, and distribution of cash dividends.

## 4. Segment analysis

### (1) Operating results by geographical segment

The table below illustrates the profit before tax and net operating income from each of the Group's geographical segments for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June			
	2015		2014	
	Profit before tax	Net operating income <sup>1</sup>	Profit before tax	Net operating income <sup>1</sup>
Northern China	6,270	11,720	7,004	12,070
North Eastern China	1,974	4,118	1,212	3,449
Eastern China	15,380	35,808	15,335	33,674
Central and Southern China	10,303	16,827	7,333	14,464
Western China	6,315	9,427	4,843	8,106
Overseas	3,195	4,727	3,185	4,458
Head Office	4,852	14,519	8,283	14,652
<b>Total<sup>2</sup></b>	<b>48,289</b>	<b>97,146</b>	<b>47,195</b>	<b>90,873</b>

Note:

- Includes net interest income, net fee and commission income, dividend income, net gains/(losses) arising from trading activities, net gains/(losses) arising from de-recognition of financial investments, insurance business income, share of results of associates and other operating income.
- Including profit attributable to non-controlling interest.

**(2) Deposits and loans and advances by geographical segments**

The table below illustrates the Group's deposits and loans and advances balances by geographical segments as at the dates indicated:

(in millions of RMB)

	30 June 2015		31 December 2014	
	Deposits	Loans and advances	Deposits	Loans and advances
Northern China	676,481	537,086	534,997	524,090
North Eastern China	256,678	178,708	235,562	177,888
Eastern China	1,702,762	1,306,377	1,543,041	1,235,779
Central and Southern China	974,942	680,204	950,701	638,822
Western China	548,939	373,998	469,019	348,089
Overseas	352,874	362,119	293,982	276,983
Head Office	1,890	270,660	2,366	230,084
<b>Total</b>	<b>4,514,566</b>	<b>3,709,152</b>	<b>4,029,668</b>	<b>3,431,735</b>

**(3) Operating results by business segment**

The Group's four main business segments are: 1) corporate banking, 2) personal banking, 3) treasury business and 4) other business. The corporate banking segment was the primary source of profit for the Group, the corresponding net interest income accounting for 56.04% of the Group's total net interest income.

The table below illustrates the Group's net interest income from each of the Group's segments for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June 2015				
	Corporate banking	Personal banking	Treasury business	Other businesses	Total
Net interest income	39,822	16,751	14,028	458	71,059
– Net external interest income/(expense)	38,988	7,411	24,202	458	71,059
– Net internal interest income/(expense)	834	9,340	(10,174)	–	–

### (III) Development of Asset Securitisation

The Bank vividly supports the innovation in the credit asset securitisation business by enhancing the types of underlying assets and exploring the diversified launching pattern. As at the end of the Reporting Period, BoCom phase I credit asset securitisation in 2014 had an outstanding principal balance of duration loan of RMB1.369 billion, and BoCom phase II credit asset securitisation in 2014 had an outstanding principal balance of RMB1.272 billion. The Bank strictly carry out the required ongoing management responsibilities including the requirements stipulated in the loan service contracts to ensure all loans remains normal with no incidence of defaults.

### (IV) Capital Adequacy Ratio

Measurement method

The Group calculated capital adequacy ratio pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Provisional)* issued by the CBRC. Upon the approval from regulatory authorities, the Group started to use the Advanced Measurement Approach of Capital Management from June 2014.

Scope of measurement

The calculation of capital adequacy ratio encompassed the Group's domestic and overseas branches and subsidiaries which are financial institutions (excluding insurance company).

Measurement result

At the end of June 2015, as calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Provisional)* issued by the CBRC, the Group has capital adequacy ratio of 13.12%, Tier 1 Capital adequacy ratio of 10.86%, and Core Tier 1 Capital adequacy ratio of 10.86%, which fulfilled the regulatory requirements.

(in millions of RMB unless otherwise stated)

**Pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Provisional)* issued by the CBRC in calculation of relevant ratio** <sup>Note:</sup>

Item	The Group	The Bank
Net Core Tier 1 Capital	487,289	464,336
Net Tier 1 Capital	487,307	464,336
Net Capital	588,364	565,182
Core Tier 1 Capital adequacy ratio (%)	10.86	10.69
Tier 1 Capital adequacy ratio (%)	10.86	10.69
Capital adequacy ratio (%)	13.12	13.01

Note:

Pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Provisional)*, the above calculation excluded BoCom Insurance and BoCommLife Insurance. According to capital adequacy ratio calculated by adopting the Advanced Measurement Approach of Capital Management, the credit risk was assessed by the internal rating-based approach, the market risk by the internal model approach, and the operational risk by the standardised approach.

**Pursuant to the *Administrative Measures for the Capital Adequacy Ratio of Commercial Banks* issued by the CBRC in calculation of relevant ratio:**

Item	The Group	The Bank
Core Capital Adequacy Ratio (%)	10.74	10.70
Capital adequacy ratio (%)	13.52	13.37

### Risk-weighted asset

The table below measures the Group's risk-weighted assets in accordance with the *Administrative Measures for the Capital Management of Commercial Banks (Provisional)*. The credit risk-weighted asset was assessed based on internal rating, the market risk-weighted asset was quantified using internal model, and the operational risk-weighted asset was quantified using a standardised approach.

(in millions of RMB)

Item	30 June 2015
Credit risk-weighted asset	3,688,453
Market risk-weighted asset	111,194
Operational risk-weighted asset	292,811
Additional risk-weighted assets arising from capital application floor and calibration	393,372
<b>Total risk-weighted asset</b>	<b>4,485,830</b>

## Credit risk exposure

### **Exposure to default risk covered under the internal rating approach**

(in millions of RMB)

**Pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) issued by the CBRC in calculation of relevant ratio**

Item	30 June 2015
Corporate risk exposure	2,904,273
Retail risk exposure	1,042,869
<b>Total</b>	<b>3,947,142</b>

### **Credit risk exposure not covered under the internal rating approach**

(in millions of RMB)

**Pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) issued by the CBRC in the calculation of relevant ratio**

Item	30 June 2015
On-balance-sheet credit risk	3,797,147
Including: Asset securitisation	13,162
Off-balance-sheet credit risk	154,003
Counterparty credit risk	34,393
<b>Total credit risk exposure not covered under the internal rating approach</b>	<b>3,985,543</b>

## Management Discussion and Analysis (Continued)

### Market risk capital requirement

The Group's market risk capital requirement was assessed using internal model, and for market risk not already covered by internal model was assessed with a standardised approach. The table below sets forth the market risk capital requirements of the Group.

(in millions of RMB)

Item	30 June 2015 Capital requirement
Market risk covered by internal model	7,583
Market risk not covered by internal model	1,313
<b>Total market risk capital requirement</b>	<b>8,896</b>

### Value at risk (VaR)

The Group adopted the historical simulation method to calculate VaR and stressed value at risk (SVaR) which had a historical observation period of 1 year, holding period of 10 working days and with a 99% confidence interval.

(in millions of RMB)

Item name	January to June 2015	
	Value at risk (VaR)	Stressed value at risk (SVaR)
VaR of market risk as at Reporting Period end	1,133	1,229
Max. VaR during the Reporting Period	1,355	1,728
Min. VaR during the Reporting Period	818	918
Average VaR during the Reporting Period	1,087	1,310

## Management Discussion and Analysis (Continued)

Risk exposure from banking book equity investments and the risk returns

The table below shows the information related to the risk exposure from banking book equity investments and the risk returns of the Group.

(in millions of RMB)

Item	30 June 2015	
	Outstanding risk exposure	Unrealised potential risk returns <sup>Note</sup>
Equity investment	2,029	54

Note: Unrealised gains and losses from potential risk are reflected in the statement of financial position and not through the profit or loss items.

For more information about the Bank's capital measurement, please refer to the Appendix titled "Information Disclosed pursuant to 'Administrative Measures for the Capital Management of Commercial Banks (Provisional)'. For more information about the Bank's capital financing situation, please refer to (XIV) Issuance of Preference Shares under "Significant Events".

### (V) Information on Leverage Ratio

The Group calculated the leverage ratio in accordance with the requirement of the CBRC Revised Rules on *Leverage Ratio of Commercial Banks* in January 2015. On 30 June 2015, the Group's leverage ratio was 6.15%, which complied with the regulatory requirements.

(in millions of RMB unless otherwise stated)

**Calculated in accordance with the CBRC Revised Rules on *Leverage Ratio of Commercial Banks (Revised) (2015, No. 1)* issued by CBRC**

Item	30 June 2015
Net Tier 1 Capital	487,307
Balance of adjusted on-and-off-balance sheet items	7,919,134
Leverage ratio (%)	6.15

For more information on the Group's leverage ratio, please refer to the Appendix titled "*Supplementary Information on Leverage Ratio*".

### (VI) Risk Management

In the first half of 2015, the Bank continued to improve the comprehensive risk management framework with the core focus on "full coverage, whole process, risk management culture and responsibility accountability system". Concentrating on risk prevention and control as well as tackling both the problem and its cause, not only did the Bank made parallel progress as a whole but also on specific focus areas, it achieved noticeable results in each of the risk management initiatives promoted.

#### 1. Risk appetite

The Board of Directors established "stability, balance, compliance and innovation" as the overall risk appetite of the Bank, defined its risk tolerance in the form of return, capital, quality and risk rating, and further set 23 detailed risk limit indicators in seven risk areas concerning credit, market, operation, liquidity, interest rate, and country (economic units) risk in order to control the overall risk changes on a regular basis.

During the Reporting Period, the Bank adhered to a strong commitment in compliance operation to implement the external regulatory requirements and strengthen the internal policies constraints. The Bank constantly enhanced risk management to actively support its business development strategy and effectively control the risks for transformation and innovation. Insisting on the pursuit of a stable and balanced development, the Bank strived to maintain a dynamic balance between risk and return to achieve a balanced development among business scale, quality and profitability. In the first half of 2015, the implementation of the Bank's overall risk appetite was fair. All indicators of the risk tolerance levels and risk limits are stable.

### 2. Risk management framework

The Board of Directors had the ultimate responsibility and decision-making authority for the Bank's risk management. The Bank monitored and controlled the Bank-wide risk management matters through its delegation of the Risk Management Committee. The Bank's Senior Management established a "1+3+2" Risk Management Committee, where the Enterprise Risk Management Committee was dedicated to implementing the Board's risk management strategy and risk appetites. According to the principle of "going horizontal to the edges, going vertical to the bottom, and covering all aspects", the Enterprise Risk Management Committee was responsible for completing the management system, optimising the working system, standardising the management policies, and performing evaluations on the effectiveness of risk management function in an all-around way. Three sub-committees had been established under the Enterprise Risk Management Committee, namely the Credit Risk Management Committee, the Market and Liquidity Risk Management Committee, and the Operational Risk Management and Compliance (Anti Money-Laundering) Committee. Two business review committees, namely the Credit/Non-credit Review Committee and the High-risk Assets Review Committee had also been established and performed their respective duties. Each tier-1 branch, overseas branch and subsidiary, while according to the actual operation and management needs, correspondingly established simplified and practical risk management committees referring to the above mentioned framework. The Bank ensured the full implementation of risk management procedures through the mechanism of "leadership and execution, supervision and reporting" between the Risk Management Committee and sub-committees, and among committees of the Head Office and branches, forming a unified and coordinated risk management system.

### 3. Risk management tool

The Bank valued great importance to the establishment of risk management tools, information systems and econometric models. During the Reporting Period, the Bank continued to refine the management and control requirements of various risks by designing risk monitoring systems and tools to various risk characteristics and operations, implementing all-round investigations and primary operation review of various risks, and strengthening real-time risk control through information system so as to continuously improve the pertinence and effectiveness of risk management and control.

During the Reporting Period, the Bank continued to optimise the econometric models and management framework to completely cover all types of risk including credit risk, market risk, and operational risk. The Group consistently implemented monitoring and analysis of model operation, properly launched model optimisation, stably improved establishment of advanced risk measurement methods, and applied the measurement results to customer access, quota management, risk monitoring and control and performance appraisal.

#### 4. Credit risk management

Credit risk was one of the major risks the Bank faces, mainly attributable to its loan business, treasury business, international business, on-balance-sheet wealth management and direct investment business. The Bank stringently manages each procedure from investment guidance, investigation and reporting to business check and approval, release of funds, and management over durations and non-performing loans. In order to control credit risk within an acceptable range and achieve a balance between risk and return.

The business development is driven by the principles set out in the credit underwriting policy. The Bank strictly implemented the 2015 *Bank of Communications Credit and Risk Policy Outline* and industry (region) investment guidance to continue upgrading the asset composition. The investment appetite in the first half of 2015 was aligned with the characteristics of the current macro-economy, in areas of protection of quality living and consumption upgrade such as agriculture, forestry, fishing, gas and water, medical care, hygiene and social affairs, higher growth rate was noted as compared to the average growth rate of total loans. Manufacturing loan growth further leaned towards electronics and other advanced manufacturing industries. Loan balances related to eight industries with over capacity were reduced by RMB8.905 billion from the beginning of the year. Loans to the wholesaling industry which has heightened risks decreased by 0.21 percentage point from the beginning of the year.

The Bank continued to strengthen the management and control in key areas. It maintained a “negative list” using internal credit assessment and data mining techniques for targeted industries such as wholesale trade, machinery and textile. The Bank also paid special attention to risks of chains (circles) of guarantee and directed its branches to search for key risk points for solution. The Bank strengthened its risk management over manufacturing, industries with excess production, and wholesale trade by a combination of controls over total exposure, name lists, quota management, and more stringent project approvals within the authority of the branches.

The Bank enhanced asset management with a focus on overdue loan control. It monitored and analysed the changes in overdue loans on a daily basis in order to ensure new overdue loans are identified and under centralised control in a timely manner, moving from performing analysis on the aftermath to proactive management. With an aim to “control risk, cease overdue, and clearing distress”, the Bank designed specific control activities over the retail credit business based on risk characteristics to prevent the continuous deterioration in asset quality of the retail credit business.

Through efforts on rejecting lower quality assets, increasing secured loans, and loan restructuring, the Bank can minimise risk at a premature stage. In the first half of 2015, the Bank refused and reduced RMB36.0 billion of high risk loans and increased collateralization of RMB38.4 billion. The Bank strongly promoted business restructuring to help reinforce ability to lessen the risk. In the first half of 2015, the Bank recovered principal of RMB1.679 billion and interest of RMB0.194 billion through business restructuring, and directly reduced RMB30.062 billion of deterioration to non-performing level. This increased the average asset coverage of risk business by 4.25 percentage points.

The Bank took various measures to clear, recover, and dispose in order to suppress non-performing assets. In the first half of 2015, the Bank reduced on-balance sheet non-performing assets by RMB12.828 billion, including non-performing loans of RMB12.456 billion and non-credit non-performing assets of RMB372 million.

According to the regulatory requirements as stipulated in the Guidelines on Risk-Based Loan Classification issued by the CBRC and the level of risk, the Bank implemented a five-category classification method on credit assets that includes pass, special mention, sub-standard, doubtful and loss, of which, the latter three categories, namely sub-standard, doubtful and loss are regarded as non-performing loan categories, which is based on the judgement on the possibility of repayment on principal and interest in a timely manner. For corporate credit assets, the Bank has relied on the core regulatory definition as a basis and referred to its internal assessment and individual impairment to define detailed risk attributes and measurement standards of the five categories. The Bank ensured that sufficient consideration is given to the various factors affecting the quality of credit assets and prudent practices were carried out in risk classification. For retail credit assets (including credit cards), the Bank also managed them using the five-category classification method, taking default payments as an indicator, it gave considerations to the aging status and type of guarantees provided.

## Management Discussion and Analysis (Continued)

As at the end of June 2015, the balance of non-performing loans of the Group was RMB50.153 billion or 1.35%, increased by RMB7.136 billion or 0.10 percentage point from the beginning of the year. As at the end of June 2015, the breakdown of the Group's five categories of loan classification stipulated by the Chinese banking regulatory authorities were as follows:

(in millions of RMB unless otherwise stated)

Category	30 June 2015		31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Pass	3,538,680	95.41	3,296,815	96.07	3,173,011	97.14
Special mention	120,319	3.24	91,903	2.68	59,047	1.81
Total performing loans	3,658,999	98.65	3,388,718	98.75	3,232,058	98.95
Sub-standard	15,673	0.42	16,103	0.47	13,778	0.42
Doubtful	22,017	0.59	18,680	0.54	13,586	0.42
Loss	12,463	0.34	8,234	0.24	6,946	0.21
Total non-performing loans	50,153	1.35	43,017	1.25	34,310	1.05
Total	3,709,152	100.00	3,431,735	100.00	3,266,368	100.00

As at the end of June 2015, the breakdown of the Bank's migration rate stipulated by the Chinese banking regulatory authorities were as follows:

Migration rates (%)	January to June 2015	2014	2013
Pass	1.58	2.59	1.58
Special mention	15.87	24.43	23.18
Sub-standard	34.05	52.64	37.02
Doubtful	27.55	18.90	17.96

Note: Data calculated pursuant to the Notice on the Distribution of the Regulatory Indicator and Calculation Formula for Off Site Investigation issued by the CBRC.

### 5. Market risk management

The key market risks which the Bank is exposed to are interest rate risk and foreign exchange risk (gold included).

The Bank established and improved a market risk management framework with clarified duties and responsibilities, sound policies and procedures, enhanced measurement system, and timely analysis and monitoring to control and prevent market risks and heighten the level of market risk management. Based on the risk appetite determined by the Board of Directors, the Bank proactively identifies, measures, monitors, controls, and reports its market risks using a variety of methods such as management of limits, risk hedging, and risk transfer, to control its exposure to market risk within the acceptable range, and maximising risk-adjusted profits on this basis.

In the Reporting Period, the Bank further improved its market risk management framework by continuing to optimise the market risk management information system including formalising the policies for managing the valuation of fair value of financial instruments, developing the valuation models, parameters, and market data for new businesses and new products, optimising market risk management models and allocation, and reviewing data quality on a regular basis.

The Bank continues to improve the application of the results from market risk measurement into management's practice. The Bank can obtain the daily capital transaction positions of the entire bank and most updated market data to perform position valuation and sensitivity analysis in a timely manner. The Bank can quantify market risks and measure the value at risk (VaR) on a daily basis from different perspective such as different risk factors, different investment portfolios and products, using the historical simulation method. Moreover, it can be applied to capital measurement using the internal model, monitoring of limits, performance assessment, risk monitoring and analysis. The Bank can perform reverse testing to verify the accuracy of the VaR model and regular stress testing to analyse the risk situation of the investment portfolios under stressed scenarios. The results reveal that the market risk measurement model is able to timely capture the financial market changes and objectively reflect market risks which the Bank faces.

The Bank actively responded to market changes. It carried out studies on various areas such as the increase in interest rate and currency appreciation of US dollars, the marketisation of RMB interest rate and exchange rate, and replacement of local municipal bonds, to provide comments and suggestions as references for management's decision. Meanwhile, the Bank closely followed the new trend of governance over market risk both domestically and internationally. It actively involved in CBRC's quantitative testing and performed in-depth analysis of the feasibility and challenges of the implementation of new market risk regulatory developments, in order to obtain timely feedback on the Bank's comments and recommendations.

### 6. Liquidity risk management and control

The Bank's liquidity management aims to fully identify, effectively measure, continuously monitor, and appropriately control the liquidity risks of the entire bank and its products, business lines, business processes, and entities at all layers, in order to carry out the business operations in an orderly manner.

During the Reporting Period, the Bank continued to strengthen its projections on the macro-economic financial situation and the market trend of interest rates. Through the existing communication protocols of monthly liquidity management meetings and weekly business update meetings, the Bank made necessary adjustments to optimise its asset and liability composition in order to ensure the coordinated development of the source of funds and its application. The Bank predicted possible liquidity gap and makes arrangements in advance. It increased the frequency of communication on the prediction of cash positions during the day and any sudden changes in temporary fund to ensure liquidity is safe. The Bank improved its liquidity risk management framework in accordance with regulatory requirements. Limits were set based on the risk appetite on liquidity risk and the funds transfer pricing (FTP) tool is used to help strike the balance between liquidity and profitability in order to encourage the establishment of RMB and foreign currency cash management system in an orderly and stable manner.

### 7. Operational risk management

The Bank endures operational risks since they are inevitable, and it required large-scale investments in order to carry on the effective management of operational risks. The Bank emphasises on reasonable control for the investment cost and opportunity cost of the operational risk management.

The Bank has established a comprehensive management framework for operational risks which is appropriate for its business nature, scale and product complexity to warrant and regulate operational risks as well as self-assessment on controls, collection of loss data, key risk factors monitoring, and procedures over the management of operational risk incidents.

During the Reporting Period, the Bank continued to enhance the level of its operational risk management including the processes and internal management. It established in total 93 initial risk assessments over the processes of the Bank's unified business and featured business in the branches. It commenced self-evaluation for risks and controls related to 46 key business cycles, in order to understand the overall operational risks related to business processes and clearly identify the improvement needs. The Bank carried out specific operational risk investigation over the customer reserve deposit services for payment institutions and the domestic factoring business, to ensure a systematic and orderly development. The operation risk incidence reports is tailored and refined with formal instructions on handling, this is to further improve the quality of the report and data collection. In the first half of 2015, the Bank performed detailed analysis over 60 typical operational risk cases, investigating the process weaknesses and management deficiencies in areas such as staff management, processes operation and system controls, and supervised the implementation of improvement measures. The Bank announced an overall policy specifically over the management of outsourcing risk assessment to strengthen the management process of outsourcing and control the risks during execution stage of the entire bank. The business continuity contingency drill plan has been fixed and a drill is arranged in which the entire bank shall participate.

### 8. Legal compliance and anti-money laundering

The Bank strives to continue to improve its legal compliance risk management framework. It has a complete legal compliance management mechanism using innovative ways and sophisticated tools to manage legal and compliance. The Group aims to integrate its legal and compliance risk for management and control purposes in order to provide strong legal and compliance support and protection for deepened reform.

During the Reporting Period, the Bank constantly enhanced the overall quality and efficiency of managing legal and compliance. It strengthened the monitoring of legal and compliance risk especially in areas such as business innovation, policy management, and settlement of litigations and disputes. The Bank embraces a culture of full compliance. It creates an atmosphere of compliance by educating and disseminating general knowledge of the law, conforming to the requirements of 'governing the nation by law', and advocating the concept of "compliance comes first, each and everyone proactively complies".

The Bank persistently upholds the management of anti-money laundering including pushing for the centralised handling of anti-money laundering suspicious transactions reporting.

### 9. Reputational risk management

The Bank continued to improve the reputational risk management framework to effectively prevent the risk of stakeholders having negative comments about the Bank's operation, management, any other behaviours or external events, and to handle all the different types of incidents giving rise to reputational risk appropriately.

The Bank always carries out the reputational risk management work with prudence. It improved the reputational risk management framework, standardised the reputational risk management process, and progressively initiated the work on reputational risk identification, evaluation, monitoring and control. During the Reporting Period, the Bank launched the *Comments related to further Strengthen Reputational Risk Management* as the fundamental policy of management over reputational risk under the new state. To enhance the level of reputation risk management under the complex and ever-changing conditions, the Bank also implemented the "Top Leader" responsibility-driven accountability system.

### 10. Cross-industry, cross-border and country risk management

The Bank continues to improve its cross-industry, cross-border, risk management framework with "centralized management, clarified responsibilities, complete and adequate system tools, IT support, quantified risks, and pragmatic consolidation". It promoted all subsidiaries and overseas entities to take into account both the Group's standardised requirements and the respective requirements from local regulatory governing bodies while performing risk management in order to prevent additional risks arising from cross-industry and cross-border operations.

The Bank continued to strengthen risk management over cross-industry and cross-border business. The Group revised its consolidation management method according to the latest requirements introduced by the CBRC. It completed the phase one implementation of the consolidation management system, which enables the system generation of data related to the subsidiaries' businesses and risk on a regular basis. This supports the full risk classification of assets for overseas branches and subsidiaries and enhances the consistency and accuracy of the classification.

As at the end of June 2015, country-specific (economic units) risk exposure of the Group after risk transfer was RMB443.510 billion, which accounted for 6.23% of total assets of the Bank, among which 59.07% were located in Hong Kong region. The country-specific (economic units) risks were controllable.

The Group was not aware of any internal transactions that were solely carried out for the purposes of achieving regulatory arbitration or risk transfer, without true commercial substance or not based on the prevailing market price, and would pose a negative impact for the Group to operate in a steady and healthy manner.

### (VII) Operations of Major Subsidiaries

#### 1. BoCom Schroder

BoCom Schroder was set up in August 2005 with a registered capital of RMB0.2 billion. The Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd. held 65%, 30% and 5% of the equity interests respectively. The business scope includes fund raising, fund sales, asset management, and other services approved by the CSRC.

As at the end of the Reporting Period, total assets under the management of BoCom Schroder was RMB359.592 billion (including RMB74.085 billion public offer funds management and RMB285.507 billion non-public offer funds) and realised net profits of RMB203 million.

#### 2. BoCom International Trust

BoCom International Trust was set up in October 2007 with a registered capital of RMB3.765 billion with 85% equity interests held by the Bank and 15% held by Hubei Provincial Communications Investment Limited. The business scope includes an array of trust services; investment and financing, mergers and acquisitions, corporate finance and financial advisory services as a founder of investment fund or fund management company; securities underwriting services entrusted by the State Council; intermediary services, consulting and credit investigation; generation custody business and safe deposit box service, interbank lending and borrowings, loans, leasing, investment based on existing assets; guarantee; interbank lending and borrowings; and other businesses stipulated in laws and regulations or approved by the CBRC.

As at the end of the Reporting Period, the amount of AUM reached RMB463.699 billion, with net profits of RMB400 million.

#### 3. BoCom Leasing

BoCom Leasing, the Bank's wholly-owned subsidiary, was set up in December 2007 with a registered capital of RMB6 billion. The business scope includes finance leasing business, accepting guaranteed deposit of the lessee, transfer of lease receivables to commercial banks, issuing financial bonds, interbank lending and borrowings, foreign exchange loan, sale and disposal of residual value of rentals, business and financial consulting, and other businesses approved by the CBRC.

As at the end of the Reporting Period, the leasing asset balance were RMB128.185 billion, and net profit was RMB801 million.

#### 4. BoCommLife Insurance

BoCommLife Insurance was set up in January 2010 with a registered capital of RMB2.1 billion. 62.5% of shares are held by the Bank and 37.5% are held by the Commonwealth Bank of Australia. The business scope includes life insurance, health insurance, accidental injury insurance and reinsurance businesses (excluding statutory insurance) in the Shanghai administrative region and in the provinces, autonomous regions and municipalities where the branches were set up.

As at the end of the Reporting Period, BoCommLife Insurance's total assets were RMB10.790 billion and net assets were RMB1.985 billion. During the Reporting Period, BoCommLife Insurance's accumulated premium income was RMB3.141 billion and net profit was RMB87.0953 million.

#### 5. BoCom International

BoCom International was set up in May 2007 with a registered capital of HKD2 billion. It was set up under the business restructuring and integration program of BoCom International Securities Limited. It has three subsidiaries in Hong Kong, namely BoCom International (Asia) Limited, BoCom International Securities Limited and BoCom International Asset Management Limited. It also established wholly-owned Bank of Communications International (Shanghai) Equity Investment Management Limited in Shanghai. The business scopes are investment banking, stock brokerage services, asset management and domestic RMB equity investment management domestically, respectively.

As at the end of the Reporting Period, its total assets were HKD10.538 billion and its net profit was HKD217 million.

#### 6. BoCom Insurance

As a wholly-owned subsidiary of the Bank, BoCom Insurance was set up in November 2000 with a registered capital of HKD0.4 billion. The business scope includes general insurance businesses as defined in the Insurance Companies Ordinance, Chapter 41 of the Laws of Hong Kong.

As at the end of the Reporting Period, BoCom Insurance's total assets were HKD636 million, net assets were HKD523 million, and net profit was HKD7.77 million.

### 7. Dayi BoCom Rural Bank

Dayi BoCom Rural Bank was set up in September 2008 with a registered capital of RMB60 million and is 61% owned by the Bank. The business scope includes taking deposits from the general public, short, medium and long-term lendings, domestic settlements, bill acceptances and discounts, interbank lendings and borrowings, credit cards, agency issuances and settlements and other businesses approved by the CBRC.

As at the end of the Reporting Period, its total assets were RMB1.049 billion, total due to customers were RMB616 million, total loans amounted to RMB768 million and its net profit reached RMB13.059 million.

### 8. Anji BoCom Rural Bank

Anji BoCom Rural Bank was set up in April 2010 with a registered capital of RMB180 million and is 51% owned by the Bank. The business scope includes taking deposits from the general public, short, medium and long-term lendings, domestic settlements, bill acceptances and discounts, interbank lendings and borrowings, credit cards, agency issuances and settlements and other businesses approved by the CBRC.

As at the end of the Reporting Period, its total assets were RMB1.44 billion, total due to customers were RMB853 million, total loans amounted to RMB1.168 billion.

### 9. Xinjiang Shihezi BoCom Rural Bank

Xinjiang Shihezi BoCom Rural Bank was set up in May 2011 with a registered capital of RMB150 million and is 51% owned by the Bank. The business scope includes taking deposits from the general public, short, medium and long-term lendings, domestic settlements, bill acceptances and discounts, interbank lendings and borrowings, credit cards, agency issuances and settlements and other businesses approved by the CBRC.

As at the end of the Reporting Period, its total assets were RMB2.583 billion, total due to customers were RMB2.153 billion, total loans amounted to RMB1.984 billion and its net profit reached RMB21.9587 million.

### 10. Qindao Laoshan BoCom Rural Bank

Qindao Laoshan BoCom Rural Bank was set up in September 2012 with a registered capital of RMB150 million and is 51% owned by the Bank. The business scope includes taking deposits from the general public, short, medium and long-term lendings, domestic settlements, bill acceptances and discounts, interbank lendings and borrowings, credit cards, agency issuances and settlements and other businesses approved by the CBRC.

As at the end of the Reporting Period, its total assets were RMB984 million, total due to customers were RMB802 million, total loans amounted to RMB702 million and its net profit reached RMB10.644 million.

### (VIII) Strategic Cooperation with HSBC

The Bank and its strategic partner HSBC are committed to maintain close communication and sharing, be preferential partners, and achieve mutual benefits and collective development. Both banks continue to be in seamless collaboration mode and continue to expand the areas of cooperation under a concrete foundation.

Top management of the two banks have regular dialogues. During the Reporting Period, top management from the Bank and HSBC had 1 summit meeting and 1 executive chairman regular meeting where the status of cooperation results and experience were timely presented and other potential areas of cooperation and opportunities were also discussed. Together the future cooperation direction and goals are set which further strengthen the idea of mutual cooperation and reinforce confidence in each other. In addition, top management from the Bank and HSBC held 6 informal meetings to discuss about matters such as capital plan, finance and risk management, IT and operational management, where regulatory matters and management experiences were shared.

Working teams cooperate practically. During the Reporting Period, both teams were committed to transforming consensus reached by top management into joint actions and realising the collaborative benefits from strategic partnership. There were 5 business meetings held where customer demands and market information were exchanged and regulatory trend and cooperation opportunities were discussed. Furthermore, they explored new emerging areas of cooperation such as “Mainland China – Hong Kong Mutual Fund Connect”, small enterprise credit, and overseas investments and offshore custody.

Business cooperation is progressing steadily. During the Reporting Period, both banks fully took advantage of each other’s clientele and network and maintained superior cooperation with remarkable achievements in areas such as “1+1” syndicated loan, issuance of offshore bonds, overseas businesses, international clearing and settlement, and fund custody and distribution.

- Further deepen “1+1 Global Financial Service”. The banks co-organised a number of bank-enterprise exchange activities of “BoCom-HSBC 1+1 Global Financial Service” in Beijing, Shanghai and Shenzhen to publicise the “1+1” cooperation model and enhance the brand recognition of “1+1”. The banks collaboratively magnified the latitude of “1+1” cooperation by offering letter of credits for exporters, and domestic and overseas consortium loans services to large corporations such as China National Machinery Import and Export Corporation, PowerChina Hubei Electric Engineering Corporation, Greenland Group, China International Capital Corporation Limited, Haitong International Securities Group, Guotai Junan Securities and Meizhong Energy.
- Systematic development of overseas business cooperation. Hong Kong continues to remain as the representative region in exhibiting the overseas collaboration between both banks. In the first half of 2015, the banks completed 7 syndicated loans and bond issuance, totalling about USD8.235 billion in amount, a year-on-year increase of 187.93%. In addition, the banks carried out extensive business cooperation, including asset transfer, syndicated loan, forfaiting and risk participation, in places like Macau, Frankfurt, Seoul, Taipei, Singapore and New York.
- Smooth cooperation in international clearing and settlement. From January 2015 to June 2015, the Bank completed 127.9 thousand transactions of US dollar settlement with HSBC USA, representing a year-on-year increase of 52.82%. Total forfaiting business amounted RMB2.257 billion, a year-on-year increase of 122.8%.
- Rapid growth in fund custody and distribution. As at the end of Reporting Period, assets under custody through the banks’ cooperation arrangement amounted RMB27.5 billion, representing an increase of 47.85% from the beginning of the year. During the Reporting Period, as a fund distributor, the Bank accomplished total subscription of RMB974 million of the HSBC Jintrust Fund, a year-on-year basis of 323%.

Two-way Technical Cooperation and Exchange (TCE) are furthered. Both banks continued to share experience on domestic and overseas market characteristics, customer demands, operation philosophy and risk control by different ways such as engagement of experts, training for senior management, and secondment. Meanwhile, the banks organised detailed sharing sessions relating to business development and cooperation needs especially targeting “1+1 Global Financial Service”, domestic small enterprise business, RMB internationalisation opportunities, and transnational group marketing and management, with an aim to explore other potential collaborating opportunities.

In June 2015, the Bank's plan to deepen the reform was approved by the State Council, in which a key point is to strengthen the strategic cooperation with HSBC. In the future, BoCom and HSBC will use equity partnership as the primary basis to fully advance the collaboration in areas including corporate governance, TCE, cross-border business and international mergers and acquisitions, driving the collaboration between the two banks to the next level.

### (IX) Outlook

In the second half of 2015, the Bank is determined to continue to push forward “Deepen reform, transform development”, proactively and steadily respond to the external challenges and continuously enhance the ability of value creation. The key area of focus are: i) capture the national strategic policies, uplift the existing credit asset pool and strive for incremental increase, sponsor the transformation and upgrading of the real economy; ii) continue to deepen reform, accelerate the modification and optimisation of the front-line organisational structure and further promote fundamental changes to performance remuneration system to fully stimulate operating vitality; iii) exemplify the advantage of “One Bank both Internationalised and Integrated” and integrated operating platform and strengthen the interactivity and synergy among the different segment lines, domestic and overseas branches, the core bank and its subsidiaries in order to improve the ability to provide comprehensive financial services; iv) completely improve the overall risk management framework, pragmatically manage and control risk of all key areas, maintaining the quality of overall assets; and v) make all efforts to ensure the “531” system (a new generation of information system) is successfully implemented by the entire bank to exhibit the advantage of information technology, help promote innovative business models and internal control management process, and improve customer service quality.

# Changes in Share Capital and Shareholdings of Substantial Shareholders

## (1) Changes in Share Capital

- As at 30 June 2015, the Bank had issued a total of 74,262,726,645 shares, including 39,250,864,015 A shares and 35,011,862,630 H shares, which account for 52.85% and 47.15%, respectively.

Unit: Share

	Before		Changes (+/-) during the Reporting Period					After	
	Number of shares	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from the surplus reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to sales restrictions	6,541,810,669	8.81	-	-	-	-	-	6,541,810,669	8.81
II. Shares not subject to sales restrictions	67,720,915,976	91.19	-	-	-	-	-	67,720,915,976	91.19
1. RMB ordinary shares	32,709,053,346	44.04	-	-	-	-	-	32,709,053,346	44.04
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	35,011,862,630	47.15	-	-	-	-	-	35,011,862,630	47.15
III. Total	74,262,726,645	100.00	-	-	-	-	-	74,262,726,645	100.00

## (II) Shareholdings of the Shareholders (The below data is sourced from the Bank's register of members, maintained as its share registrar)

There is no controlling shareholder or actual controller of the Bank. During the Reporting Period, the Bank's shareholders with shareholding of 5% or more did not change.

As at the end of the Reporting Period, the Bank totally had 831,363 shareholders, including 792,325 holders of A shares and 39,038 holders of H shares.

## Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

### 1. Shareholdings of the Top 10 Shareholders

Unit: Share

Name of shareholders (Full name)	Increase or decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to sales restrictions	Number of shares pledged or frozen	Nature of shareholder
Ministry of Finance	-	19,702,693,828	26.53	2,530,340,780	Nil	State
HKSCC Nominees Limited <sup>2</sup>	21,249,437	14,938,533,678	20.12	-	Unknown	Foreign legal person
The Hongkong and Shanghai Banking Corporation Limited <sup>3</sup>	-	13,886,417,698	18.70	-	Nil	Foreign legal person
National Council for Social Security Fund <sup>4</sup>	-	3,283,069,006	4.42	1,877,513,451	Nil	State
Capital Airports Holding Company	-	1,246,591,087	1.68	-	Unknown	State-owned legal person
Shanghai Haiyan Investment Management Co., Ltd.	-	808,145,417	1.09	439,560,439	Unknown	State-owned legal person
Ping An Life Insurance Company of China Ltd. – Traditional – High interest rate policy products	(14,801,478)	705,385,223	0.95	705,385,012	Unknown	Domestic non-state-owned legal person
China FAW Group Corporation	-	663,941,711	0.89	439,560,439	Unknown	State-owned legal person
Yunnan Hongta Group Co., Ltd.	-	658,467,013	0.89	219,780,219	Unknown	State-owned legal person
Luneng Group Co., Ltd.	(125,078,169)	446,000,000	0.60	-	Unknown	State-owned legal person

Note:

- Unless otherwise stated, the Bank is not aware of any circumstances where shares held by the above shareholders have been pledged or frozen, or the existence of any connected relationship among the above shareholders, or whether they are parties acting in concert as defined in the *Measures for the Administration of the Takeover of Listed Companies*.
- The aggregate number of shares held by the nominee, HKSCC Nominees Limited, represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at 30 June 2015. (Same applies hereinafter)
- According to the Bank's register of members, HSBC held 13,886,417,698 H shares of the Bank as at 30 June 2015. In addition, according to the disclosure of interests forms filed with the Hong Kong Stock Exchange by HSBC Holdings plc, HSBC beneficially held 14,135,636,613 H shares of the Bank as at 30 June 2015, representing 19.03% of the Bank's total share capital. Please refer to "Substantial shareholders and holders of interest or short positions required to be disclosed under Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance" for details of the H shares that deemed to be beneficially owned by HSBC. (Same applies hereinafter)
- According to the information provided by SSF to the Bank, as at 30 June 2015, other than the shareholdings recorded in the register of members of the Bank, SSF held additional 7,027,777,777 H shares of the Bank, representing 9.46% of the Bank's total share capital, which had been registered under HKSCC Nominees Limited. As at 30 June 2015, SSF held a total of 10,310,846,783 A shares and H shares of the Bank, representing 13.88% of the Bank's total share capital. (Same applies hereinafter)

## Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

### 2. Shareholdings of the top 10 shareholders not subject to sales restrictions

Name of shareholders	Number of shares held not subject to sales restrictions	Class and number of shares	
		Class	Percentage of outstanding shares (%)
Ministry of Finance	17,172,353,048	RMB ordinary shares/Overseas-listed foreign shares	25.36
HKSCC Nominees Limited	14,938,533,678	Overseas-listed foreign shares	22.06
HSBC	13,886,417,698	Overseas-listed foreign shares	20.51
SSF	1,405,555,555	Overseas-listed foreign shares	2.08
Capital Airports Holding Company	1,246,591,087	RMB ordinary shares	1.84
Luneng Group Co., Ltd.	446,000,000	RMB ordinary shares	0.66
Yunnan Hongta Group Co., Ltd.	438,686,794	RMB ordinary shares	0.65
Shanghai Haiyan Investment Management Co., Ltd.	368,584,978	RMB ordinary shares	0.54
Aviation Industry Corporation of China	300,678,450	RMB ordinary shares	0.44
Daqing Petroleum Administration Bureau	294,936,165	RMB ordinary shares	0.44
Details of connected relationship or acting in concert among the above shareholders:	(1)	The Bank is not aware of the existence of any connected relationship among the above shareholders, or whether they are parties acting in concert as defined in the <i>Measures for the Administration of the Takeover of Listed Companies</i> .	
	(2)	The Bank is not aware of the existence of any connected relationship between the top 10 shareholders not subject to sales restrictions and the top 10 shareholders, or whether they are parties acting in concert as defined in the <i>Measures for the Administration of the Takeover of Listed Companies</i> .	

## Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

### 3. Shareholdings of the top 10 shareholders subject to sales restrictions

Unit: Share

SN	Name of shareholders subject to sales restrictions	Number of shares held subject to sales restrictions	Listing and trading situations of shares subject to sales restrictions		
			Listing and trading time	Increase in number of Listing and trading shares	Lock-up period
1	Ministry of Finance	2,530,340,780	24 August 2015	2,530,340,780	36 months
2	SSF	1,877,513,451	24 August 2015	1,877,513,451	36 months
3	Ping An Life Insurance Company of China Ltd. – Traditional – High interest rate policy products	705,385,012	24 August 2015	705,385,012	36 months
4	China FAW Group Corporation	439,560,439	24 August 2015	439,560,439	36 months
5	Shanghai Haiyan Investment Management Co., Ltd.	439,560,439	24 August 2015	439,560,439	36 months
6	China National Tobacco Corporation – Zhejiang Branch	329,670,329	24 August 2015	329,670,329	36 months
7	Yunnan Hongta Group Co., Ltd.	219,780,219	24 August 2015	219,780,219	36 months
	Details of connected relationship or acting in concert among the above shareholders:	The Bank is not aware of the existence of any connected relationship among the above shareholders, or whether they are parties acting in concert as defined in the <i>Measures for the Administration of the Takeover of Listed Companies</i> .			

Note: As at 30 June 2015, number of shares held subject to sales restrictions remains the same as that at the beginning of period.

### 4. Strategic investors or general legal persons became one of the top 10 shareholders due to subscriptions in new shares

During the private placement of A shares and H shares of the Bank in 2012, Ping An Life Insurance Company of China Ltd. – Traditional – High interest rate policy products became the top 10 shareholders of the Bank by subscribing 705,385,012 A shares of the Bank. On 23 August 2012, the register and lock-up procedures have been completed for such shares which are subject to a lock-up period of 36 months and are expected to be listed and traded on 24 August 2015. The Bank has not agreed the due date of shareholding with Ping An Life Insurance Company of China Ltd. – Traditional – High interest rate policy products.

## Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

### (III) Substantial shareholders and holders of interests or short positions required to be disclosed under divisions 2 and 3 of part XV of the Hong Kong Securities and Futures Ordinance

As at 30 June 2015, to the knowledge of the Directors, Supervisors and Chief Executive of the Bank, the substantial shareholders and other persons (other than the Directors, Supervisors and Chief Executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest <sup>1</sup>	Approximate percentage of total issued A shares (%) <sup>7</sup>	Approximate percentage of total issued shares (%) <sup>7</sup>
Ministry of Finance	Beneficial owner	15,148,693,829 <sup>2</sup>	Long position	38.59	20.40
SSF	Beneficial owner	1,877,513,451	Long position	4.78	2.53

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest <sup>1</sup>	Approximate percentage of total issued H shares (%) <sup>7</sup>	Approximate percentage of total issued shares (%) <sup>7</sup>
SSF	Beneficial owner	8,433,333,332	Long position	24.09	11.36
Ministry of Finance	Beneficial owner	4,553,999,999 <sup>2</sup>	Long position	13.01	6.13
HSBC	Beneficial owner	14,135,636,613	Long position	40.37	19.03
	Interest of controlled corporations	2,674,232 <sup>3</sup>	Long position	0.01	0.004
	Total:	14,138,310,845		40.38	19.04
HSBC Finance (Netherlands)	Interest of controlled corporations	14,138,310,845 <sup>4</sup>	Long position	40.38	19.04
HSBC Bank plc	Beneficial owner	9,012,000	Long position	0.03	0.01
	Interest of controlled corporations	63,250 <sup>5</sup>	Long position	0.0002	0.0001
	Total	9,075,250		0.03	0.01
HSBC Holdings plc	Interest of controlled corporations	14,147,386,095 <sup>6</sup>	Long position	40.41	19.05

Note:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at 30 June 2015, the Ministry of Finance held 4,553,999,999 H shares and 15,148,693,829 A shares of the Bank, representing 6.13% and 20.40% of the total share capital of the Bank, respectively.
3. HSBC holds 62.14% equity interest in Hang Seng Bank Limited. Pursuant to the SFO, HSBC is deemed to be interested in the Bank's H shares held by Hang Seng Bank Limited.  
Hang Seng Bank Limited is deemed to be interested in the 2,674,232 H shares held by its wholly-owned subsidiaries. Such 2,674,232 H shares represent the aggregate of the 2,581,887 H shares directly held by Hang Seng Bank Trustee International Limited and 92,345 H shares directly held by Hang Seng Bank (Trustee) Limited.
4. HSBC is wholly owned by HSBC Asia Holdings BV and HSBC Asia Holdings BV is, in turn wholly owned by HSBC Asia Holdings (UK) Limited which is wholly owned by HSBC Holdings BV. Furthermore, HSBC Holdings BV is wholly owned by HSBC Finance (Netherlands). Pursuant to the SFO, each of HSBC Asia Holdings BV, HSBC Asia Holdings (UK) Limited, HSBC Holdings BV and HSBC Finance (Netherlands) is deemed to be interested in the 14,138,310,845 H shares held by HSBC.
5. HSBC Trustee (C.I.) Limited holds 63,250 H shares. HSBC Trustee (C.I.) Limited is wholly owned by HSBC Private Bank (C.I.) Limited, which is wholly owned by HSBC Private Banking Holdings (Suisse) SA. Furthermore, HSBC Private Banking Holdings (Suisse) SA is wholly owned by HSBC Europe (Netherlands) BV, which is in turn owned as to 94.90% by HSBC Bank plc. Pursuant to the SFO, each of HSBC Private Bank (C.I.) Limited, HSBC Private Banking Holdings (Suisse) SA, HSBC Europe (Netherlands) BV and HSBC Bank plc is deemed to be interested in the 63,250 H shares held by HSBC Trustee (C.I.) Limited.
6. Both HSBC Finance (Netherlands) and HSBC Bank plc are wholly owned by HSBC Holdings plc. Pursuant to Notes 3, 4, 5, and the SFO, HSBC Holdings plc is deemed to be interested in the 14,138,310,845 H shares held by HSBC and the 9,075,250 H shares held by HSBC Bank plc.
7. As at 30 June 2015, the Bank issued 74,262,726,645 shares in total, including 39,250,864,015 A shares and 35,011,862,630 H shares, based on which above calculation was made.

Save as disclosed above, on 30 June 2015, no other person (excluding the Directors, Supervisors and Chief Executive of the Bank) or corporation was recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

# Directors, Supervisors, Senior Management and Employees

## (I) Members of the Board of Directors

Name	Position	Name	Position
Niu Ximing	Chairman of the Board of Directors and Executive Director	Ma Qiang	Non-executive Director
Peng Chun	Vice Chairman of the Board of Directors, Executive Director and President	Lei Jun	Non-executive Director
Yu Yali	Executive Director and Executive Vice Present	Zhang Yuxia	Non-executive Director
Hou Weidong	Executive Director (designate), Executive Vice President and Chief information Officer	Peter Hugh Nolan	Independent Non-executive Director
Hu Huating	Non-executive Director	Chen Zhiwu	Independent Non-executive Director
Wang Taiyin	Non-executive Director	Choi Yiu Kwan	Independent Non-executive Director
Liu Changshun	Non-executive Director	Yu Yongshun	Independent Non-executive Director
Peter Wong Tung Shun	Non-executive Director	Li Jian	Independent Non-executive Director
Helen Wong Pik Kuen	Non-executive Director (designate)	Liu Li	Independent Non-executive Director

## (II) Members of the Supervisory Committee

Name	Position	Name	Position
Song Shuguang	Chairman of the Supervisory Committee	Gao Zhongyuan	Supervisor
Lu Jiahui	External Supervisor	Yan Hong	Supervisor
Tang Xinyu	External Supervisor	Chen Qing	Employee Representative Supervisor
Teng Tieqi	Supervisor	Shuai Shi	Employee Representative Supervisor
Gu Huizhong	Supervisor	Du Yarong	Employee Representative Supervisor
Dong Wenhua	Supervisor	Fan Jun	Employee Representative Supervisor
Li Jin	Supervisor		

## (III) Members of Senior Management

Name	Position	Name	Position
Peng Chun	President	Wang Jiang	Executive Vice President <sup>1</sup>
Yu Yali	Executive Vice President	Du Jianglong	Secretary of the Board of Directors
Shou Meisheng	Executive Vice President and Secretary of Commission for Discipline Inspection	Lv Benxian	Director of Corporate Business
Hou Weidong	Executive Vice President and Chief Information Officer	Wu Wei	Chief Financial Officer
Yang Dongping	Chief Risk Officer	Ng Siu On	HSBC-BoCom Strategic Cooperation Consultant
Shen Rujun	Executive Vice President <sup>1</sup>		

Notes:

1. Mr. Shen Rujun and Mr. Wang Jiang were appointed as Executive Vice Presidents, and their qualifications were approved by the CBRC on 4 August 2015.

## (IV) Changes in Directors, Supervisors and Senior Management

Name	Position	Change
Hou Weidong	Executive Directors	Elected
Helen Wong Pik Kuen	Non-executive Director	Elected
Shen Rujun	Executive Vice President	Appointed
Wang Jiang	Executive Vice President	Appointed
Wu Wei	Chief Financial Officer	Appointed
Qian Wenhui	Executive Director, Executive Vice President	Resigned (due to reassignment of work)
Fung Yuen Mei, Anita	Non-executive Director	Resigned (due to work arrangement)
Zhu Hexin	Executive Vice President	Resigned (due to reassignment of work)

Note:

1. As considered and approved at the 2014 Annual General Meeting of the Bank, Mr. Hou Weidong was elected as Executive Director and Ms. Helen Wong Pik Kuen as Non-executive Director. The qualifications of the above mentioned persons are yet to be approved by the CBRC.
2. As considered and approved at the Twelfth Meeting of the Seventh Board of Directors, Mr. Shen Rujun and Mr. Wang Jiang were appointed as Vice Presidents, and Mr. Wu Wei was appointed as Chief Financial Officer. The qualifications of Mr. Shen Rujun and Mr. Wang Jiang were approved by the CBRC on 4 August 2015, and the qualification of Mr. Wu Wei was approved by the CBRC on 24 April 2015.
3. Due to personal work reasons, Ms. Fung Yuen Mei Anita resigned as the Non-executive Director, and Member of the Remuneration Committee of the Board of Directors with the effective date being 30 January 2015; due to reassignment of work, Mr. Qian Wenhui resigned as the Executive Director, Executive Vice President, Member of the Strategic Committee as well as the Social Responsibility Committee of the Board of Directors, and Authorised Representative of the Bank with the effective date being 10 February 2015; due to re-assignment of work, Mr. Zhu Hexin resigned as the Executive Vice President of the Bank with the effective date being 25 March 2015.

## Directors, Supervisors, Senior Management and Employees (Continued)

### (V) Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the year <sup>1</sup>	Increase (or decrease) in shareholdings during the Reporting Period <sup>1</sup>	Number of shares held as at the end of the Reporting Period <sup>1</sup>
Niu Ximing	Chairman and Executive Director	A share	210,000(L)	-	210,000(L)
Peng Chun	Vice Chairman, Executive Director and President	A share	150,000(L)	-	150,000(L)
Song Shuguang	Chairman of the Supervisory Committee	A share	130,000(L)	-	130,000(L)
Yu Yali	Executive Director, and Executive Vice President	A share	80,000(L)	-	80,000(L)
Hu Huating	Non-executive Director	A share	80,000(L)	-	80,000(L)
Wang Taiyin	Non-executive Director	A share	80,000(L)	-	80,000(L)
Liu Changshun	Non-executive Director	A share	50,000(L)	-	50,000(L)
Shou Meisheng	Executive Vice President and Commissioner of Discipline Inspection	A share	79,100(L)	-	79,100(L)
Hou Weidong	Executive Director (designate), Executive Vice President, and Chief Information Officer	A share	80,000(L)	-	80,000(L)
Yang Dongping	Chief Risk Officer	A share	200,000(L)	(50,000)(L)	150,000(L)
Du Jianglong	Secretary of the Board of Directors	A share	80,000(L)	-	80,000(L)
Lv Benxian	Director of Corporate Development	A share	80,000(L)	-	80,000(L)
Wu Wei	Chief Financial Officer	A share	46,000(L)	-	46,000(L)
Chen Qing	Employee Representative Supervisor	A share	40,000(L)	-	40,000(L)
Shuai Shi	Employee Representative Supervisor	A share	40,600(L)	-	40,600(L)
Du Yarong	Employee Representative Supervisor	A share	60,000(L)	-	60,000(L)
Fan Jun	Employee Representative Supervisor	A share	40,000(L)	-	40,000(L)

## Directors, Supervisors, Senior Management and Employees (Continued)

Name	Position	Class of shares	Number of shares held at the beginning of the year <sup>1</sup>	Increase (or decrease) in shareholdings during the Reporting Period <sup>1</sup>	Number of shares held as at the end of the Reporting Period <sup>1</sup>
Qian Wenhui <sup>2</sup>	Former Executive Director and Executive Vice President	A share	80,000(L)	-	80,000(L)
Zhu Hexin <sup>3</sup>	Former Executive Vice President	A share	80,000(L)	-	80,000(L)

Note:

1. L stands for long positions.
2. Mr. Qian Wenhui ceased to act as Executive Director and Executive Vice President of the Bank from 10 February 2015 due to re-assignment of work.
3. Mr. Zhu Hexin ceased to act as Executive Vice President of the Bank from 25 March 2015 due to re-assignment of work.
4. The Directors, Supervisors and Senior Management have undertaken that the above-mentioned shares they purchased from the secondary market in 2014 shall be subject to a lock-up period of three years commencing from the date of purchase.

Save as disclosed above, as at 30 June 2015, none of the Bank's Directors, Supervisors or Chief Executive had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be recorded in the register as kept pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules to be notified to the Bank and the Hong Kong Stock Exchange.

## (VI) Human Resource Management

As at the end of June 2015, the Bank had a total of 90,649 domestic and overseas employees, of which 88,596 employees were based domestically and 2,053 were local employees in overseas branches.

	Head Office	Northern China	Eastern China	Central and Southern China	Western China	North Eastern China	Overseas
Number of employees	2,564	11,330	38,314	17,445	9,672	9,271	2,053
Number of outlets	1	377	1,121	658	426	384	56

Among the domestic employees, 34,433 employees held professional and technical qualifications, of which 621 employees held senior professional and technical qualifications, accounting for approximately 0.70% of total domestic employees, 17,316 employees held intermediate professional and technical qualifications, accounting for approximately 19.54% of total domestic employees, and 16,496 employees held junior professional and technical qualifications, accounting for approximately 18.62% of total domestic employees.

The average age of the Bank's domestic employees was 35 years old, with 35,875 employees aged or under the age of 30, accounting for approximately 40.49% of total domestic employees, 26,095 employees between the age of 31 and 40, accounting for approximately 29.45%, 19,754 employees between the age of 41 and 50, accounting for approximately 22.30%, and 6,872 employees aged or above the age of 51, accounting for approximately 7.76%.

Among the domestic employees, 8,498 employees possessed postgraduate or higher academic degrees, accounting for 9.59% of total employees, 59,585 employees possessed undergraduate degrees, accounting for 67.25%, 16,888 employees possessed college diploma, accounting for 19.06%, and 3,625 employees possessed secondary vocational school certificate or lower qualifications, accounting for 4.09%.

For the first half of 2015, there were a total of 2,705 retired employees covered by the Bank's pension scheme.

### Remuneration Policy

According to the requirements of the nation's deepened reform, the Bank actively carried forward policy reforms in respect of employment, remuneration and performance assessment by constantly improving its remuneration management which is "based on positions and integrating position value and performance value" to optimise the remuneration resources allocation model, emphasise on being performance-oriented, and strengthen the effect on self-discipline and performance incentive. The Bank adopted a risk accountability policy and further improved the policy on the deferral of performance reward payments of key personnel within the Group. It used remuneration as a confinement with regards to corporate governance and risk management and control to facilitate a steady operation and sustainable development. The Bank cares about its employees' welfare, in addition to the basic social security insurance, it improved its policy over supplemental corporate benefits.

The remuneration of Directors who receive remuneration from the Bank shall be determined in accordance with the Articles of Association of the Bank and applicable regulations after taking into consideration of their performance and the result of the annual evaluation.

### Performance Management

Alongside the requirements to deepen reform with respect to employment, remuneration and performance assessment policy, the Group further optimised the performance evaluation framework to be performance-oriented by regulating performance assessment procedures of operating team, management and employees at each division, including Divisions of Head Office, domestic and overseas branches, institutions directly controlled by Head Office and subsidiaries. In addition, the Group placed strong emphasis on assessing the business performance for front office and the quality of work for middle and back offices to fully guide, incentivise and restrict by way of performance management.

### Training Management

The Bank's educations and trainings focus on the centre and serve the Group. As required by "manage entire-process of education and training, insist on high quality training projects, facilitate education and training management throughout the Group, and intensify capability of educating and training", the Bank made actively efforts to carry forward related works. As a result, great achievement was made in the first half of 2015, which strongly supports the Bank's reform, development and management talent training.

# Corporate Governance

The Bank had strictly complied with the relevant laws, regulations and regulatory rules such as the *Company Law*, the *Securities Law* and the *Commercial Banking Law*, and continued to improve the effectiveness of the corporate governance, fully ensuring and safeguarding the legitimate interests and benefits of the domestic and foreign shareholders and other stakeholders.

During the Reporting Period, the Directors confirmed that the Bank had fully complied with the code provisions under the *Corporate Governance Code* as set out in Appendix 14 of *Hong Kong Listing Rules*, and had followed most of the recommended best practices contained in the *Corporate Governance Code*.

## (I) Shareholders' General Meetings

During the Reporting Period, the Bank held the 2014 Annual General Meeting and passed resolutions to approve 10 proposals, including *Work Report of the Board of Directors for 2014*, *Report of the Supervisory Committee for 2014*, *2015 Fixed Assets Investments Plan of Bank of Communications Co., Ltd.*, *Resolution in relation to the Appointment of Auditors for the Year of 2015* and *Proposal on Modifying Authorisation Scheme of Shareholders' General Meeting to the Board of Directors*.

Meanwhile, the Bank held the 2015 First Extraordinary General Meeting, at which 9 resolutions, such as *Proposal on the Plan for Private Placement of Domestic Preference Shares*, *Proposal on the Plan for Private Placement of Offshore Preference Shares*, *Proposal in relation to the Amendments to the Articles of Association* and *2015 – 2017 Planning of Shareholder Returns*, were considered and approved to promote the implementation of the issuance of preference shares.

## (II) Board of Directors

During the Reporting Period, the Bank continued to improve the modern corporate governance mechanism with features of mutual independence and mutual restriction by taking the opportunity of implementing the deepened reform plan approved by the State Council. As at the end of the Reporting Period, the Bank's Board of Directors held 4 meetings, and considered and passed 45 resolutions. The five special committees under the Board of Directors held 8 meetings during the Reporting Period, and considered and passed 50 resolutions or reports.

1. Continued to improve corporate governance mechanism. Firstly, the Bank actively explored and improved the corporate governance mechanism for large-scale commercial banks with Chinese characteristics and played a dominant role of the Board of Directors in the strategic management, executive management, risk management and remuneration management; secondly, focusing on improving corporate governance, decision-making efficiency and operation and management, the Bank modified the authorisation scheme of Shareholders'

General Meeting to the Board of Directors and stably improved the reform of authorisation mechanism; thirdly, the Bank further played a role of strategic investor of HSBC, strengthened the strategic cooperation relationship and enhanced the business cooperation motivation, to promote win-win development of both parties.

2. Enhanced competitiveness by deepening reform. Firstly, the Bank promoted reform of performance remuneration mechanism, and setting management policy of professional managers such as D-level, implemented open selection, market-oriented employment, target assessment and contracting management, and established a deferred payment mechanism linked to risks; secondly, it promoted divisional structure reform and established Head Office profit centre, achieving the strategic of two wheel drive business development of “divisional structure operation” and “branch operation”; thirdly, it established and enhanced development responsibility system, and assessed and evaluated “comprehensive performance assessment of operating units, comprehensive competence evaluation, internal control assessment and service evaluation” by taking them as key points of the development responsibility system.
3. Pushed forward the strategy of developing “One bank both internationalised and integrated”. Firstly, the Board of Directors approved to set up the Luxembourg Branch, Paris Branch, Rome Branch and Toronto Branch, carried out initial overseas M&A, acquired BBM Bank in Brazil, and formally established subsidiary in Luxembourg and Brisbane Branch, expanding the global layout; secondly, subsidiaries actively integrated into the Group’s development strategy, and constantly enhanced their key performance indicators and industry rankings. During the Reporting Period, net profit attributable to the parent company from the subsidiaries increased by 26.53% on a year-on-year basis to RMB1.555 billion, accounted for 4.17% of the Group’s net profit, representing an increase of 0.83 percentage point on a year-on-year basis.
4. Intensified comprehensive risk management and control. Firstly, the Bank enhanced the Board of Directors’ ultimate responsibility with respect to risk management, senior management developed and implemented the annual risk appetite and management policies in accordance with the authorisation of the Board of Directors, so as to make sure the operation and development strategy and risk appetite of the Board of Directors were implemented; Secondly, the Bank implemented risk control responsibility, established and strictly implemented risk management post and management responsibilities accountability system, and intensified responsibility identification and investigation. Thirdly, the Bank strengthened risk management and control over key fields such as group customers and innovative business, and blocked up risk gap and built risk dam through effective methods including centralised control, list system management, restructuring and recovery. Fourthly, the Bank enhanced risk management in the capital market and held the bottom line of the capital market.

5. Safeguarded reform and innovation as well as transformation and development with sufficient capital. Firstly, as approved during the Shareholders' General Meeting, the Bank proposed to issue domestic and overseas private placement of preference shares with whole scale of no more than 600 million shares and placement of no more than the amount equivalent to RMB60 billion, so as to supplement other Tier 1 Capital. Secondly, the Board of Directors approved to issue Renminbi Formosa bond of no more than RMB2 billion to broaden the channels of funding sources, satisfying the fund demand of overseas banking institutions and promoting the stable development of businesses.

### (III) Supervisory Committee

During the Reporting Period, the Bank's Supervisory Committee held 3 meetings, and considered and passed 13 resolutions, such as Periodic Report, Report of Financial Account, Profit Distribution Plan, *Opinion of the Supervisory Committee on the Discharge of Duty by the Board of Directors and Senior Management in 2014*, *Internal Control Self-Appraisal Report for 2014*, *Corporate Social Responsibilities Report for 2014*, *Report of the Supervisory Committee for 2014*, *2015 Work Plan of the Supervisory Committee*, *2014 Report of Self-evaluation on Duties Performed by the Supervisory Committee and its Members* and *2014 Remuneration Plan for Supervisors of Bank of Communications Co., Ltd.* The Supervisory Committee deepened the evaluation of performance on Directors and Senior Management, carried out self-evaluation on duties and submitted to the regulator on a timely basis. The Supervisory Committee received reports from Senior Management about performance assessment management, non-performing loans and restructured loans management, put forward scientific and reasonable performance assessment indicators, strengthened supervision over performance assessment and promoted transformation and development; it also improved risk prevention and control and internal control management mechanism, paid special attention to the outstanding problems, and focused on advices and suggestions about ethical risks that are likely to occur in restructuring.

All the Supervisors earnestly attended the Supervisory Committee's meetings and Special Committees' meetings. They also joined the Board of Directors' meetings and other Special Committees' meetings as observers. They diligently fulfilled their duties to exert positive effects on maintenance of shareholders' interest and improvement of the management.

### (IV) Senior Management

The Bank's Senior Management comprises of President, Executive Vice President, Secretary of Discipline Committee, Chief Information Officer, Chief Risk Officer, Secretary to the Board of Directors, Corporate Business Director, Chief Financial Officer, and BoCom-HSBC Strategic Cooperation Consultant. During the Reporting Period, Senior Management diligently implemented the resolutions of the Board of Directors and facilitated "reform and innovation" and "transformation and development" in accordance with laws, regulations, the Articles of Association and the authorisation of the Board of Directors. As a result, business scale and profitability reached to a new level again and again.

## (V) Internal Control

For the first half of 2015, the Bank continued to conduct the internal control construction and improve measures and management system of its internal control. The internal control system operated steadily in general.

1. Focused on work over internal control management. Management Firstly, the Internal Control Management Committee was formally in place. The Bank held regular meetings each quarter, tracked and guided construction and implementation of internal controls in all business lines and institutions at all levels, and pushed forward the overall construction of the internal control management framework of the bank. Secondly, the Bank composed documents such as *Opinions to Further Improve Internal Control Management in Provincial Branches and Improve the Quality of Internal Control Management by Taking the Full Advantage of the 531 Project*, to highlight the key points of internal control management and practically drive implementation of internal control measures. Thirdly, the Bank optimised the assessment system of internal control. The Bank matched up internal control evaluation with internal control assessment, mapped out standards for internal control assessment in all operating units of the Bank and departments of the Head Office, and quarterly evaluated and assessed internal control throughout the Bank.
2. Adjust and improve organisational structure. Firstly, the Bank adjusted the risk management framework, merged the Risk Management Department and Asset Preservation Department, and fine-tuned the roles and responsibilities of relevant functions such as post-loan management, and risk measurement. Secondly, the Bank modified the sub-divisions within the Audit Supervision Department to enhance cohesive management and operation of the Bank's audit function as a whole. Thirdly, the Bank established 4 asset management sub-centres in Beijing, Shanghai, Guangzhou and Shenzhen, to work with the Asset Management Department, Financial Market Department and Financial Institution Department of the respective local branches.
3. Intensify risk control and management over credit authorisation. Firstly, the Bank set the overall guidelines of the credit authorisation and risk policies for 2015 in order to holistically manage the Group's credit and non-credit businesses and financing business of its domestic and overseas branches and subsidiaries under "New Normal", and to enhance the investment direction, structure and overall risk management of all the different types of assets held by the Group. Secondly, the Bank prepared its strategic plan for non-credit businesses of all industries in order to align its strategy across the entire bank. The overall strategy was classified into "positive entry, proper entry, cautious entry, prudent entry, differentiated strategy and limited entry". Thirdly, the Group boosted its risk management over institutional clients with the principle of "early identification, early alert, early solving, centralised management, centralised disposal, unified strategy and action", and took special

action to investigate into the risk of institutional clients in a centralised manner. Fourthly, the Bank made efforts to push forward the risk business restructuring and obtaining sufficient buffer, especially the risk mitigation in key fields such as credit, institutional clients, SMEs and guarantee chain.

4. Optimised retail credit management. Firstly, the Bank established administration measures to manage the authority limits of examining and approving retail loans. Except for certain provincial branches which are given general authority by the Head Office, authority of retail credit business are done by way of specified authorisations for most provincial branches. Secondly, the Bank investigated risks of all small enterprises, and for purposes of “risk control, expiration prevention and bad loan clearing”, the Bank further drove the centralised control of retail credit business risk. Thirdly, the Bank researched development and operation models of business related to SMEs, built up specialised team for SME credits to improve trainings and incentive systems, and introduced a system that encourages best efforts but no accountability to realise specialised operation of SME credit business.
5. Strengthened supervision and examination of audit. Firstly, the Bank systematically sorted and deeply analysed issues in key business fields identified in the 2014 audit, prepared special reports with audit recommendations to push forward remediations of the relevant issues. Secondly, the Bank seriously conducted the bank-wide self-examination and urged to effectively enhance the overall quality of internal control management of the Bank as required by *Announcement on Comprehensive Specific Investigations into Internal Control Strengthening by Financial Institutions in the Banking Sector to prevent illegal Operation and Crime*. Thirdly, the Bank carried out regular audit of internal controls to constantly examine and supervise sufficiency and efficiency of its internal controls.

### (VI) Articles of Association

On 26 March 2015, the *Resolution in relation to Amendments to the Articles of Association of Bank of Communications Co., Ltd.* was proposed and approved at the Twelfth Meeting of the Seventh Board of Directors, and agreed to submit the suggested amendments to the existing clauses of the *Articles of Association of Bank of Communications Co., Ltd.* to the Bank’s Shareholders’ Meeting for approval. The proposal in relation to the amendments to the *Articles of Association of Bank of Communications Co., Ltd.* was considered and approved at the 2015 First Extraordinary General Meeting of the Bank held on 18 May 2015. On 10 June 2015, the Bank received the *Approval on Amendments to the Articles of Association of Bank of Communications Co., Ltd.* from CBRC who approved the revised Articles of Association.

For revised details and full text of revised Articles of Association, please refer to related information released on 11 June 2015 at websites of Shanghai Stock Exchange, ([www.sse.com.cn](http://www.sse.com.cn)), the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([www.bankcomm.com](http://www.bankcomm.com)).

### (VII) Investor Relations (IR)

Adhering to the philosophy of maximising investor value, the Bank continued to keep sound investor relations and actively promote market value management through the following ways. Firstly, the Bank represented its investment value, business development and reform achievements to the market through various activities including analyst meeting, roadshow, receiving visitors and participating in investment forum. During the Reporting Period, the Bank held the 2014 annual and the 2015 first quarterly results release press conferences in Hong Kong and Shanghai respectively, launched annual performance roadshows in the abroad, participated in 7 investor exchange meetings held by domestic and overseas well-known investment banks, and received regular visits by analysts and investors for 29 times. Through these activities, the Bank managed to have in-depth communication with more than 500 investors and analysts. Secondly, the Bank maintained daily communication with investors and responded to investors regarding their concerns in a timely manner through various channels such as investor's hotline, emails, WeChat platform and SSE e-interaction internet platform. Thirdly, the Bank's Directors, Supervisors and Senior Management collectively increased their shareholdings again. Based on the confidence in future operation and development of the Bank and the recognition of its investment value, in mid-to-late July of 2015, some Directors, Supervisors and Senior Management of the Bank, who already held the Bank's A shares, collectively purchased the Bank's H shares from secondary market with self-owned capital. Meanwhile, the Bank encouraged, and will promote, core management from provincial branches, branches directly managed by the Head Office, oversea branches, divisions of the Head Office and subsidiaries to purchase the Bank's shares.

# Corporate Social Responsibilities

Based on the strong belief in “harmony and integrity, the constant pursuit of excellence and the commitment to growing hand in hand with the society”, the Bank proactively performed its corporate social responsibilities and maximised the interests of all stakeholders, including shareholders, clients and employees, reaching the world’s top class in carrying out its social responsibilities. During the Reporting Period, the Bank was re-awarded the “Best Social Responsibility Award for Financial Institution” by the China Banking Association for the three consecutive years, and it was awarded the “Most Green Social Responsibility Award in Finance”. “BoCom’s support programme for Tianzhu Tibetan self-administered county of Gansu Province” was awarded the “Excellent Charity Programme Award”.

## (I) Economic Responsibility

The Bank has been making great efforts in achieving the targets of stabilising growth, promoting reforms, adjusting structure and benefiting people’s livelihood with a focus on serving the real economy. The Bank supported in financial areas of businesses that are beneficial to people’s livelihood such as SMEs, agriculture-related enterprises, the science, education, culture and public health sectors, and affordable housing projects, to demonstrate the Bank’s strong commitment in fulfilling its corporate social responsibilities.

1. The Bank earnestly implemented the national strategic deployment, and continued to optimise its investment policy by incorporating its own strategic demand of business development. It proactively captured the strategic thought of national economic transition and upgrade, explored new development opportunities in fields such as people’s livelihood protection, consumption upgrade, advanced manufacturing industry, key infrastructure, energy resources, producer services, new urbanisation, agriculture, farmers and rural areas, and determined to gradually reduce and exit outdated production lines. Meanwhile, the Bank enhanced the linkage between its Head Office and its branches, supported the construction of national and regional major economic and people’s livelihood projects through the reserve for major projects and overall planning for special funds, and made active efforts to serve the real economy. During the Reporting Period, the Bank’s onshore loan growth was mainly driven by the major macro-economic industries and areas such as household consumption, servicing and manufacturing, and the proportion of loans made by domestic branches and subsidiaries to the people’s livelihood and consumption upgrade areas such as agriculture, forestry, husbandry and fishing, gas and water, technology and culture, education, health and social work, further increased.
2. The Bank continued to push the development of the SME business. During the Reporting Period, the Bank completed regulating the “3 no-less-than rules” on outstanding loan balances to SMEs, total number of clients, and loan approval rate. During the Reporting Period, the Bank further promoted the project-based cluster-marketing model with a focus on areas related to people’s livelihood such as clothing, food, housing, transportation, and health care. Targeting the different SMEs of “Circles, Chains, Parks”, the Bank customised

the servicing plan, then explored and developed a selection of SMEs that are of high-quality. The Bank placed emphasis on all the various policies initiated by all levels of the government that supporting the SMEs. More than ten branches in places such as Sichuan, Jiangsu, Guangdong, and Guangxi etc., leveraged on the platforms established by the government and cooperated with third-party guarantee institutions to support the development of local SMEs through offering guarantees, insurances etc. Following the trend of internet development, using techniques such as big data and system interface to innovatively developed online products such as “POS loans”, and “Wo Yi Dai” to enhance the ability to service SMEs. The Bank made full use of its advantages of having all financial licenses, it developed comprehensive financial servicing plans especially for SMEs that are listed or to-be-listed on the National Equities Exchange and Quotations to help them access the capital market.

### (II) Environmental Responsibility

The Bank made further progress in the implementation of its “Green Credit” project, and continued to improve the related management system. The proportion of the number of “green” customers and the relative outstanding balance increased steadily. Meanwhile, the Bank was dedicated to reducing the negative impact on the environment due to its operation. The Youth League Committee of the Bank launched the “BoCom Youth Tree-planting” project and “Blue Sky Credits” micro public activity, as part of the effort to build a beautiful China.

1. The Bank thoroughly implemented the “Green Credit” policy and made great efforts to improve its social and environmental performance. According to the direction of the national industrial policy, it actively explored development opportunities in fields including energy conservation and environmental protection, green economy and recycling economy, accelerated restructuring of overcapacity industry, incorporated green credit management requirements into the whole process of credit business, and strictly implemented “one-vote veto system” for matters involving environmental and social risks. During the Reporting Period, the Bank detailed the *BoCom Management Guidance on Green Credit*, and completed 2014 green credit self-assessment in accordance with the regulatory requirements. In the meanwhile, the Bank vigorously promoted the e-banking. The channel diversion rate of e-banking services reached 85.82% and the accumulative number of followers of WeChat bank has exceeded 1.4 million, building a “green finance” era for customers.
2. Driven by the “Green Credit” policy, the Bank’s green credit business maintained stable operation. As at the end of the Reporting Period, the proportion of green customers and the relative outstanding loan balance remained above 99%. The loans to green customers characterised by low-carbon consumption, environmental protection and integrated use of natural resources increased by 11.26% from the beginning of the year to RMB169.598 billion.

### (III) Social Responsibility

While the Bank carried out steady operations and rewarded its shareholders with good financial results, it also achieved new progress in areas such as customer services, caring for employees, and devotion to public welfare.

1. The Bank put effort into improving service quality and efficiency, continued to push forward standardised, professional and specialised services. It aimed to become a bank with least complaints, most efficient in servicing, and most outstanding in standardised, professional and specialised services. According to the 2015 retail banking customer satisfaction ranking published by J.D. Power Asia Pacific, the Bank ranked No. 1 with a total score of 837. In terms of daily customer opinion management, the Bank studied and analysed customer needs such as by having regular meetings to improve customer experience. While continuously improving the quality of service, the Bank also emphasised on the development of protection of customer rights. For its distribution channels, e.g. hardware facilities of the outlets, self-service banking and online banking, it provided convenience for visual disabilities through technological means. The Bank further carried out risk reminders and strengthened, personal information management of customers, to protect consumer rights; furthermore, it also actively carried out events such as “Propaganda and Popularisation of Financial Knowledge” and “Publicity of Financial Knowledge in Campus” to promote financial and consumer right protection knowledge and to improve the consumer right protection awareness of the public.
2. The Bank paid constant attention to the development of its employees and created a smooth career development path through optimisation of promotion system. During the Reporting Period, the Bank strengthened the complete process management of education and training of the whole bank and provided comprehensive training programs for employees at various levels, segments and positions. It started the promotion for specially-assigned persons in eight major fields and the qualification assessment for the first batch of experts, and promoted talent training by taking key talent projects, including strategic talent, talent program and young potential, as the starting point. The Bank also carried out the 2015 selection and training project for talent reserve of overseas entities to broaden the career development channels of domestic employees. At the same time, the Bank’s caring-for-employees work was innovated and upgraded. During the Reporting Period, the Bank enriched contents on the mobile management platform of “Healthy BoCom” and continuously improved customer experience. In total 90,369 individuals logged onto the platform and 55,693 individuals logged onto the sports platform, total number of sports counts reached 6.29 million times with accumulated sports mileage of 15.37 million kilometres, equivalent to the distance of going

around the globe for 384 times; the Bank continued to carry out caring activities. During the New Year's Day and Spring Festival holidays, the Bank extended condolence to 1,502 employees suffering from serious illness and low income by donating RMB4.867 million; the employee mutual aid committee continued to operate orderly. It gave subsidies to 33 employees suffering from serious illness and difficulties, with subsidy amount of RMB353.2 thousand, to solve their burning problems. Moreover, the Bank also carried out various cultural, art and sports activities to enrich employees' personal life.

3. The Bank actively participated in social charity projects, provided long-term investment in special education, put great efforts to help those who suffer from sudden natural disasters, and helped the less fortunate to improve their living condition and future development. During the Reporting Period, the "Gateway to Tomorrow" – BoCom award to distinguished disabled students on special education programme was continued, with RMB8 million donated to support poor or disabled high school students and freshmen in the university, to award distinguished special education instructors and disabled university students and to establish skills award for blind students and painting and calligraphy award for deaf students in special education schools. This is the 13th year of the Bank's special aids to Tianzhu Tibetan self-administered county, Gansu Province. The accumulative donation amounted to RMB2 million, focusing on the construction of 100 warm shelters with an area of 200m<sup>2</sup> in Agangwan village, Songshan Town in Tianzhu County, further expanding the paths for local people to obtain wealth and achieving the goals that the relocated people can move in, settle down and obtain wealth there. The Bank donated RMB2 million to the earthquake stricken area in Tibet and TWD3 million to victims of the dust explosion in Taiwan, manifesting the Bank's good image of corporate citizenship.

# Significant Events

## (I) Profit Distribution

- i) Implementation of the Profit Distribution Plan during the Reporting Period  
The profit distribution plan of the Bank for the year of 2014 was considered and approved at the 2015 first extraordinary general meeting of the Bank held on 18 May 2015. Based on the total issued shares of 74.263 billion shares as at 31 December 2014, a cash dividend of RMB0.27 (before tax) per share was distributed, totalling RMB20.051 billion.
- ii) Proposal on Payment of Semi-annual Dividend and Proposal on Conversion of Capital Reserve into Share Capital  
The Bank will not distribute an interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2015.
- iii) Implementation of the Bank's Cash Dividend Distribution Policy during the Reporting Period  
The Bank implemented the cash dividend distribution policy strictly in accordance with the relevant provisions of the Articles of Association.

## (II) Shareholdings in Other Companies

## i) Holdings of Equity Interest in Other Listed Companies

(Unless otherwise stated, in RMB)

Stock code	Stock short name	Initial investment amount	Percentage of equity interest in the company (%)	Book value as at the end of the Reporting Period	Gains/(losses) during the Reporting Period	Changes in owners' equity during the Reporting Period	Accounting items	Source of shares
400061	CHANGYOU5	434,579,719.46	3.94	568,400,526.68	-	133,820,807.22	Financial investments – available-for-sale	Foreclosed assets
00354	Chinasoft International Ltd.	145,104,240.00	2.45	166,791,015.00	-	21,686,775.00	Financial investments – available-for-sale	Equity investment
600068	GEZHOUBA	17,784,002.74	0.14	75,985,011.69	24,245,118.59	15,340,002.36	Financial investments – available-for-sale	Foreclosed assets
06837	HAITONG SEC	38,910,998.56	0.02	40,092,932.40	(2,034,122.85)	3,574,456.11	Financial investments – available-for-sale Financial assets at fair value through profit or loss	Equity investment
V	Visa Inc.	6,082,849.02	-	37,957,542.40	-	632,780.80	Financial investments – available-for-sale	Equity investment
02196	FOSUN PHARMA	31,675,176.14	0.06	34,008,806.25	-	2,333,630.11	Financial investments – available-for-sale	Equity investment
02318	PINGAN	25,214,187.64	-	28,980,944.33	-	3,729,603.35	Financial investments – available-for-sale	Equity investment
600066	YTKC	9,663,219.96	0.03	12,412,200.00	(417,217.88)	-	Financial assets at fair value through profit or loss	Equity investment
03898	NCSDDQ	11,857,817.98	0.02	11,454,560.25	780,869.04	(403,257.73)	Financial investments – available-for-sale	Equity investment
002074	JSDYDQ	12,915,003.26	0.05	11,164,500.00	628,674.99	-	Financial assets at fair value through profit or loss	Equity investment
002339	JCDZ	9,561,483.00	0.08	10,303,900.00	191,678.45	-	Financial assets at fair value through profit or loss	Equity investment
300450	XDGF	10,664,190.00	0.10	10,164,000.00	1,006,132.18	-	Financial assets at fair value through profit or loss	Equity investment
600276	HRY Y	6,321,891.09	0.01	9,652,263.40	(1,484.34)	-	Financial assets at fair value through profit or loss	Equity investment
	Others	239,379,341.57		251,989,930.51	17,454,683.32	190,951.59		
	<b>Total</b>	<b>999,714,120.42</b>		<b>1,269,358,132.91</b>	<b>41,854,331.50</b>	<b>180,905,748.81</b>		

## Significant Events (Continued)

### ii) Holdings of Equity Interest in Unlisted Financial Institutions

(in RMB unless otherwise stated)

Name of institution	Initial investment amount	Number of shares held	Percentage of equity interest in the company (%)	Book value as at the end of the Reporting Period	Gains/(losses) during the Reporting Period	Changes in owners' equity during the Reporting Period	Accounting items	Source of shares
Bank of Tibet Co., Ltd.	300,000,000.00	320,000,000	10.60	536,894,717.18	42,511,221.47	(53,290,742.96)	Investments in associates	Equity investment
Jiangsu Changshu Rural Commercial Bank Co., Ltd.	489,500,000.00	200,045,824	10.00	489,500,000.00	-	-	Financial investments - available-for-sale	Equity investment
China UnionPay Co., Ltd.	146,250,000.00	112,500,000	3.90	146,250,000.00	-	-	Financial investments - available-for-sale	Equity investment
China National Aviation Fuel Group Finance Corporation	120,000,000.00	120,000,000	10.00	120,000,000.00	3,288,000.00	-	Financial investments - available-for-sale	Equity investment
Shaanxi Coal and Chemical Industry Group Finance Corporation	100,000,000.00	100,000,000	10.00	100,000,000.00	-	-	Financial investments - available-for-sale	Equity investment
Hangzhou Dongyuan Investment management Co., Ltd.	180,000.00	180,000	18.00	180,000.00	-	-	Investments in associates	Equity investment
<b>Total</b>	<b>1,155,930,000.00</b>			<b>1,392,824,717.18</b>	<b>45,799,221.47</b>	<b>(53,290,742.96)</b>		

## iii) Purchases and Disposal of Shares of Other Listed Companies

(Unless otherwise stated, in RMB)

	Number of shares held at the beginning of the Reporting Period (shares)	Number of shares purchased/(sold) during the Reporting Period (shares)	Number of shares held at the end of the Reporting Period (shares)	Fund utilised	Gains
Purchases	453,260	76,995,630	77,448,890	634,325,216.68	-
Sales	46,048,327	(38,036,999)	8,011,328	-	75,810,221.86

Note: All changes in the number of shares held as shown in the table above are results of purchases and sales of shares of other listed companies by the subsidiaries of the Bank, except for disposal of shares obtained as collateral for loans in the course of business of the Bank.

## (III) Material Litigation and Arbitration and Issues Questioned by the Media Generally

During the Reporting Period, the Bank did not involve in any material litigation or arbitration, or issues questioned by the media generally.

As at the end of the Reporting Period, the Bank was a defendant or third party of certain outstanding litigations with an aggregate amount of approximately RMB2.041 billion. The Bank anticipated that the above litigations will not have any significant impact on the Bank's business, financial position or operating performance.

## (IV) Material Contracts and Performance of Obligations Thereunder

Material trust, sub-contract and leasing matters: During the Reporting Period, the Bank has not entered into any material trust, sub-contract or leasing arrangement in respect of assets of other corporations, nor any trust, sub-contract or leasing arrangement with other corporations with respect to the Bank's assets.

Material guarantees: The provision of guarantees is one of the off-balance-sheet businesses carried out by the Bank in its ordinary and usual course of business. During the Reporting Period, the Bank did not provide any material guarantees that need to be disclosed except for the financial guarantee services within the business scope as approved by the regulatory authority.

## Significant Events (Continued)

### (V) Related party transactions

During the Reporting Period, all the transactions between the Group and its related parties were ordinary operating capital flows at arms-length. No significant related party transaction occurred during the Reporting Period.

No outstanding loan balance of Directors, Supervisors and Senior Management of the Bank as at the end of the Reporting Period.

### (VI) Asset acquisitions, sales and merger by absorption

On 19 May 2015, the Bank signed an agreement and other commitment letters with the controlling family shareholders of BBM. Under the agreement, the Bank would acquire 119,626,920 of ordinary shares and 30,739,854 of preference shares of BBM, representing approximately 80% of all the shares publicly issued by BBM.

The initial trading price would be determined based on the book value stated in BBM's latest audited consolidated financial statements before transaction settlement date. The total purchase price shall be approximately BRL525 million according to BBM's net assets as at the end of 2014. The final trading price shall be the amount adjusted based on the mechanism after settlement.

This transaction is subject to the approval of the CBRC, Brazil central bank and other related domestic or overseas regulatory bodies. After completion of this transaction, the Bank, BBM and the remaining family shareholders of BBM will sign another agreement. According to the terms and conditions in the shareholders agreement, the remaining family shareholders, holding approximately 18% share in BBM, are entitled to a sell option for all the shares held; while the Bank is entitled to a buy option to purchase those shares.

### (VII) Implementation of undertakings

In the process of the private placement of A shares and H shares of the Bank in 2012, the subscribers of the A shares undertook not to transfer such A shares within 36 months from the date of completion of the placement (those shares have been listed on 24 August 2015). The subscribers include the Ministry of Finance, the SSF, Ping An Life Insurance Company of China Ltd. – Traditional – High interest rate policy products, China FAW Group Corporation, Shanghai Haiyan Investment Management Co., Ltd., China National Tobacco Corporation – Zhejiang Branch and Yunnan Hongta Group Co., Ltd. As at 30 June 2015, the subscribers had performed their undertakings.

### (VIII) Asset collaterals

Part of the Bank's assets are used as collaterals related to securities lending business with other banks and financial institutions, short-position business, and member qualifications of local stock exchanges, except as stated, during the Reporting Period, the Bank has no other significant asset collateral conditions which are required to be disclosed.

### (IX) Audit Committee

The Bank has established an Audit Committee under the Board of Directors in accordance with the requirements of the Hong Kong Listing Rules. The main responsibilities of the Audit Committee are to propose the appointment, rotation or termination of external auditor, to oversee the Bank's internal control policies and its implementation, to communicate between internal and external auditors, to examine and approve financial reports and related disclosures, to examine accounting policies, financial situation and financial reporting process, and examine the operating effectiveness of the Bank's internal control policy. As at the end of the Reporting Period, the 7 members of the Audit Committee are Mr. Yu Yongshun, Mr. Wang Taiyin, Mr. Liu Changshun, Ms. Zhang Yuxia, Mr. Choi Yiu Kwan, Ms. Li Jian and Mr. Liu Li, with Mr. Yu Yongshun, Non-executive Director, being the Chairman. The Audit Committee and Senior Management reviewed the Bank's accounting policies and practices and discussed on issues relating to internal controls and financial reporting, and also reviewed the interim financial report.

### (X) Purchase, Sale or Redemption of the Bank's Shares

During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank for the purposes of its own.

### (XI) Securities Transactions by Directors, Supervisors and Senior Management

The Bank requires that the Directors, Supervisors and Senior Management of the Bank to strictly adhere to the "Rules on the Administration of Shares held by Directors, Supervisors and Senior Management Personnel of Listed Companies and the Changes of Such Shares" issued by the CSRC, the Model Code, and "the Measures on the Administration of Shares held by Directors, Supervisors and Senior Management Personnel of Bank of Communications Co., Ltd. and the Changes of Such Shares". In addition, the Bank has adopted the Model Code as the code of conduct of the Bank in relation to securities trading by the Directors, Supervisors and Senior Management of the Bank. The Bank has made specific enquiries of all the Directors, Supervisors and Senior Management of the Bank and all of them confirmed that they had complied with the abovementioned rules during the Reporting Period.

### (XII) Appointment of Accounting Firm

With the approval at the 2014 Annual General Meeting, the Bank has continued to appoint PricewaterhouseCoopers Zhong Tian LLP to perform the audit of the financial statements prepared by the Bank in accordance with China Accounting Standards and to provide other related professional services, and appoint PricewaterhouseCoopers to perform the audit of the financial statements prepared by the Bank in accordance with IFRS and to provide other related professional services. The term of appointment starts upon the approval on the date of the Bank's 2014 Annual General Meeting, and ceases at the end of day of 2015 Annual General Meeting. The overall remuneration is RMB29.8 million.

## Significant Events (Continued)

### (XIII) Share Incentive

As part of the incentive scheme, the Bank has granted two share appreciation rights to its Senior Management in 2005 and 2006, respectively. As at 30 June 2015, the share appreciation rights of 7.558 million shares granted in 2005 have expired, none was exercised during the period.

### (XIV) Disciplinary Actions against the Listed Company, Its Directors, Supervisors, Senior Management, Shareholders with More Than 5% Shareholdings, Actual Controllers and Acquirers

During the Reporting Period, neither the Bank, nor any of its Directors, Supervisors, Senior Management, shareholders with more than 5% shareholdings, or actual controllers was subject to any investigation, administrative penalty or circulation of criticism by the CSRC or public reprimand by the stock exchanges.

### (XV) Issuance of Preference Shares

According to the proposals on the plan for private placement of domestic and offshore preference shares by Bank of Communications Co., Ltd. passed at the 2015 First Extraordinary General Meeting of the Bank held on 18 May 2015, the Bank is permitted to conduct a private placement of domestic and offshore preference shares with an aggregate size of no more than 600 million preference shares to raise proceeds not exceeding RMB60 billion or its equivalent, among which, the preference shares proposed to be issued in the offshore market will not be more than the equivalent of RMB15 billion and the preference shares proposed to be issued in the domestic market will not be more than RMB45 billion.

Upon approval of the Bank's issuance of offshore preference shares from the CBRC and CSRC, the Bank completed the issuance of non-cumulative perpetual preference shares of USD2.45 billion in the offshore market on 29 July 2015, with a dividend yield of 5.00%. For the information of the issuance of offshore preference shares, please refer to the related announcements published on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([www.bankcomm.com](http://www.bankcomm.com)).

### (XVI) Other Disclosures

Alert and description of the prediction that the cumulative net profit for the period from the beginning of the year to the end of the next reporting period may be negative or may have substantial changes as compared with the same period last year

Applicable Not Applicable

Description of the Board of Directors and the Supervisory Committee on the "non-standard audit report" of the accounting firm

Applicable Not Applicable

# List of Domestic and Overseas Branches and Subsidiaries

## List of Provincial Branches (Branches Directly Managed by the Head Office)

SN	Name of Branch	Address of Banking Outlet
1	Bank of Communications Beijing Branch	No. 22 Financial Street, Xicheng District, Beijing
2	Bank of Communications Tianjin Branch	No. 7 Youyi Road, Hexi District, Tianjin City
3	Bank of Communications Hebei Provincial Branch	No. 22 Ziqiang Road, Qiaoxi District, Shijiazhuang City, Hebei Province
4	Bank of Communications Shanxi Provincial Branch	No. 35 Jiefang Road, Yingze District, Taiyuan City, Shanxi Province
5	Bank of Communications Inner Mongolia Region Branch	Daxue West Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region
6	Bank of Communications Liaoning Provincial Branch	No. 258-1 Shifu Road, Shenhe District, Shenyang City, Liaoning Province
7	Bank of Communications Dalian Branch	No. 6 Zhongshan Square, Zhongshan District, Dalian City, Liaoning Province
8	Bank of Communications Jilin Provincial Branch	No. 3515 Renmin Street, Chaoyang District, Changchun City, Jilin Province
9	Bank of Communications Heilongjiang Provincial Branch	No. 428 Youyi Road, Daoli District, Harbin City, Heilongjiang Province
10	Bank of Communications Shanghai Branch	No. 200 Jiangxi Middle Road, Huangpu District, Shanghai
11	Bank of Communications Jiangsu Provincial Branch	No. 218 Lushan Road, Jianye District, Nanjing City, Jiangsu Province
12	Bank of Communications Suzhou Branch	No. 28 Suhui Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province
13	Bank of Communications Wuxi Branch	No. 198 Renmin Middle Road, Chong'an District, Wuxi City, Jiangsu Province
14	Bank of Communications Zhejiang Provincial Branch	No. 1-39 Juyuan Road, Jianggan District, Hangzhou City, Zhejiang Province
15	Bank of Communications Ningbo Branch	No. 55 Zhongshan East Road, Haishu District, Ningbo City, Zhejiang Province
16	Bank of Communications Anhui Provincial Branch	No. 38 Huayuan Street, Luyang District, Hefei City, Anhui Province
17	Bank of Communications Fujian Provincial Branch	No. 116 Hudong Road, Gulou District, Fuzhou City, Fujian Province
18	Bank of Communications Xiamen Branch	Bank of Communications Building, No. 9 Hubin Middle Road, Siming District, Xiamen City, Fujian Province
19	Bank of Communications Jiangxi Provincial Branch	No. 199 Huizhan Road, Honggutan New District, Nanchang City, Jiangxi Province

## List of Domestic and Overseas Branches and Subsidiaries (Continued)

SN	Name of Branch	Address of Banking Outlet
20	Bank of Communications Shandong Provincial Branch	No. 98 Gongqingtuan Road, Shizhong District, Jinan City, Shandong Province
21	Bank of Communications Qingdao Branch	No. 6 Zhongshan Road, Shinan District, Qingdao City, Shandong Province
22	Bank of Communications Henan Provincial Branch	No. 11 Zhenghua Road, Jinshui District, Zhengzhou City, Henan Province
23	Bank of Communications Hubei Provincial Branch	No. 847 Jianshe Avenue, Jiangnan District, Wuhan City, Hubei Province
24	Bank of Communications Hunan Provincial Branch	No. 37 Shaoshan Middle Road, Yuhua District, Changsha City, Hunan Province
25	Bank of Communications Guangdong Provincial Branch	No. 11 Xiancun Road, Tianhe District, Guangzhou City, Guangdong Province
26	Bank of Communications Shenzhen Branch	Huaneng Building, No. 2066-A Shennan Middle Road, Futian District, Shenzhen City, Guangdong Province
27	Bank of Communications Guangxi Zhuang Autonomous Region Branch	No. 228 Renmin East Road, Xingning District, Nanning City, Guangxi Zhuang Autonomous Region
28	Bank of Communications Hainan Provincial Branch	Yintong International Centre, Longhua District, Haikou City, Hainan Province
29	Bank of Communications Chongqing Branch	No. 158 Zhongshan Third Road, Yuzhong District, Chongqing City
30	Bank of Communications Sichuan Provincial Branch	Bank of Communications Building, No. 211 West Yulong Street, Qingyang District, Chengdu City, Sichuan Province
31	Bank of Communications Guizhou Provincial Branch	No. 4 Shengfu Road, Yunyan District, Guiyang City, Guizhou Province
32	Bank of Communications Yunnan Provincial Branch	No. 67 Huguo Road, Wuhua District, Kunming City, Yunnan Province
33	Bank of Communications Shaanxi Provincial Branch	No. 88 Xixin Street, Xincheng District, Xi'an City, Shaanxi Province
34	Bank of Communications Gansu Provincial Branch	No. 129 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province
35	Bank of Communications Ningxia Hui Autonomous Region Branch	No. 296 MinZu North Street, Xingqing District, YinChuan City, NingXia Hui Autonomous Region
36	Bank of Communications Xinjiang Uygur Autonomous Region Branch	No. 16 Dongfeng Road, Tianshan District, Urumqi, Xinjiang Uygur Autonomous Region
37	Bank of Communications Qinghai Provincial Branch	No. 29 Wuxi West Road, Chengxi District, Xining City, Qinghai Province

## List of Domestic and Overseas Branches and Subsidiaries (Continued)

### List of Overseas Institutions (Branches, Subsidiaries and Representative Offices)

SN	Name	Address of Banking Outlet
1	Bank of Communications Hong Kong Branch	20 Pedder Street, Central, Hong Kong
2	Bank of Communications New York Branch	ONE EXCHANGE PLAZA 55 BROADWAY, 31ST & 32ND FLOOR, NEW YORK NY 10006-3008, U.S.A.
3	Bank of Communications Tokyo Branch	SANYO Group Building, 1-3-5 Nihombashi, Chuo-ku, Tokyo, Japan
4	Bank of Communications Singapore Branch	50 Raffles Place #18-01 Singapore Land Tower
5	Bank of Communications Seoul Branch	6th Floor Samsung Fire & Marine Bldg. #87, Euljiro 1-Ga, Jung-Gu, Seoul 100-782, Korea
6	Bank of Communications Frankfurt Branch	Neue Mainzer Strasse 75, 60311 Frankfurt am Main, Germany
7	Bank of Communications Macau Branch	16th Floor, AIA Tower, No. 251A-301, Avenida Commercial De Macau
8	Bank of Communications Ho Chi Minh City Branch	17th floor, Vincom Center, 72 Le Thanh Ton, Dist.1, HCMC, VN
9	Bank of Communications (UK) Limited	4th Floor, 1 Bartholomew Lane, London EC2N 2AX UK
10	Bank of Communications Sydney Branch	Level 27, 363 George Street Sydney NSW 2000 Australia
11	Bank of Communications Taipei Branch	A Wing, 29th Floor, No. 7, Section 5, Xinyi Road, Taipei (101 Tower), Taiwan
12	Bank of Communications San Francisco Branch	575 MARKET STREET, 38th FLOOR, SAN FRANCISCO, CA 94105 U.S.A.
13	Bank of Communications Toronto Office	130 King Street West Suite 2125, Toronto, Ontario, Canada, M5X 1C8
14	Bank of Communications Brisbane Branch	Level 35, 71 Eagle Street, Brisbane, Australia
15	Bank of communications (Luxemburg) Limited	7 Rue de la Chapelle, Luxembourg, L-1325

# Independent Auditor's Report



羅兵咸永道

## REVIEW REPORT ON CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF BANK OF COMMUNICATIONS CO., LTD.

(Incorporated in the People's Republic of China with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 101 to 204, which comprises the interim condensed consolidated statement of financial position of Bank of Communications Co., Ltd (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." 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 International 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,  
27 August 2015

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# Unaudited Condensed Consolidated Financial Statements

## Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

(All amounts expressed in millions of RMB unless otherwise stated)

Group	Notes	Six months ended 30 June	
		2015	2014
Interest income		152,283	143,412
Interest expense		(81,224)	(76,201)
<b>Net interest income</b>	4	71,059	67,211
Fee and commission income	5	20,972	17,314
Fee and commission expense	6	(1,586)	(1,613)
<b>Net fee and commission income</b>		19,386	15,701
Dividend income	7	54	26
Net (losses)/gains arising from trading activities	8	(336)	3,410
Net gains arising from de-recognition of financial investments	21	890	130
Insurance business income		3,028	2,143
Other operating income	9	3,022	2,197
Impairment losses on loans and advances to customers	10	(11,454)	(10,159)
Insurance business expense		(3,576)	(2,095)
Other operating expense	11	(33,827)	(31,424)
Share of profit of an associate		43	55
<b>Profit before tax</b>		48,289	47,195
Income tax	14	(10,783)	(10,300)
<b>Net profit for the period</b>		37,506	36,895
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Available-for-sale financial assets			
Changes in fair value recorded in equity		490	3,388
Changes in fair value reclassified from equity to profit or loss		58	(100)
Cash flow hedge reserve		(5)	-
Translation difference on foreign operations		(36)	191
		507	3,479
<b>Item that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gains/(losses) on pension benefits		19	(4)
Other comprehensive income for the period	37	526	3,475
<b>Comprehensive income for the period</b>		38,032	40,370
<b>Net profit attributable to:</b>			
Shareholders of the Bank		37,324	36,773
Non-controlling interests		182	122
		37,506	36,895
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Bank		37,828	40,250
Non-controlling interests		204	120
		38,032	40,370
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	15	0.50	0.50

The accompanying notes form a part of these consolidated financial statements.

For details of the dividends paid or proposed, please refer to Note 34.

# Unaudited Condensed Consolidated Financial Statements (Continued)

## Unaudited Condensed Consolidated Statement of Financial Position

(All amounts expressed in millions of RMB unless otherwise stated)

Group	Notes	As at 30 June 2015	As at 31 December 2014
<b>ASSETS</b>			
Cash and balances with central banks	16	1,111,252	938,055
Due from banks and other financial institutions	17	652,691	525,033
Financial assets at fair value through profit or loss	18	186,227	135,634
Loans and advances to customers	20	3,623,674	3,354,787
Financial investments – loans and receivables	21	265,758	211,588
Financial investments – available-for-sale	21	236,787	210,016
Financial investments – held-to-maturity	21	746,943	635,570
Investment in an associate	39	537	547
Property and equipment	22	75,828	69,767
Deferred income tax assets	29	15,936	16,077
Other assets	23	206,522	171,225
<b>Total assets</b>		<b>7,122,155</b>	<b>6,268,299</b>
<b>LIABILITIES</b>			
Due to banks and other financial institutions	24	1,699,208	1,408,275
Financial liabilities at fair value through profit or loss	25	49,499	38,580
Due to customers	26	4,514,566	4,029,668
Certificates of deposits issued	27	40,244	38,601
Other liabilities	28	184,427	142,139
Current tax liabilities		8,841	7,852
Deferred income tax liabilities	29	138	32
Debt securities issued	31	133,432	129,547
<b>Total liabilities</b>		<b>6,630,355</b>	<b>5,794,694</b>
<b>EQUITY</b>			
Share capital	32	74,263	74,263
Capital surplus	32	113,443	113,496
Other reserves		249,745	211,471
Retained earnings		51,328	71,825
<b>Equity attributable to equity holders of the bank</b>		<b>488,779</b>	<b>471,055</b>
Non-controlling interests		3,021	2,550
<b>Total equity</b>		<b>491,800</b>	<b>473,605</b>
<b>Total equity and liabilities</b>		<b>7,122,155</b>	<b>6,268,299</b>

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 27 August 2015 and signed on its behalf by:

Chairman of Board: Niu Ximing

Vice Governor and Executive Director: Yu Yali

The accompanying notes form a part of these consolidated financial statements.

# Unaudited Condensed Consolidated Financial Statements (Continued)

## Unaudited Condensed Consolidated Statement of Changes in Equity

(All amounts expressed in millions of RMB unless otherwise stated)

Group	Other reserves												Total
	Share capital Note 32	Capital surplus Note 32	Statutory reserve Note 33	Discretionary reserve Note 33	Statutory general reserve Note 33	Revaluation reserve for available-for- sale financial assets Note 33	Cash flow hedge reserve	Translation reserve on foreign operations	Actuarial changes reserve	Retained earnings Note 33,34	Attributable to the shareholders of the Bank	Non- controlling interests	
<b>Balance at 1 January 2015</b>	74,263	113,496	37,522	105,242	71,549	131	-	(2,984)	11	71,825	471,055	2,550	473,605
Net profit for the period	-	-	-	-	-	-	-	-	-	37,324	37,324	182	37,506
Other comprehensive income	-	-	-	-	-	526	(5)	(36)	19	-	504	22	526
<b>Total comprehensive income</b>	-	-	-	-	-	526	(5)	(36)	19	37,324	37,828	204	38,032
Capital increase in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	267	267
Dividend	-	-	-	-	-	-	-	-	-	(20,051)	(20,051)	-	(20,051)
Transfer to reserves	-	-	51	34,522	3,197	-	-	-	-	(37,770)	-	-	-
Others	-	(53)	-	-	-	-	-	-	-	-	(53)	-	(53)
<b>Balance at 30 June 2015</b>	74,263	113,443	37,573	139,764	74,746	657	(5)	(3,020)	30	51,328	488,779	3,021	491,800
<b>Balance at 1 January 2014</b>	74,263	113,383	30,999	78,510	62,757	(4,928)	-	(2,779)	26	67,330	419,561	1,923	421,484
Net profit for the period	-	-	-	-	-	-	-	-	-	36,773	36,773	122	36,895
Other comprehensive income	-	-	-	-	-	3,290	-	191	(4)	-	3,477	(2)	3,475
<b>Total comprehensive income</b>	-	-	-	-	-	3,290	-	191	(4)	36,773	40,250	120	40,370
Capital increase in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-	-	-	-	(19,308)	(19,308)	-	(19,308)
Others	-	-	-	26,732	8,257	-	-	-	-	(34,989)	-	-	-
<b>Balance at 30 June 2014</b>	74,263	113,383	30,999	105,242	71,014	(1,638)	-	(2,588)	22	49,806	440,503	2,043	442,546

The accompanying notes form a part of these consolidated financial statements.

# Unaudited Condensed Consolidated Financial Statements (Continued)

## Unaudited Condensed Consolidated Statement of Cash Flows

(All amounts expressed in millions of RMB unless otherwise stated)

Group	Notes	Six months ended 30 June	
		2015	2014
<b>Cash flows from operating activities:</b>			
Profit before tax:		48,289	47,195
Adjustments for:			
Impairment losses on loans and advances to customers		11,454	10,159
Impairment of finance lease receivables		138	177
Provision for impairment of financial investments		581	723
(Reversal of)/Provision for impairment of other receivables		(153)	55
Provision for/(reversal of) impairment losses on foreclosed assets		23	(28)
Provision for/(reversal of) impairment of assets pending for disposal		2	(4)
Insurance contracts reserve		1,681	2,082
Depreciation of property and equipment		3,078	2,774
Amortization of land use rights		17	13
Amortization of intangible assets		142	128
Provision for/(reversal of) outstanding litigation and unsettled obligation		30	(50)
Net gains on disposal of property and equipment		(2)	(69)
Net gains on disposal of foreclosed assets		(108)	(5)
Interest income from financial investments		(22,859)	(21,304)
Unwinding discount on allowances during the period		(989)	(626)
Net losses/(gains) on fair value		460	(4,271)
Share of profit of an associate		(43)	(55)
Net gains arising from de-recognition of financial investments		(890)	(130)
Dividend income		(54)	(26)
Interest expense on subordinated debt securities and other debts issued		2,982	1,956
Interest expense on certificates of deposits issued		703	411
Operating cash flows before movements in operating assets and liabilities		44,482	39,105
Net decrease/(increase) in mandatory reserve deposits		6,410	(38,044)
Net increase in due from banks and other financial institutions		(127,102)	(44,440)
Net increase in financial assets at fair value through profit or loss		(43,190)	(18,249)
Net increase in loans and advances to customers		(279,366)	(171,127)
Net increase in other assets		(29,629)	(35,485)
Net increase in due to banks and other financial institutions		290,933	26,690
Net increase in due to customers		484,898	218,087
Net increase in other liabilities		17,802	22,162
Net increase/(decrease) in business tax payable		444	(220)
Income tax paid		(9,735)	(8,720)
<b>Net cash generated from/(used in) operating activities</b>		<b>355,947</b>	<b>(10,241)</b>

# Unaudited Condensed Consolidated Financial Statements (Continued)

## Unaudited Condensed Consolidated Statement of Cash Flows (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

Group	Notes	Six months ended 30 June	
		2015	2014
<b>Cash flows from investing activities:</b>			
Purchase of financial investments		(369,090)	(193,860)
Disposal or redemption of financial investments		182,623	178,523
Dividends received		54	26
Interest received from financial investments		23,706	21,156
Acquisition of intangible assets and other assets		(653)	(739)
Disposal of intangible assets and other assets		110	179
Purchase and construction of property and equipment		(9,429)	(6,369)
Disposal of property and equipment		293	183
<b>Net cash used in investing activities</b>		<b>(172,386)</b>	<b>(901)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from debt securities and certificates of deposits issued		50,565	46,503
Interest paid for debt securities and certificates of deposits issued		(1,903)	(1,170)
Dividends paid to shareholders of the Bank		(10,593)	–
Capital contribution by non-controlling interests of subsidiaries		267	–
Repayment of the principals of debts securities and certificates of deposits issued		(41,676)	(24,709)
<b>Net cash (used in)/generated from financing activities</b>		<b>(3,340)</b>	<b>20,624</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(58)</b>	<b>520</b>
<b>Net increase in cash and cash equivalents</b>		<b>180,163</b>	<b>10,002</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>313,626</b>	<b>243,394</b>
<b>Cash and cash equivalents at the end of the period</b>	38	<b>493,789</b>	<b>253,396</b>
<b>Net cash flows from operating activities include:</b>			
Interest received		131,022	118,122
Interest paid		(74,044)	(68,387)

The accompanying notes form a part of these consolidated financial statements.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 1 GENERAL

Bank of Communications Co., Ltd. (the “Bank”) is a commercial and retail bank providing banking services mainly in the People’s Republic of China (“PRC”). The Bank was reorganized as a joint stocks national commercial bank on 1 April 1987, in accordance with the approval notice (Guo Fa (1986) No. 81) issued by the State Council of the PRC and the approval notice (Yin Fa (1987) No. 40) issued by the People’s Bank of China (“PBOC”). Headquartered in Shanghai, the Bank operates 227 city-level and above branches in the Mainland China and 15 overseas institutions including branches in Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, Sydney, San Francisco, Taipei, Brisbane, Bank of Communications (UK) Co., Ltd., Bank of Communications (Luxemburg) Co., Ltd. and representative office of Toronto. The Bank’s A shares are listed on the Shanghai Stock Exchange and its H shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustees, insurance, finance lease and other financial services.

## 2 BASIS OF PREPARATION AND ACCOUNTING ESTIMATES AND JUDGEMENTS

### 2.1 Basis of preparation and principal accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standard Board.

These unaudited condensed consolidated financial statements of the Group should be read in conjunction with the 2014 annual consolidated financial statements.

Except as described below, the Group’s accounting policies applied in preparing these unaudited condensed consolidated financial statements are consistent with those policies applied in preparing the financial reports as at 31 December 2014.

#### 2.1.1 *New and revised IFRSs effective by 1 January 2015 applied by the Group*

Amendment to IAS 19 (as revised in 2011)	Employee Benefits – To Plans that Require Employees or Third Parties to Contribute Towards the Cost of Benefits
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

The adoption of these new standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 2 BASIS OF PREPARATION AND ACCOUNTING ESTIMATES AND JUDGEMENTS

(Continued)

### 2.1 Basis of preparation and principal accounting policies (Continued)

#### 2.1.2 Standards and amendments that are not yet effective and have not been adopted by the Group

		Effective for annual period beginning on or after
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to IFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IAS 27	Equity method in separate financial statements	1 January 2016
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to IFRS 9	Financial Instruments	1 January 2018

Except for the above mentioned impact of IFRS 9, the adoption of the above new IFRSs and amendments to IFRSs issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

The Group is considering the impact of IFRS 9 on the consolidated financial statements.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT

### Overview

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of a certain degree of risks or a portfolio of risks. The Group's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and the latest best practice.

The Board of Directors sets out strategies and risk preference for overall risk management strategy and decides the risk tolerance level. The senior management establishes related risk management policies and procedures under the strategy approved by the Board of Directors, including policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. The Chief Risk Officer assumes the overall risk management responsibility on behalf of the senior management. The Risk Management Department at Head Office undertakes the overall risk management functions of the Group. The risk management division in each operation department at Head Office, the Risk Management Department of each domestic and overseas branch and subsidiary undertakes the specific risk management function. In addition, internal audit department is responsible for the independent review of risk management and the control environment.

The main types of financial risks of the Group are credit risk, liquidity risk and market risk which also includes foreign exchange risk, interest rate risk and other price risk.

### 3.1 Credit risk

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or is unwilling to meet its obligations under a contract. Significant changes in the economy, credit quality of a particular industry segment in the Group's portfolio, could result in a loss amount different from the loss provision at the end of the reporting date. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally from loans and advances, financial investments, derivative instruments and due from banks and other financial institutions. There is also credit risk in off-balance sheet financing arrangements such as loan commitments, financial guarantees, acceptances and letters of credit. The majority of the Group's operation is located within Mainland China, where different regions in China have their own unique characteristics in economic development. For example, the economic development in the eastern provinces is better than that in the western provinces. The Risk Management Department at Head Office is responsible for the overall management of the Group's credit risk, and reports to the Bank's senior management and Board of Directors regularly. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a particular borrower. Such limits are monitored on a regular basis and subject to an annual review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also controlled by obtaining collaterals and corporate and individual guarantees.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.1 Credit risk assessment

(a) *Loans and advances to customers and off-balance sheet commitments*

In assessing credit risk of corporate and retail customers in respect of its on-balance sheet and off-balance sheet exposures, the Group considers three factors (i) the “probability of default” by debtors; (ii) the “exposure at default” to be recognised by the Group based on the current net exposure and the future potential development of debtors; (iii) the extent of loss from risk exposure in the event of default (the “loss given default”).

Probability of default is the probability of occurrence of default event in a given period of time in future.

Exposure at default represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses to be incurred. In general, this includes the utilised credit limit, interests receivable, the anticipated usage of unutilised credit facilities as well as the related expenses to be incurred.

Loss given default represents the percentage of amount of loss to be occurred in the event of default to the total risk exposure. It is expressed as the loss percentage per unit of exposure which typically varies by nature of counter party, type and seniority of claim and the availability of collaterals or other credit enhancements.

These credit risk measurements, which reflect expected loss (the expected loss model), are in accordance with the banking regulations and requirements of regulatory measures of the Basel Committee on Banking Supervision (the “Basel Committee”), and are applied in the daily operations of the Group.

The Group has implemented an internal rating system based on the requirements of the Basel New Capital Accord and the requirements of supervisory guidelines issued by China Banking Regulatory Commission (“CBRC”) on internal rating system. The Bank summarized a series of financial and other related factors to build the internal credit rating model for corporate customers, which is based on historical data collection, data statistics and data analysis on the characteristics of risks of the clients before the default occurs. Internal rating model applies the principle of regression to forecast the probability of default in the future 12 months, and then matches the probability of default with relevant rank of default risk which is used for determination of the borrower’s credit ranking within the internal rating system. In order to improve the model’s accuracy and stability, the Bank performs evaluation of the model at least every six months and monitors the results by performing back testing and comparing the results from model using the default data from customers. In practice, the monitoring and back testing has been performed quarterly.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.1 Credit risk assessment (Continued)

##### (a) Loans and advances to customers and off-balance sheet commitments (Continued)

The Group has issued credit commitments, guarantees and letters of credit. The primary purpose of these instruments is to ensure that funds are available to customers as required. These instruments represent irrevocable assurances that the Group will make payments in the events that a customer cannot meet its obligations to third parties. These instruments carry similar credit risk as loans, so the Group manages such credit risk together with loan portfolio.

The Group monitors the overdue status of its loans and advances to individual customers to manage credit risk. The Group analyses credit exposures by industry, geography and customer type. This information is monitored regularly by senior management.

In accordance with the “Guideline for Loan Credit Risk Classification” issued by the CBRC, the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Group classifies loans into the following five categories: normal, special-mention, substandard, doubtful and loss. The allowance for impairment losses is assessed collectively or individually, as appropriate.

The five categories of loan classification into which the Group classifies its loans and advances to customers are set out below:

Normal Borrowers can honor 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’ ability to service their loans is in question and they cannot rely entirely on normal operating 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 recognized even when collateral or guarantees are invoked.

Loss Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.1 Credit risk assessment (Continued)

(a) *Loans and advances to customers and off-balance sheet commitments (Continued)*

In the internal rating system, the credit rating of domestic customers and businesses has been divided into 15 non-default grades and one default grade based on the probability of default. The grade of non-default customers and businesses are assessed based on the probability of default in the future 12 months. Customers and businesses that meet the Group's definition of default are all classified within the default grade.

The internal rating system is used by the Bank to classify individual corporate customers with reference to Basel's requirements into 16 grades while the 5 categories of loan classification take into account the repayment status, collateral and probability of default of a particular loan with reference to guideline by CBRC.

(b) *Debt securities*

For debt securities and other bills, external ratings (such as Standard and Poor's) are used by the Group when available for managing the credit risk. The investment in those securities and bills is to have better credit quality assets while maintaining readily available funding sources.

(c) *Financial investments—loans and receivables*

The Group established a risk evaluation system for financial investments in loans and receivables. The Group assesses the credit risk of counter parties, including consideration of credit rating and reputation of fund management companies, trust companies and securities companies. Also, credit limits have been imposed and monitored by the Group to ensure there is no concentration of credit risk for transactions with a particular entity.

(d) *Derivative instruments*

The Group maintains strict limits on net open derivative investment positions (i.e., the difference between long and short contracts), by both amount and maturity. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Group (i.e., assets where their fair value is positive), which, in relation to derivative instruments, is only a fraction of the contract's notional amount used to express the amount outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market fluctuations. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except when the Group requires margin deposits from counterparties. The management has set limits of these contracts according to counterparty, and regularly monitor and control the actual credit risk when the Group concludes foreign exchange and interest rate contracts with other financial institutions and clients.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.1 Credit risk assessment (Continued)

(e) *Due from banks and other financial institutions*

The Group manages the credit quality of due from and placements with banks and other financial institutions, and balances arising from transactions for precious metals, by considering the size, financial position and the external credit rating of the banks and financial institutions. The Head Office monitors and reviews the credit risk of due from and placements with banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties.

#### 3.1.2 Risk limit control and mitigation measures

The Group manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties, company and groups, industry segments and geographical regions.

The Group structures the levels of credit risk it undertakes by placing limits in relation to one borrower, or groups of borrowers. Such risks are monitored on a regular basis and subject to annual or more frequent review, whenever necessary.

The exposure to any single borrower including banks and brokers is further restricted by sub-limits covering on-balance and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing their lending limits where appropriate.

Some other specific control and risk mitigation measures are outlined below:

(a) *Collateral*

The Group employs a range of policies and practices to mitigate credit risk. The most useful practice is to accept collaterals. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as debt securities and stocks.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.2 Risk limit control and mitigation measures (Continued)

###### (a) Collateral (Continued)

The value of collaterals at the time of loan origination is determined by the Credit Authorisation Department and the amount of the loans granted is subject to loan-to-value ratio limits based on collateral types. The principal types of collateral for corporate loans and individual loans are as follows:

Collateral	Maximum loan-to-value ratio
Cash deposits with the Group	90%
PRC treasury bonds	90%
Financial institution bonds	90%
Publicly traded stocks	60%
Rights to collect fees or right of management	60%
Properties	70%
Land use rights	70%
Vehicles	50%

Long-term loans and advances to corporate and individual customers are generally secured; while revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collaterals from the counterparties as soon as impairment indicators are noted for the relevant individual loans and advances.

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

Collaterals held as security for financial assets other than loans and advances to customers are determined by the nature of the instrument. Debt securities, treasury bonds and PBOC bills are generally unsecured, with the exception of asset-backed securities, which are secured by portfolios of financial instruments.

###### (b) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as each transaction subject to the arrangement is affected by credit risk.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.3 Impairment and provision policies

The internal rating system described in Note 3.1.1 focuses more on credit-quality mapping from the inception of lending activities. In contrast, impairment allowances recognised for financial reporting purposes are the losses that have been incurred at the end of the reporting date based on objective evidence of impairment.

The internal rating system assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions (e.g. equity ratio, profit margin);
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such loans and advances.

The Group periodically identifies potential risks in the corporate loan assets based on its three-hierarchy risk identification method through the asset risk management system, and applies discounted cash flow model to assess the expected losses on loan-by-loan basis to identify impaired loan assets. With regard to the impaired loan assets, the Group develops customer-based action plan, appoints certain employees for further clearing, retrieval and disposal of the loan assets, and provides impairment allowance in accordance with the expected losses. With regard to the loan assets not impaired, the Group performs collective assessment based on its migration model.

The Group's policy requires the review of individual financial assets that have objective evidence of impairment at least quarterly or more regularly when individual circumstances require. Impairment allowances on individually assessed financial assets are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually impaired financial assets. The assessment normally encompasses collaterals held (including re-confirmation of its enforceability) and the anticipated cash flows from that individual asset.

Collectively assessed impairment allowances are provided for: losses that have been incurred but have not yet been identified, by using the available historical experience, judgment and statistical techniques.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.1 Credit risk (Continued)

**3.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements**

Group	As at 30 June 2015	As at 31 December 2014
<b>Assets</b>		
Balances with central banks	1,093,539	918,794
Due from banks and other financial institutions	652,691	525,033
Financial assets at fair value through profit or loss (debt securities and derivatives)	153,984	116,117
Loans and advances to customers		
– Loans to corporate entities	2,697,294	2,500,515
– Loans to individuals	926,380	854,272
Financial investments – loans and receivables	265,758	211,588
Financial investments – available-for-sale (debt securities)	232,449	207,003
Financial investments – held-to-maturity	746,943	635,570
Other financial assets	189,275	153,331
<b>Total</b>	<b>6,958,313</b>	<b>6,122,223</b>
<b>Off-balance sheet exposures</b>		
Guarantees, acceptances and letters of credit	882,932	918,337
Other credit related commitments	551,202	616,190
<b>Total</b>	<b>1,434,134</b>	<b>1,534,527</b>

The above table represents a worst case scenario of credit risk exposure to the Group as at 30 June 2015 and 31 December 2014, without taking account of any related collaterals or other credit enhancements. For on-balance sheet assets, the exposures above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 52% of the total on-balance sheet exposure is derived from loans and advances to customers (2014: 55%).

Management is confident in its ability to continuously control and sustain a minimal exposure to credit risk to the Group based on the following performance of its loans and advances portfolio:

- Mortgage loans, which represent the biggest portion in the individual portfolio, are backed by collaterals;
- 97% of the loans and advances portfolio are neither past due nor impaired (2014: 98%);
- The impaired loans to total loans and advances to customers are 1.35%. (2014: 1.25%).

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.5 Loans and advances to customers

Group	As at 30 June 2015		As at 31 December 2014	
	Loans and advances to customers	Due from banks and other financial institutions	Loans and advances to customers	Due from banks and other financial institutions
Neither past due nor impaired	3,597,191	652,691	3,349,165	525,033
Past due but not impaired	61,808	–	39,553	–
Individually impaired	50,153	–	43,017	–
<b>Gross</b>	<b>3,709,152</b>	<b>652,691</b>	<b>3,431,735</b>	<b>525,033</b>
Less: allowance for collectively assessed impairment losses	(63,201)	–	(58,908)	–
Less: allowance for individually assessed impairment losses	(22,277)	–	(18,040)	–
<b>Net</b>	<b>3,623,674</b>	<b>652,691</b>	<b>3,354,787</b>	<b>525,033</b>

Further information of the impairment allowances for loans and advances to customers is provided in Note 20.

As at 30 June 2015, the Group's total loans and advances to customers increased by 8.02% as a result of the continuous increase of market demand in Mainland China. When entering into a new market or new industry, the Group targets at large enterprises or other financial institutions with good credit ratings or customers with sufficient collaterals in order to minimise the potential risk of increased credit risk exposure.

#### (a) Loans and advances neither past due nor impaired

Group (Unaudited)	As at 30 June 2015		
	Normal	Special-mention	Total
Corporate loans and advances	2,613,226	63,974	2,677,200
Personal loans and advances	919,422	569	919,991
<b>Total</b>	<b>3,532,648</b>	<b>64,543</b>	<b>3,597,191</b>

  

Group	As at 31 December 2014		
	Normal	Special-mention	Total
Corporate loans and advances	2,444,469	53,371	2,497,840
Personal loans and advances	849,867	1,458	851,325
<b>Total</b>	<b>3,294,336</b>	<b>54,829</b>	<b>3,349,165</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.5 Loans and advances to customers (Continued)

##### (b) Loans and advances past due but not impaired

Gross amount of loans and advances by types of customers that are past due but not impaired are as follows:

Group	As at 30 June 2015					Fair value of collateral
	Past due up to 30 days	Past due 31 – 60 days	Past due 61 – 90 days	Past due over 90 days	Total	
Corporate entities						
– Commercial loans	13,893	6,711	4,850	24,088	49,542	31,089
Individual						
– Mortgages	3,656	869	599	119	5,243	7,100
– Credit Cards	3,500	844	488	–	4,832	–
– Other	956	239	324	672	2,191	2,966
<b>Total</b>	<b>22,005</b>	<b>8,663</b>	<b>6,261</b>	<b>24,879</b>	<b>61,808</b>	<b>41,155</b>

Group	As at 31 December 2014					Fair value of collateral
	Past due up to 30 days	Past due 31 – 60 days	Past due 61 – 90 days	Past due over 90 days	Total	
Corporate entities						
– Commercial loans	6,735	6,306	12,881	5,576	31,498	19,963
Individual						
– Mortgages	1,324	361	258	34	1,977	2,717
– Credit Cards	3,741	851	472	–	5,064	–
– Other	434	270	208	102	1,014	1,462
<b>Total</b>	<b>12,234</b>	<b>7,788</b>	<b>13,819</b>	<b>5,712</b>	<b>39,553</b>	<b>24,142</b>

The fair value of collaterals was estimated by management based on the latest available external valuations, adjusted for the current market situation and management's experience in realisation of collaterals.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.5 Loans and advances to customers (Continued)

##### (c) Loans and advances individually impaired

As at 30 June 2015, impaired loans and advances to customers before taking into consideration the collaterals held is RMB50,153 million (2014: RMB43,017 million).

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of related collaterals held by the Group as security, are as follows:

Group	As at 30 June 2015	As at 31 December 2014
Corporate entities	39,532	34,040
Individual	10,621	8,977
	50,153	43,017
Fair value of collaterals		
– Corporate entities	15,719	9,998
– Individual	6,558	5,690
	22,277	15,688

No individually impaired due from banks and other financial institutions are held by the Group as at 30 June 2015 and 31 December 2014.

##### (d) Loans and advances to customers analysed by security type

Group	As at 30 June 2015	As at 31 December 2014
Unsecured loans	1,106,638	982,829
Guaranteed loans	817,426	826,994
Collateralised and other secured loans	1,785,088	1,621,912
– Loans secured by collateral	1,410,675	1,288,485
– Pledged loans	374,413	333,427
Gross amount of loans and advances before allowance for impairment	3,709,152	3,431,735

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.5 Loans and advances to customers (Continued)

##### (e) Geographical risk concentration for loans and advances to customers

Group	As at 30 June 2015		As at 31 December 2014	
		%		%
North of China (1)	537,086	14.48	524,090	15.27
Northeast (2)	178,708	4.82	177,888	5.18
East of China (3)	1,577,037	42.52	1,465,863	42.72
South and middle of China (4)	680,204	18.34	638,822	18.62
West of China (5)	373,998	10.08	348,089	10.14
Overseas (6)	362,119	9.76	276,983	8.07
Gross amount of loans and advances	3,709,152	100.00	3,431,735	100.00

- (1) Including Beijing, Tianjin, Hebei province, Shanxi province and Inner Mongolia;
- (2) Including Liaoning province, Jilin province and Heilongjiang province;
- (3) Including Shanghai, Jiangsu province, Zhejiang province, Anhui province, Fujian province, Jiangxi province and Shandong province;
- (4) Including Henan province, Hunan province, Hubei province, Guangdong province, Guangxi province and Hainan province;
- (5) Including Chongqing, Sichuan province, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Qinghai province, Xinjiang province and Ningxia province;
- (6) Including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, Sydney, London, San Francisco, Luxembourg and Taiwan.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.5 Loans and advances to customers (Continued)

(f) Industry analysis

Group	As at 30 June 2015		As at 31 December 2014	
		%		%
Corporate loans				
Mining	102,007	2.75	98,886	2.88
Manufacturing				
– Petroleum and chemical	122,990	3.32	120,727	3.52
– Electronics	86,611	2.34	77,856	2.27
– Steel	36,833	0.99	38,760	1.13
– Machinery	115,991	3.13	110,486	3.22
– Textile and clothing	39,929	1.08	39,389	1.15
– Other manufacturing	249,756	6.72	237,455	6.92
Electricity, gas and water production and supply	134,712	3.63	132,234	3.85
Construction	117,132	3.16	107,521	3.13
Transportation, storage and postal service	424,819	11.45	388,980	11.33
Telecommunication, IT service and software	13,945	0.38	12,291	0.36
Wholesale and retail	360,647	9.72	333,003	9.70
Accommodation and catering	33,162	0.89	30,536	0.89
Financial institutions	48,934	1.32	45,693	1.33
Real estate	217,603	5.87	207,566	6.05
Services	260,910	7.03	233,905	6.82
Water conservancy, environmental and other public services	138,219	3.73	138,903	4.05
Education	66,329	1.79	59,833	1.74
Others	87,033	2.35	74,806	2.18
Discounted bills	108,710	2.93	74,548	2.17
<b>Total corporate loans</b>	<b>2,766,272</b>	<b>74.58</b>	<b>2,563,378</b>	<b>74.69</b>
Individual loans				
Mortgage loans	567,276	15.29	529,871	15.44
Credit card advances	250,649	6.76	223,593	6.52
Others	124,955	3.37	114,893	3.35
<b>Total individual loans</b>	<b>942,880</b>	<b>25.42</b>	<b>868,357</b>	<b>25.31</b>
<b>Gross amount of loans and advances before allowance for impairment</b>	<b>3,709,152</b>	<b>100.00</b>	<b>3,431,735</b>	<b>100.00</b>

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.6 Financial investments

The table below presents an analysis of financial investments, excluding derivatives, by independent rating agencies designation as at 30 June 2015 and 31 December 2014:

Group	As at 30 June 2015				Total
	Financial investments – loans and receivables	Financial investments – available-for-sale (debt securities)	Financial investments – held-to-maturity	Financial assets at fair value through profit or loss (debt securities)	
<b>RMB securities</b>					
AAA	20,775	48,191	199,495	75,794	344,255
AA- to AA+	7,619	7,184	8,597	19,030	42,430
A- to A+	–	45	349	595	989
Unrated(a)	239,108	107,799	535,322	26,207	908,436
Sub-total	267,502	163,219	743,763	121,626	1,296,110
<b>Foreign currency securities</b>					
AAA	–	6,841	39	3,976	10,856
AA- to AA+	–	13,295	644	5,518	19,457
A- to A+	–	16,033	2,199	3,999	22,231
BBB- to BBB+	–	4,973	168	494	5,635
Unrated(a)	870	29,080	130	4,666	34,746
Sub-total	870	70,222	3,180	18,653	92,925
<b>Total</b>	<b>268,372</b>	<b>233,441</b>	<b>746,943</b>	<b>140,279</b>	<b>1,389,035</b>
Less: impairment allowance	(2,614)	(992)	–	–	(3,606)
<b>Net financial investments</b>	<b>265,758</b>	<b>232,449</b>	<b>746,943</b>	<b>140,279</b>	<b>1,385,429</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.6 Financial investments (Continued)

Group	As at 31 December 2014				Total
	Financial investments – loans and receivables	Financial investments – available-for-sale (debt securities)	Financial investments – held-to-maturity	Financial assets at fair value through profit or loss (debt securities)	
<b>RMB securities</b>					
AAA	21,075	40,881	139,222	61,312	262,490
AA- to AA+	7,619	6,054	9,524	16,074	39,271
A- to A+	–	222	250	220	692
Unrated(a)	183,992	105,072	484,917	16,801	790,782
Sub-total	212,686	152,229	633,913	94,407	1,093,235
<b>Foreign currency securities</b>					
AAA	–	3,985	85	3,362	7,432
AA- to AA+	–	14,378	598	2,320	17,296
A- to A+	–	12,521	692	1,715	14,928
BBB- to BBB+	–	2,257	51	–	2,308
Unrated(a)	908	22,638	231	3,657	27,434
Sub-total	908	55,779	1,657	11,054	69,398
<b>Total</b>	<b>213,594</b>	<b>208,008</b>	<b>635,570</b>	<b>105,461</b>	<b>1,162,633</b>
Less: impairment allowance	(2,006)	(1,005)	–	–	(3,011)
<b>Net financial investments</b>	<b>211,588</b>	<b>207,003</b>	<b>635,570</b>	<b>105,461</b>	<b>1,159,622</b>

- (a) These mainly represent investments and trading securities issued by Ministry of Finance of the PRC (“MOF”), the PBOC and policy banks as well as investments in trustees and wealth management products which are not rated by independent agencies.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.6 Financial investments (Continued)

###### Impaired financial investments

The impaired financial investments were individual impaired loans and receivables and available for sales bond investments. As at 30 June 2015, the total gross amount of overdue impaired financial investments amounted to RMB1,231 million (31 December 2014: RMB1,005 million). Individual assessment has been carried out by the Group and a provision of RMB1,092 million was made as at 30 June 2015 (as at 31 December 2014: RMB1,005 million). As at 30 June 2015 and 31 December 2014, no collateral was held by the Group against these financial investments.

##### 3.1.7 Derivative instruments

The Group undertakes its transactions in foreign exchange and interest rate derivative contracts and others with other financial institutions and customers. Management has established limits for these contracts based on counterparties, industry sectors and countries. Actual credit exposures and limits are regularly monitored and controlled by management.

###### Credit risk weighted amounts

Group	As at 30 June 2015	As at 31 December 2014
Derivatives		
– Exchange rate contracts	6,141	3,516
– Interest rate contracts and others	1,321	753
	7,462	4,269

The credit risk weighted amounts are the amounts calculated with reference to the guidelines issued by the CBRC and are dependent on, amongst other factors, the creditworthiness of the counterparty and the maturity characteristics of each type of contract.

The credit risk weighted amounts stated above have not taken the effects of netting arrangements into account.

##### 3.1.8 Foreclosed assets

Group	As at 30 June 2015	As at 31 December 2014
Commercial properties	178	55
Others	507	401
Total	685	456

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not generally occupy foreclosed assets for its own business use. Foreclosed assets are classified as other assets in the statement of financial position.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.9 Concentration risk analysis for financial assets with credit risk exposure

##### Geographical sectors

Group	PRC	Hong Kong	Others	Total
As at 30 June 2015				
Financial assets				
Balances with central banks	1,029,132	25,988	38,419	1,093,539
Due from banks and other financial institutions	554,642	12,932	85,117	652,691
Financial assets at fair value through profit or loss (debt securities and derivatives)	128,344	12,927	12,713	153,984
Loans and advances to customers	3,269,899	197,937	155,838	3,623,674
Financial investments – loans and receivables	264,888	–	870	265,758
Financial investments – available-for-sale (debt securities)	148,202	13,506	70,741	232,449
Financial investments – held-to-maturity	743,516	33	3,394	746,943
Other financial assets	178,632	9,397	1,246	189,275
	6,317,255	272,720	368,338	6,958,313
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	865,569	9,694	7,669	882,932
Other credit related commitments	506,685	10,118	34,399	551,202
	1,372,254	19,812	42,068	1,434,134

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.9 Concentration risk analysis for financial assets with credit risk exposure (Continued)

##### Geographical sectors (Continued)

Group	PRC	Hong Kong	Others	Total
As at 31 December 2014				
Financial assets				
Balances with central banks	863,485	18,912	36,397	918,794
Due from banks and other financial institutions	474,478	8,302	42,253	525,033
Financial assets at fair value through profit or loss (debt securities and derivatives)	101,945	10,119	4,053	116,117
Loans and advances to customers	3,079,519	189,096	86,172	3,354,787
Financial investments – loans and receivables	210,680	–	908	211,588
Financial investments – available-for-sale (debt securities)	165,691	10,111	31,201	207,003
Financial investments – held-to-maturity	633,903	88	1,579	635,570
Other financial assets	140,657	10,913	1,761	153,331
	5,670,358	247,541	204,324	6,122,223
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	903,594	9,939	4,804	918,337
Other credit related commitments	573,578	11,164	31,448	616,190
	1,477,172	21,103	36,252	1,534,527

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Market risk

#### 3.2.1 Overview

The Group takes on exposure to market risks, which is initiated by the fluctuation of the fair value of or future cash flow of financial instruments as a result of the changes of the market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market fluctuations and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or banking portfolios.

In accordance with the requirements of the CBRC, the Group categorises its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either for trading intent or economic hedging for other elements of the trading book or the banking book. The banking book consists of the investments purchased by the Group with excess funds and other financial instruments that are not captured in trading book.

The Group established a management model of “large and small middle offices” for its market risk management, which is a centralised control framework led by Board of Directors, Supervisors and senior management. The asset liability management department takes the lead in the Bank’s market risk management, while business units such as financial markets department and domestic and overseas branches are the execution units of the Bank’s market risk management. The risk management department and the internal audit department are responsible for the independent verification of the market risk management system, as well as the internal audit of the Bank.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. With regard to the exchange rate risks and the interest rate risks of trading book, the Group established an effective limit management system by implementing Value at Risk (VaR). 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. In addition, through adequate pricing management and asset allocation, the Group strived to maximise its rate of return while keeping its risks under control.

The Group continuously improved the management system of market risk in 2015. The Board of Directors continues its implementation of the “Stress Testing Plan of Market Risk for Trading Accounts of 2012”. The Group conducted the stress tests on historical scenarios and hypothetical scenarios in the consideration of the Group’s major market risk factors. The Group implemented the daily automatic collection system of trading data and market data. The Group conducted the management of risk capital and VaR quota, and formulated the quota allocation plans.

As part of market risk management, the Group enters into interest rate swaps to match the interest rate risk associated with the structured deposits and fixed-rate long-term debt securities.

The major measurement techniques used to measure and control market risk are outlined below:

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Market risk (Continued)

#### 3.2.2 VaR

VaR refers to the maximum loss that an investment portfolio may incur at a given confidence level and holding period caused by the changes in market price factors such as interest rates and exchange rates etc. The Group adopted the historical simulation method to calculate daily VaR (99% confidence interval, the holding period of one day).

A summary of VaR by risk type of the Group's portfolios is as follows:

Group	As at 30 June 2015			
	30 June 2015	Average	Maximum	Minimum
VaR of portfolios	125	132	215	118
– Interest rate risk	119	111	244	100
– Foreign exchange risk	66	69	140	31

Group	As at 30 June 2014			
	30 June 2014	Average	Maximum	Minimum
VaR of portfolios	216	312	480	189
– Interest rate risk	144	107	144	85
– Foreign exchange risk	210	328	494	198

#### 3.2.3 Sensitivity tests

##### Interest rate sensitivity test

The Group performs interest rate sensitivity analysis on net interest income and other comprehensive income for the Group by measuring the impact of a change in net interest income of financial assets and liabilities, not taking customer behavior and repayment option into consideration. On an assumption of a parallel shift of 100 basis points in RMB, USD and HKD interest rates, the Group calculates the change in net interest income and other comprehensive income for the year on a monthly basis.

The table below illustrates the impact to net interest income of the coming year of the Group based on the structure of interest bearing assets and liabilities as at 30 June 2015 and 31 December 2014, caused by a parallel shift of 100 basis point of RMB, USD and HKD interest rates.

Group	Expected change in net interest income	
	As at 30 June 2015	As at 31 December 2014
+100 basis points parallel shift in yield curves	12,001	14,521
– 100 basis points parallel shift in yield curves	(12,001)	(14,521)

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Market risk (Continued)

#### 3.2.3 Sensitivity tests (Continued)

##### Interest rate sensitivity test (Continued)

The table below illustrates the impact on other comprehensive income of the Group by the parallel shift of 100 basis point of RMB, USD and HKD interest rate structure.

Group	Change to other comprehensive income	
	As at 30 June 2015	As at 31 December 2014
+100 basis points parallel shift in yield curves	(2,761)	(2,339)
- 100 basis points parallel shift in yield curves	2,893	2,166

The results of the interest rate sensitivity tests set out in the table above are illustrative only and are based on simplified scenarios. The figures represent the projected impact to the net interest income and other comprehensive income caused by the projected movement of current interest risk structure yield curves. This effect, however, does not take into account actions that would be taken by the Group to mitigate the impact of interest rate changes. The projections above also assume that interest rates of all maturities excluding demand deposits move by the same amount and, therefore, do not reflect the potential impact on net interest income due to changes in certain rates while others remain unchanged. The projections make other simplifying assumptions as well, including that all positions to be held to maturity. There will be changes to the projection if positions are not held to maturity but it is not expected that the changes would be material.

##### Foreign exchange sensitivity test

The Group performs exchange rate sensitivity analysis on net profit and other comprehensive income for the Group by measuring the impact of a change in exchange rate on financial assets and liabilities denominated in different currencies. On an assumption of an appreciation or depreciation of RMB spot and forward rates against HKD and USD by 5%, the Group calculates the change in net profit and other comprehensive income for the year on a monthly basis.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.3 Sensitivity tests (Continued)

###### Foreign exchange sensitivity test (Continued)

The table below illustrates the impact of an appreciation or depreciation of RMB spot and forward rates against HKD and USD by 5% on the Group's net profit:

Group	Expected change in net profit/(loss)	
	As at 30 June 2015	As at 31 December 2014
5% appreciation of RMB	(1,051)	(334)
5% depreciation of RMB	1,031	289

The table below illustrates the impact of an appreciation or depreciation of RMB spot and forward rate against HKD and USD by 5% on the Group's other comprehensive income:

Group	Change of other comprehensive income	
	As at 30 June 2015	As at 31 December 2014
5% appreciation of RMB	(798)	(667)
5% depreciation of RMB	798	667

##### 3.2.4 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the market value of a financial instrument will fluctuate because of changes in market interest rates.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Group operates its business predominantly in PRC under the interest rate scheme regulated by the PBOC. The PBOC established RMB benchmark interest rates for loans with a floor and such policy was eliminated with effect 20 July 2013 whereby financial institutions are in a position to price their loans based on commercial and market factors. The PBOC continues to establish RMB benchmark interest rates for deposit with a cap. The normal practice of the PBOC is to let the interest rates of both interest-bearing assets and liabilities move in the same direction. The Group conducts most of its domestic businesses including loans and deposits as well as the majority of financial guarantees and credit commitments based upon the published PBOC basic interest rates. Consequently, the Group is less vulnerable to interest rate risk. However, there is no guarantee that the PBOC will continue this practice in the future.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Market risk (Continued)

#### 3.2.4 Interest rate risk (Continued)

The interest rate repricing risk for foreign currency denominated debt securities and the remaining part of the financial guarantees and credit commitments businesses which are not based upon these basic interest rates is not expected to be significant.

The interest rate for discounted bills is determined by reference to the PBOC/market re-discount interest rate. However, it is generally lower than the interest rate for a loan with the same maturity term.

The tables below summarize the Group's exposures to interest rate risks. The tables show the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

Group	Up to					Non-interest bearing	Total
	1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
As at 30 June 2015							
Assets							
Cash and balances with central banks	1,084,133	-	-	-	-	27,119	1,111,252
Due from banks and other financial institutions	323,635	139,916	166,780	22,360	-	-	652,691
Financial assets at fair value through profit or loss	32,396	22,603	50,379	50,427	15,930	14,492	186,227
Loans and advances to customers	1,659,336	399,912	1,374,440	101,033	88,953	-	3,623,674
Financial investments – loans and receivables	7,447	20,353	95,190	108,633	34,135	-	265,758
Financial investments – available-for-sale	32,075	50,053	59,368	65,020	25,933	4,338	236,787
Financial investments – held-to-maturity	26,510	37,922	71,335	393,935	217,241	-	746,943
Other assets	5,501	25,376	68,396	13,469	-	186,081	298,823
<b>Total assets</b>	<b>3,171,033</b>	<b>696,135</b>	<b>1,885,888</b>	<b>754,877</b>	<b>382,192</b>	<b>232,030</b>	<b>7,122,155</b>
Liabilities							
Due to banks and other financial institutions	(1,068,406)	(174,973)	(319,582)	(125,831)	(10,416)	-	(1,699,208)
Financial liabilities at fair value through profit or loss	(5,690)	(3,370)	(21,883)	(4,472)	-	(14,084)	(49,499)
Due to customers	(2,801,952)	(352,278)	(850,028)	(505,434)	(18)	(4,856)	(4,514,566)
Other liabilities	(4,090)	(8,689)	(26,659)	(35,236)	(99,002)	(193,406)	(367,082)
<b>Total liabilities</b>	<b>(3,880,138)</b>	<b>(539,310)</b>	<b>(1,218,152)</b>	<b>(670,973)</b>	<b>(109,436)</b>	<b>(212,346)</b>	<b>(6,630,355)</b>
<b>Total interest sensitivity gap</b>	<b>(709,105)</b>	<b>156,825</b>	<b>667,736</b>	<b>83,904</b>	<b>272,756</b>	<b>19,684</b>	<b>491,800</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Market risk (Continued)

#### 3.2.4 Interest rate risk (Continued)

Group	Up to					Non-interest bearing	Total
	1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
As at 31 December 2014							
Assets							
Cash and balances with central banks	909,943	-	-	-	-	28,112	938,055
Due from banks and other financial institutions	310,217	107,070	91,472	16,274	-	-	525,033
Financial assets at fair value through profit or loss	8,466	12,233	38,296	50,383	13,206	13,050	135,634
Loans and advances to customers	1,611,138	451,154	1,168,980	85,145	38,370	-	3,354,787
Financial investments – loans and receivables	16,893	21,626	68,430	74,349	30,290	-	211,588
Financial investments – available-for-sale	6,053	18,701	35,917	110,491	35,841	3,013	210,016
Financial investments – held-to-maturity	3,210	17,291	83,038	340,776	191,255	-	635,570
Other assets	22,004	41,198	52,873	11,594	739	129,208	257,616
<b>Total assets</b>	<b>2,887,924</b>	<b>669,273</b>	<b>1,539,006</b>	<b>689,012</b>	<b>309,701</b>	<b>173,383</b>	<b>6,268,299</b>
Liabilities							
Due to banks and other financial institutions	(433,196)	(311,077)	(354,341)	(279,971)	(29,690)	-	(1,408,275)
Financial liabilities at fair value through profit or loss	(5,078)	(3,718)	(8,265)	(4,603)	-	(16,916)	(38,580)
Due to customers	(2,417,869)	(514,857)	(626,933)	(464,685)	(855)	(4,469)	(4,029,668)
Other liabilities	(5,811)	(17,846)	(12,193)	(33,042)	(99,683)	(149,596)	(318,171)
<b>Total liabilities</b>	<b>(2,861,954)</b>	<b>(847,498)</b>	<b>(1,001,732)</b>	<b>(782,301)</b>	<b>(130,228)</b>	<b>(170,981)</b>	<b>(5,794,694)</b>
<b>Total interest sensitivity gap</b>	<b>25,970</b>	<b>(178,225)</b>	<b>537,274</b>	<b>(93,289)</b>	<b>179,473</b>	<b>2,402</b>	<b>473,605</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Market risk (Continued)

#### 3.2.5 Foreign exchange risk

The Group conducts the majority of its businesses in RMB, with certain foreign transactions in USD, HKD and other currencies. The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. The senior management sets limits on the level of exposure in exchange rate risk and monitoring the exposure regularly. As at 30 June 2015, the exchange rates for US dollar and HK dollar are 1 US dollar to RMB6.1136 (31 December 2014: 6.1190) and 1 HK dollar to RMB0.78861 (31 December 2014: 0.78887), respectively. The tables below summarize the Group's exposure to foreign exchange risk at the end of each year. The tables show the Group's total assets and liabilities in carrying amounts in RMB, are categorized by the original currency.

Group	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
As at 30 June 2015					
Assets					
Cash and balances with central banks	1,034,440	30,207	26,622	19,983	1,111,252
Due from banks and other financial institutions	484,092	158,054	1,883	8,662	652,691
Financial assets at fair value through profit or loss	128,946	14,484	8,607	34,190	186,227
Loans and advances to customers	3,175,727	321,541	112,459	13,947	3,623,674
Financial investments – loans and receivables	264,888	870	–	–	265,758
Financial investments – available-for-sale	166,132	32,225	22,447	15,983	236,787
Financial investments – held-to-maturity	743,763	1,592	282	1,306	746,943
Other assets	252,542	35,588	5,115	5,578	298,823
<b>Total assets</b>	<b>6,250,530</b>	<b>594,561</b>	<b>177,415</b>	<b>99,649</b>	<b>7,122,155</b>
Liabilities					
Due to banks and other financial institutions	(1,469,061)	(211,396)	(12,136)	(6,615)	(1,699,208)
Financial liabilities at fair value through profit or loss	(5,635)	(15,924)	(8,221)	(19,719)	(49,499)
Due to customers	(4,055,234)	(255,646)	(171,828)	(31,858)	(4,514,566)
Other liabilities	(299,249)	(46,550)	(10,138)	(11,145)	(367,082)
<b>Total liabilities</b>	<b>(5,829,179)</b>	<b>(529,516)</b>	<b>(202,323)</b>	<b>(69,337)</b>	<b>(6,630,355)</b>
<b>Net position</b>	<b>421,351</b>	<b>65,045</b>	<b>(24,908)</b>	<b>30,312</b>	<b>491,800</b>
Financial guarantees and credit related commitments	1,213,830	181,337	17,211	21,756	1,434,134

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Market risk (Continued)

#### 3.2.5 Foreign exchange risk (Continued)

Group	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
As at 31 December 2014					
Assets					
Cash and balances with central banks	874,236	27,343	30,986	5,490	938,055
Due from banks and other financial institutions	446,206	72,684	1,039	5,104	525,033
Financial assets at fair value through profit or loss	116,849	11,941	6,443	401	135,634
Loans and advances to customers	2,985,531	256,215	103,005	10,036	3,354,787
Financial investments – loans and receivables	210,680	908	–	–	211,588
Financial investments – available-for-sale	154,959	27,444	18,747	8,866	210,016
Financial investments – held-to-maturity	633,913	490	183	984	635,570
Other assets	209,373	7,738	15,890	24,615	257,616
<b>Total assets</b>	<b>5,631,747</b>	<b>404,763</b>	<b>176,293</b>	<b>55,496</b>	<b>6,268,299</b>
Liabilities					
Due to banks and other financial institutions	(1,207,338)	(169,242)	(18,595)	(13,100)	(1,408,275)
Financial liabilities at fair value through profit or loss	(14,526)	(10,134)	(12,123)	(1,797)	(38,580)
Due to customers	(3,684,955)	(190,610)	(133,274)	(20,829)	(4,029,668)
Other liabilities	(265,281)	(31,136)	(8,200)	(13,554)	(318,171)
<b>Total liabilities</b>	<b>(5,172,100)</b>	<b>(401,122)</b>	<b>(172,192)</b>	<b>(49,280)</b>	<b>(5,794,694)</b>
<b>Net position</b>	<b>459,647</b>	<b>3,641</b>	<b>4,101</b>	<b>6,216</b>	<b>473,605</b>
Financial guarantees and credit related commitments					
	1,261,479	228,380	19,834	24,834	1,534,527

#### 3.2.6 Other price risk

The Group is exposed to other price risk arising from financial assets such as equity investments and derivatives linked to commodity price. Some of the equity investments arise from taking possession of foreclosed assets due to historical reasons and from the proprietary trading of the Group's subsidiaries which hold the qualification of securities dealing and brokerage as well. As for the proprietary trading exposure, the Group enforces strict management of the risk exposure limit and the balance is insignificant to the Group's financial assets. The Group considers the exposure to the other price risk to be insignificant.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Liquidity risk

#### 3.3.1 Overview

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and other current liquidity needs. The consequence may be the failure to meet obligations to repay depositors and fulfill loan commitments for lending. The Group's objective in liquidity management is to ensure the availability of adequate funding to meet the demands of fund deposit withdrawals and other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments and to take advantage of new investment opportunities.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivatives. The Board of Directors set limits on the minimum proportion of funds to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. As at 30 June 2015, 18.5% (31 December 2014: 20%) of the Group's total RMB denominated customer deposits and 5% (31 December 2014: 5%) of the total foreign currency denominated customer deposits must be deposited with the PBOC.

#### 3.3.2 Liquidity risk management process

The Group's liquidity risk management process, as monitored by the Assets and Liabilities Management Department for RMB business and foreign exchange business, includes:

- Enhance weighting of core deposits as a percentage of liabilities, so as to improve the stability of liabilities;
- Monitor and manage liquidity position bank-wide by implementing a series of indicators and restrictions;
- Liquidity position management and cash utilization functions are centralized by the Headquarters;
- Maintain an appropriate level of central bank reserves, overnight inter-bank transactions, highly liquid debt investment, actively involved in capital management through open market, monetary market and bond market in order to ensure optimal financing capability at market places;
- Minimize liquidity risks by proper matching of asset maturity structures and multi-level liquidity portfolios.

The Group monitors and reports cash flow measurement and projections made for the next day, week and month separately, as these are key time periods for liquidity risk management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities (Notes 3.3.3 – 3.3.4).

Sources of funding are regularly reviewed by the Assets and Liabilities Management Department to maintain a wide diversification of fundings in terms of currency, geography, customer, product and maturity terms.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Liquidity risk (Continued)

#### 3.3.3 Non-derivative financial instruments cash flows

The table below presents the cash flows of the Group related to non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the end of the reporting date. The amounts disclosed in the tables are undiscounted contractual cash flows. The Group and the Bank's expected cash flows on these financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
As at 30 June 2015									
<b>Liabilities</b>									
Due to banks and other financial institutions	(420,047)	(645,794)	(178,436)	(338,773)	(153,555)	(13,948)	-	-	(1,750,553)
Non-derivative financial liabilities at fair value through profit or loss	(283)	(5,412)	(3,382)	(21,934)	(4,639)	-	-	-	(35,650)
Due to customers	(2,118,818)	(732,446)	(452,710)	(883,060)	(520,817)	(18)	-	-	(4,707,869)
Certificates of deposits issued	-	(4,107)	(8,793)	(25,359)	(2,343)	-	-	-	(40,602)
Debts securities issued	-	-	-	(1,525)	(27,278)	(110,068)	-	-	(138,871)
Other financial liabilities	(41,814)	(6,748)	(22,581)	(5,058)	(5,723)	(2,280)	-	-	(84,204)
<b>Total liabilities (contractual maturity dates)</b>	<b>(2,580,962)</b>	<b>(1,394,507)</b>	<b>(665,902)</b>	<b>(1,275,709)</b>	<b>(714,355)</b>	<b>(126,314)</b>	<b>-</b>	<b>-</b>	<b>(6,757,749)</b>
<b>Assets</b>									
Cash and balances with central banks	351,057	-	-	-	-	-	-	760,195	1,111,252
Due from banks and other financial institutions	122,215	202,475	142,174	171,125	25,043	-	-	-	663,032
Non-derivative financial assets at fair value through profit or loss	3,397	20,298	18,275	56,650	61,088	20,688	-	787	181,183
Loans and advances to customers	-	502,084	318,393	1,175,835	1,087,045	1,609,076	62,710	-	4,755,143
Financial investments - loans and receivables	-	7,377	20,644	96,994	126,762	40,115	139	-	292,031
Financial investments - available-for-sale	-	4,834	20,900	71,986	110,702	38,207	-	4,338	250,967
Financial investments - held-to-maturity	-	15,572	21,313	64,274	463,325	254,278	-	-	818,762
Other financial assets	34,066	3,260	5,790	41,820	95,235	14,476	1,495	421	196,563
<b>Assets held for managing liquidity risk (contractual maturity dates)</b>	<b>510,735</b>	<b>755,900</b>	<b>547,489</b>	<b>1,678,684</b>	<b>1,969,200</b>	<b>1,976,840</b>	<b>64,344</b>	<b>765,741</b>	<b>8,268,933</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Liquidity risk (Continued)

#### 3.3.3 Non-derivative financial instruments cash flows (Continued)

Group	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2014									
<b>Liabilities</b>									
Due to banks and other financial institutions	(227,812)	(204,786)	(319,220)	(390,504)	(295,424)	(37,872)	-	-	(1,475,618)
Non-derivative financial liabilities at fair value through profit or loss	(302)	(3,816)	(4,351)	(8,831)	(4,754)	-	-	-	(22,054)
Due to customers	(2,032,649)	(614,088)	(523,544)	(580,915)	(481,485)	(1,082)	-	-	(4,233,763)
Certificates of deposits issued	-	-	(5,847)	(17,688)	(12,341)	(3,157)	-	-	(39,033)
Debts securities issued	-	-	(309)	-	(32,576)	(125,836)	-	-	(158,721)
Other financial liabilities	(37,761)	(5,521)	(16,158)	(4,529)	(7,174)	(5,888)	-	-	(77,031)
<b>Total liabilities (contractual maturity dates)</b>	<b>(2,298,524)</b>	<b>(828,211)</b>	<b>(869,429)</b>	<b>(1,002,467)</b>	<b>(833,754)</b>	<b>(173,835)</b>	<b>-</b>	<b>-</b>	<b>(6,006,220)</b>
<b>Assets</b>									
Cash and balances with central banks	171,451	-	-	-	-	-	-	766,604	938,055
Due from banks and other financial institutions	114,748	196,081	108,250	93,991	16,860	-	-	-	529,930
Non-derivative financial assets at fair value through profit or loss	19,474	5,150	7,601	31,344	57,607	16,095	-	241	137,512
Loans and advances to customers	-	488,862	322,849	1,037,268	1,060,381	1,470,668	52,892	-	4,432,920
Financial investments - loans and receivables	-	17,134	21,871	69,200	75,333	35,590	-	-	219,128
Financial investments - available-for-sale	-	6,247	19,367	37,408	123,547	45,823	1,115	3,013	236,520
Financial investments - held-to-maturity	-	3,362	17,989	86,048	378,635	235,846	-	-	721,880
Other financial assets	14,202	3,970	5,408	20,403	89,503	15,112	1,107	547	150,252
<b>Assets held for managing liquidity risk (contractual maturity dates)</b>	<b>319,875</b>	<b>720,806</b>	<b>503,335</b>	<b>1,375,662</b>	<b>1,801,866</b>	<b>1,819,134</b>	<b>55,114</b>	<b>770,405</b>	<b>7,366,197</b>

Assets available to meet all of the liabilities include cash, balances with central banks, balances in the course of collection and settlement, due from banks and other financial institutions and loans and advances to customers. In the normal course of business, a proportion of loans and advances to customers contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The Group would also be able to meet unexpected cash outflows by selling financial investments, using credit commitment provided by other financial institutions, early termination of lending to other financial institutions and reverse repurchase agreement and utilizing the mandatory reserve deposits upon the PBOC's approval.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.3 Liquidity risk (Continued)

## 3.3.4 Derivative financial instruments cash flows

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

## (a) Derivative settled on a net basis

The Group's derivative financial instruments that will be settled on a net basis include:

- Foreign exchange derivative financial instruments: non-deliverable forward;
- Interest rate derivative financial instruments and others: interest rate swaps, forward rate agreements, over the counter interest rate options and others.

The table below analyses the Group's derivative financial instruments which will be settled on a net basis under relevant maturity groupings based on the remaining contractual period as at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Up to					Total
	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
As at 30 June 2015						
<b>Assets</b>						
Derivative financial instruments held for trading						
– Foreign exchange contracts	172	142	299	1	–	614
– Interest rate contracts and others	207	134	647	622	88	1,698
<b>Total</b>	379	276	946	623	88	2,312
<b>Liabilities</b>						
Derivative financial instruments held for trading						
– Foreign exchange contracts	(129)	(89)	(204)	–	–	(422)
– Interest rate contracts and others	(91)	(148)	(854)	(883)	(24)	(2,000)
<b>Total</b>	(220)	(237)	(1,058)	(883)	(24)	(2,422)

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Liquidity risk (Continued)

#### 3.3.4 Derivative financial instruments cash flows (Continued)

(a) Derivative financial instruments settled on a net basis (Continued)

Group	Up to					Total
	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
As at 31 December 2014						
<b>Assets</b>						
Derivative financial instruments held for trading						
– Foreign exchange contracts	24	118	466	2	–	610
– Interest rate contracts and others	60	38	499	551	50	1,198
<b>Total</b>	84	156	965	553	50	1,808
<b>Liabilities</b>						
Derivative financial instruments held for trading						
– Foreign exchange contracts	(91)	(46)	(163)	(11)	–	(311)
– Interest rate contracts and others	(115)	(222)	(472)	(659)	(42)	(1,510)
<b>Total</b>	(206)	(268)	(635)	(670)	(42)	(1,821)

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Liquidity risk (Continued)

#### 3.3.4 Derivative financial instruments cash flows (Continued)

##### (b) Derivative settled on a gross basis

The Group's derivative financial instruments that will be settled on a gross basis include: foreign exchange derivative instruments: currency forward, currency swaps, cross currency interest rate swaps.

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis under relevant maturity groupings based on the remaining contractual period as at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group	Up to					Total
	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
30 June 2015						
Derivative financial instruments held for trading						
- Foreign exchange derivative contracts						
- Outflow	340,436	250,578	745,897	135,120	3,758	1,475,789
- Inflow	(340,258)	(250,342)	(746,033)	(135,137)	(3,727)	(1,475,497)

Group	Up to					Total
	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
31 December 2014						
Derivative financial instruments held for trading						
- Foreign exchange derivative contracts						
- Outflow	(275,950)	(259,683)	(455,864)	(89,023)	(3,530)	(1,084,050)
- Inflow	276,045	259,245	454,953	90,192	3,468	1,083,903

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Liquidity risk (Continued)

#### 3.3.5 Maturity analysis

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

Group	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
As at 30 June 2015									
<b>Assets</b>									
Cash and balances with central banks	351,057	-	-	-	-	-	-	760,195	1,111,252
Due from banks and other financial institutions	122,215	201,420	139,916	166,780	22,360	-	-	-	652,691
Financial assets at fair value through profit or loss	3,698	22,411	19,039	59,797	59,356	21,139	-	787	186,227
Loans and advances to customers	-	491,595	300,777	1,081,075	787,913	899,604	62,710	-	3,623,674
Financial investments – loans and receivables	-	7,298	20,353	94,590	109,333	34,045	139	-	265,758
Financial investments – available-for-sale	-	4,721	20,451	70,697	103,541	33,039	-	4,338	236,787
Financial investments – held-to-maturity	-	15,154	20,634	62,164	426,492	222,499	-	-	746,943
Other assets	32,991	3,187	8,995	66,044	86,826	14,079	711	85,990	298,823
<b>Total assets</b>	<b>509,961</b>	<b>745,786</b>	<b>530,165</b>	<b>1,601,147</b>	<b>1,595,821</b>	<b>1,224,405</b>	<b>63,560</b>	<b>851,310</b>	<b>7,122,155</b>
<b>Liabilities</b>									
Due to banks and other financial institutions	(420,047)	(648,359)	(174,973)	(319,582)	(125,831)	(10,416)	-	-	(1,699,208)
Financial liabilities at fair value through profit or loss	(283)	(7,764)	(4,549)	(26,632)	(8,089)	(2,182)	-	-	(49,499)
Due to customers	(2,075,412)	(731,396)	(352,278)	(850,028)	(505,434)	(18)	-	-	(4,514,566)
Other liabilities	(160,807)	(16,730)	(13,295)	(35,945)	(39,213)	(101,092)	-	-	(367,082)
<b>Total liabilities</b>	<b>(2,656,549)</b>	<b>(1,404,249)</b>	<b>(545,095)</b>	<b>(1,232,187)</b>	<b>(678,567)</b>	<b>(113,708)</b>	<b>-</b>	<b>-</b>	<b>(6,630,355)</b>
Net amount on liquidity gap	(2,146,588)	(658,463)	(14,930)	368,960	917,254	1,110,697	63,560	851,310	491,800

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Liquidity risk (Continued)

#### 3.3.5 Maturity analysis (Continued)

Group	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2014									
<b>Assets</b>									
Cash and balances with central banks	171,451	-	-	-	-	-	-	766,604	938,055
Due from banks and other financial institutions	114,721	195,496	107,070	91,472	16,274	-	-	-	525,033
Financial assets at fair value through profit or loss	2,153	10,673	14,193	41,700	51,477	15,197	-	241	135,634
Loans and advances to customers	-	474,734	296,288	942,297	743,231	845,345	52,892	-	3,354,787
Financial investments – loans and receivables	-	16,893	21,626	68,430	74,349	30,290	-	-	211,588
Financial investments – available-for-sale	-	6,030	18,701	35,917	109,399	35,841	1,115	3,013	210,016
Financial investments – held-to-maturity	-	3,210	17,291	83,038	340,780	191,251	-	-	635,570
Other assets	60,929	6,023	8,120	22,044	75,685	13,011	1,083	70,721	257,616
<b>Total assets</b>	<b>349,254</b>	<b>713,059</b>	<b>483,289</b>	<b>1,284,898</b>	<b>1,411,195</b>	<b>1,130,935</b>	<b>55,090</b>	<b>840,579</b>	<b>6,268,299</b>
<b>Liabilities</b>									
Due to banks and other financial institutions	(231,717)	(201,479)	(311,077)	(354,341)	(279,971)	(29,690)	-	-	(1,408,275)
Financial liabilities at fair value through profit or loss	-	(7,311)	(8,329)	(14,440)	(6,280)	(2,220)	-	-	(38,580)
Due to customers	(1,934,662)	(584,485)	(498,306)	(552,911)	(458,274)	(1,030)	-	-	(4,029,668)
Other liabilities	(180,473)	(5,029)	(10,753)	(14,415)	(27,498)	(80,003)	-	-	(318,171)
<b>Total liabilities</b>	<b>(2,346,852)</b>	<b>(798,304)</b>	<b>(828,465)</b>	<b>(936,107)</b>	<b>(772,023)</b>	<b>(112,943)</b>	<b>-</b>	<b>-</b>	<b>(5,794,694)</b>
Net amount on liquidity gap	(1,997,598)	(85,245)	(345,176)	348,791	639,172	1,017,992	55,090	840,579	473,605

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Liquidity risk (Continued)

#### 3.3.6 Off-balance sheet items

The table below lists the off-balance sheet items of the Group and the Bank according to their remaining period to the contractual maturity date. Financial guarantees are included at notional amounts and based on the earliest contractual maturity date. The future minimum lease payments under non-cancellable operating leases where the Group and the Bank are the lessee are also included.

Group	Less than 1 year	1-5 years	Over 5 years	Total
As at 30 June 2015				
Loan commitments and credit related commitments	429,363	66,939	54,900	551,202
Guarantees, acceptances and letters of credit	733,817	107,669	41,446	882,932
Operating lease commitments	2,239	4,951	1,049	8,239
Capital expenditure commitments	9,182	1,372	–	10,554
<b>Total</b>	<b>1,174,601</b>	<b>180,931</b>	<b>97,395</b>	<b>1,452,927</b>
As at 31 December 2014				
Loan commitments and credit related commitments	472,398	73,421	70,371	616,190
Guarantees, acceptances and letters of credit	758,338	109,775	50,224	918,337
Operating lease commitments	1,394	3,762	1,425	6,581
Capital expenditure commitments	8,080	1,207	–	9,287
<b>Total</b>	<b>1,240,210</b>	<b>188,165</b>	<b>122,020</b>	<b>1,550,395</b>

### 3.4 Fair values of financial assets and liabilities

#### (a) Determination of fair value and valuation techniques

Certain financial assets and liabilities of the Group are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed by the Board of Directors periodically.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.4 Fair values of financial assets and liabilities (Continued)

#### (a) **Determination of fair value and valuation techniques** (Continued)

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments with quoted prices for identical instruments in active markets is determined by the open market quotations. These instruments are classified as level 1.

The Group uses valuation techniques to determine the fair value of financial instruments when an open market quotation in active markets is not obtainable.

If the key parameters used in valuation techniques for financial instruments (including debt securities and derivatives) are substantially observable and obtainable from active open market, the instruments are classified as level 2. The second hierarchy of financial instruments held by the Group includes over-the-counter derivatives, certificates of deposits without quotations from active market, precious metals and the second tier capital bonds and bond investments trading in inter-bank market. The fair value of CNY denominated bonds is determined based on the valuation result from the China Central Depository & Clearing Co., Ltd. while the fair value of the foreign currency denominated bonds is determined based on the valuation results published by Bloomberg. The fair value of foreign currency forwards, swaps and interest rate swaps, currency options is estimated by the discounted cash flow method and Black-Scholes model; the fair value of precious metal contract is mainly determined in accordance with the closing prices of the Shanghai Gold Exchange. The main parameters used in discounted cash flow model include recent market prices, the relevant yield curve, exchange rates, early redemption rate and counterparty's credit spreads; main parameters used in Black-Scholes model include the relevant yield curve, exchange rate, level of volatilities and counterparty's credit spreads etc. All parameters used in valuation techniques are substantially observable and obtainable from active open market.

For loans and receivables, the fair value is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk and liquidity.

For unlisted equities (private equity) held by the Group, the fair value of these financial instruments are determined with reference to certain unobservable inputs, and therefore the instruments have been classified by the Group as level 3. Management determines the fair value of these financial instruments using a variety of techniques, including using valuation models that incorporate unobservable inputs such as discounts for lack of marketability. The Group has established internal control procedures to monitor the Group's exposure to such financial instruments.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.4 Fair values of financial assets and liabilities (Continued)

#### (b) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values where there are obvious variances from the carrying amounts, of those financial assets and liabilities that are not presented on the statement of financial position at their fair values.

Group	As at 30 June 2015		As at 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial investments – loans and receivables	265,758	270,632	211,588	213,189
Financial investments – held-to-maturity	746,943	752,799	635,570	637,745
Financial liabilities				
Certificates of deposits issued	(40,244)	(40,267)	(38,601)	(38,620)
Debt securities issued	(121,357)	(134,506)	(122,136)	(123,963)

Fair value hierarchy of financial instruments not measured at fair value

Group	Level 1	Level 2	Level 3	Total
As at 30 June 2015				
Financial Assets				
Financial investments – loans and receivables	–	29,110	241,522	270,632
Financial investments – held-to-maturity	3,305	741,355	8,139	752,799
Financial Liabilities				
Certificates of deposits issued	–	–	(40,267)	(40,267)
Debt securities issued	–	(134,506)	–	(134,506)

Fair value hierarchy of financial instruments not measured at fair value

Group	Level 1	Level 2	Level 3	Total
As at 31 December 2014				
Financial Assets				
Financial investments – loans and receivables	–	29,675	183,514	213,189
Financial investments – held-to-maturity	1,730	636,015	–	637,745
Financial Liabilities				
Certificates of deposits issued	–	–	(38,620)	(38,620)
Debt securities issued	–	(123,963)	–	(123,963)

The carrying amounts and fair values of these financial assets and liabilities including loans and advances, customer deposits, due from/to banks and other financial institutions are approximately the same as the interest rates of most of these assets and liabilities are instantaneously adjusted in accordance to changes in interest rates set by the PBOC and other regulatory bodies.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.4 Fair values of financial assets and liabilities (Continued)

#### (c) Financial assets and liabilities measured at fair value on a recurring basis

The table below summarizes the information relating to the fair value hierarchy of the financial assets and financial liabilities measured at fair value on a recurring basis.

Group	Level 1	Level 2	Level 3	Total
As at 30 June 2015				
Financial assets at fair value through profit or loss				
Debt securities				
– Governments and central banks	12,570	12,194	–	24,764
– Public sector entities	–	2,434	–	2,434
– Banks and other financial institutions	1,625	38,709	–	40,334
– Corporate entities	953	71,793	–	72,746
Equity securities and fund investments <sup>(1)</sup>	470	318	–	788
Derivatives				
– Foreign exchange contracts	–	11,854	–	11,854
– Interest rate contracts and others	–	1,851	–	1,851
Precious metal contracts	–	31,456	–	31,456
	15,618	170,609	–	186,227
Financial investments – available-for-sale				
Debt securities				
– Governments and central banks	12,080	25,669	–	37,749
– Public sector entities	–	2,752	–	2,752
– Banks and other financial institutions	10,602	126,785	–	137,387
– Corporate entities	2,053	52,508	–	54,561
Equity securities and fund investments <sup>(1)</sup>	1,954	1,290	1,094	4,338
	26,689	209,004	1,094	236,787
<b>Total assets</b>	42,307	379,613	1,094	423,014
Financial liabilities at fair value through profit or loss				
Short position of securities held for trading	(987)	–	–	(987)
Certificates of deposits issued	–	(17,135)	–	(17,135)
Derivatives				
– Foreign exchange contracts	–	(11,714)	–	(11,714)
– Interest rate contracts and others	–	(2,370)	–	(2,370)
Financial liabilities related to precious metal contracts	–	(17,293)	–	(17,293)
Debt securities issued	–	(12,075)	–	(12,075)
<b>Total liabilities</b>	(987)	(60,587)	–	(61,574)

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.4 Fair values of financial assets and liabilities (Continued)

#### (c) **Financial assets and liabilities measured at fair value on a recurring basis** (Continued)

Group	Level 1	Level 2	Level 3	Total
As at 31 December 2014				
Financial assets at fair value through profit or loss				
Debt securities				
– Governments and central banks	6,624	12,028	–	18,652
– Public sector entities	244	2,132	–	2,376
– Banks and other financial institutions	2,995	25,767	–	28,762
– Corporate entities	230	55,441	–	55,671
Equity securities and fund investments <sup>(1)</sup>	186	55	–	241
Derivatives				
– Foreign exchange contracts	–	9,445	–	9,445
– Interest rate contracts and others	–	1,211	–	1,211
Precious metal contracts	–	19,276	–	19,276
	10,279	125,355	–	135,634
Financial investments – available-for-sale				
Debt securities				
– Governments and central banks	13,961	22,998	–	36,959
– Public sector entities	–	3,655	–	3,655
– Banks and other financial institutions	9,862	112,037	–	121,899
– Corporate entities	1,492	42,998	–	44,490
Equity securities and fund investments <sup>(1)</sup>	1,957	–	1,056	3,013
	27,272	181,688	1,056	210,016
Total assets	37,551	307,043	1,056	345,650
Financial liabilities at fair value through profit or loss				
Short position of securities held for trading				
Certificates of deposits issued	(5,347)	–	–	(5,347)
Derivatives	–	(13,402)	–	(13,402)
– Foreign exchange contracts	–	(8,550)	–	(8,550)
– Interest rate contracts and others	–	(1,524)	–	(1,524)
Financial liabilities related to precious metal contracts	–	(9,757)	–	(9,757)
Debt securities issued	–	(7,411)	–	(7,411)
Total liabilities	(5,347)	(40,644)	–	(45,991)

(1) Based on the nature, characteristics and risk, the Group discloses this type of investment separately. There was no transfer between level 1 and 2 during the period.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.4 Fair values of financial assets and liabilities (Continued)

#### (c) Financial assets and liabilities measured at fair value on a recurring basis (Continued)

##### Reconciliation of level 3 items

Group	Debt securities corporate entities	Equity investments unlisted	Total
Balance at 1 January 2015	–	1,056	1,056
Total gains or losses			
– Losses	–	–	–
– Other comprehensive income	–	38	38
Balance at 30 June 2015	–	1,094	1,094
Total losses for consolidated financial assets/liabilities held at 30 June 2015	–	–	–

Group	Debt securities corporate entities	Equity investments unlisted	Total
Balance at 1 January 2014	–	1,069	1,069
Total gains or losses			
– Losses	–	(10)	(10)
– Other comprehensive income	–	(3)	(3)
Balance at 31 December 2014	–	1,056	1,056
Total losses for consolidated financial assets/liabilities held at 31 December 2014	–	(10)	(10)

Available for sale financial instruments with fair values determined based on unobservable inputs are primarily unlisted share securities. The fair value of these financial instruments is determined using market comparison method. This valuation method involves inputs from various unobservable assumptions such as price over book ratio and marketability discounts.

As at 30 June 2015, the carrying amounts of financial instruments with fair values determined based on unobservable inputs were insignificant, and the effect on the valuation results by using reasonable alternatives for the unobservable assumptions is considered to be insignificant.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 4 NET INTEREST INCOME

Group	Six months ended 30 June	
	2015	2014
Interest income		
Balances with central banks	6,565	6,441
Due from banks and other financial institutions	11,021	9,773
Loans and advances to customers	109,081	104,372
Debt investment	25,616	22,826
	152,283	143,412
Interest expense		
Due to banks and other financial institutions	(27,189)	(27,755)
Due to customers	(50,350)	(46,079)
Debts securities issued	(2,982)	(1,956)
Certificates of deposits issued	(703)	(411)
	(81,224)	(76,201)
Net interest income	71,059	67,211
Including: Interest income on impaired loans and receivables	989	626
Interest income on financial investments designated at fair value through profit or loss	2,757	1,522
Interest expense on certificates of deposits issued classified as financial liabilities designated at fair value through profit or loss	123	75

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 5 FEE AND COMMISSION INCOME

Group	Six months ended 30 June	
	2015	2014
Settlement service	1,762	1,758
Bank cards	5,487	5,118
Investment banking	4,686	3,146
Guarantee and commitment	2,109	2,257
Management service	5,028	3,621
Agent service	1,568	940
Others	332	474
	20,972	17,314

Group	Six months ended 30 June	
	2015	2014
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	427	431
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	1,109	963

## 6 FEE AND COMMISSION EXPENSE

Group	Six months ended 30 June	
	2015	2014
Settlement and agent service	263	155
Bank card	1,260	1,337
Others	63	121
	1,586	1,613

Group	Six months ended 30 June	
	2015	2014
Fee expense, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	8	35

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 7 DIVIDEND INCOME

Group	Six months ended 30 June	
	2015	2014
Available-for-sale equity investments – unlisted	54	26

## 8 NET (LOSSES)/GAINS ARISING FROM TRADING ACTIVITIES

Group	Six months ended 30 June	
	2015	2014
Foreign exchange	(406)	2,509
Interest rate instruments and others	(737)	(339)
Trading securities	807	1,240
	(336)	3,410

Net gains on foreign exchange includes gains or losses from the trading of spot and forward contracts, currency swaps, cross currency interest rate swaps, currency options and the translation of foreign currency monetary assets and liabilities into RMB.

Net gains on interest rate instruments and others includes gains or losses from the trading and fair value changes of securities held for trading of interest rate swaps, interest rate options and other derivatives.

Net gains arising from trading activities for the six months ended 30 June 2015 include a gain of RMB14 million (six months ended 30 June 2014: a gain of RMB1 million) in relation to fair value change of financial liabilities designated at fair value through profit or loss.

## 9 OTHER OPERATING INCOME

Group	Six months ended 30 June	
	2015	2014
Profits from sale of property and equipment	5	78
Revaluation of investment property	13	–
Income from sales of franchised precious metal merchandise	1,174	1,037
Other miscellaneous income	1,830	1,082
	3,022	2,197

Other miscellaneous income includes income arising from miscellaneous banking services provided to the Group's customers and income earned from operating leases.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 10 IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Group	Six months ended 30 June	
	2015	2014
Loans and advances to customers (Note 20.2)		
– Collectively assessed losses provision	6,677	4,657
– Individually assessed losses provision	4,777	5,502
	11,454	10,159

## 11 OTHER OPERATING EXPENSE

Group	Six months ended 30 June	
	2015	2014
Staff costs (Note 12)	11,539	11,343
General and administrative expenses	6,365	5,753
Business tax and surcharges	7,290	6,478
Depreciation of property and equipment (Note 22)	3,078	2,561
Operating lease rental expenses	1,468	1,393
Supervision fee to regulators	118	119
Amortization of intangible assets (Note 23(b))	142	128
Impairment of finance lease receivables (Note 23(e))	138	177
Provision for impairment of financial investments ((1), Note 21)	581	723
Amortization of land use rights	17	13
Charge/(Reversal) of reserve for litigations (Note 28(a))	30	(50)
Impairment of other receivables	(153)	55
Others	3,214	2,731
	33,827	31,424

### (1) Net impairment losses on financial investments

Group	Six months ended 30 June	
	2015	2014
Loans and receivables (Note 21)	608	723
Available-for-sale (Note 21)	(27)	–
Total	581	723

## 12 STAFF COSTS

Group	Six months ended 30 June	
	2015	2014
Salaries and bonuses	8,175	8,038
Pension costs	1,408	1,970
Housing benefits and subsidies	62	46
Other social security and benefit costs	1,894	1,289
	11,539	11,343

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 13 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Group	Six months ended 30 June	
	2015	2014
Salary	5	4

No director waived or agreed to waive any emoluments during the above periods.

For the six months ended June 2015, RMB625,000 was accrued for independent non-executive directors' emolument (six months ended 30 June 2014: RMB375,000).

On 18 November 2005, the Board of Directors resolved to grant certain cash settled SARs to several senior executives of the Bank under a long-term incentive plan. According to the resolution, the initial grant of SARs was targeted at senior executives of the Bank as at 23 June 2005. The exercise price of each SAR is HK\$2.50, which was the issue price of the H share at the time of its initial public offering. The amount of the initial grant of the SARs was 7.558 million shares. The SARs was valid for a period of ten years from 23 June 2005, with a two-year vesting period. On 30 June 2015, 7.558 million shares of the initial grant of SARs expired since they had not been exercised during the validity period.

On 3 November 2006, the Board of Directors resolved to grant certain cash settled SARs to several senior executives of the Bank under its long-term incentive plan. According to the resolution, the grant of SARs was targeted at senior executives of the Bank as at 3 November 2006. The exercise price of each SAR is HK\$6.13, which was the closing price of the Group's H share on 3 November 2006. The amount of the grant of the SARs was 2.724 million shares. The SARs are valid for a period of ten years from 3 November 2006, with a two-year vesting period.

Group	Six months ended	Year ended
	30 June 2015	31 December 2014
	Number of shares	Number of shares
	(In millions)	(In millions)
Outstanding at the beginning of the period/year	11	11
Expired in the period/year	(8)	-
Outstanding at the end of the period/year	3	11

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 14 INCOME TAX

Group	Six months ended 30 June	
	2015	2014
Current tax		
– PRC enterprise income tax	9,799	7,821
– Hong Kong profits tax	750	576
– Overseas taxation	175	164
	10,724	8,561
Deferred income tax (Note 29)	59	1,739
	10,783	10,300

The provision for enterprise income tax in PRC is calculated based on the statutory rate of 25% (2014: 25%) of the assessable income of the Bank and each of the subsidiaries established in PRC. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the differential in tax rates of overseas branches as compared with the PRC tax rate shall be reported and paid by the PRC head office.

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Group at 25% (2014: 25%). The major reconciliation items are as follows:

Group	Six months ended 30 June	
	2015	2014
Profit before tax	48,289	47,195
Tax calculated at a tax rate of 25%	12,072	11,799
Effect of different tax rates in other countries (or regions)	74	10
Tax effect arising from income not subject to tax <sup>(1)</sup>	(1,439)	(1,550)
Tax effect of expenses not deductible for tax purposes <sup>(2)</sup>	76	41
Income tax expense	10,783	10,300

- (1) The income not subject to tax mainly represents interest income arising from treasury bonds, which is not taxable in accordance with the PRC tax regulations.
- (2) The expenses that are not tax deductible mainly represent a portion of expenditure, such as entertainment expense etc., which exceed the tax deduction limits in accordance with PRC tax regulations.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 15 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. There were no potential ordinary shares outstanding for the six months ended 30 June 2015 and 2014.

	Six months ended 30 June	
	2015	2014
Net profit attributable to shareholders of the Bank	37,324	36,773
Weighted average number of ordinary shares in issue (expressed in millions)	74,263	74,263
Basic and diluted earnings per share (expressed in RMB yuan per share)	0.50	0.50

## 16 CASH AND BALANCES WITH CENTRAL BANKS

Group	As at 30 June 2015	As at 31 December 2014
Cash	17,713	19,261
Balances with central banks other than mandatory reserve deposits	333,345	152,190
Included in cash and cash equivalents (Note 38)	351,058	171,451
Mandatory reserve deposits	760,194	766,604
	1,111,252	938,055

The Group is required to place mandatory reserves with PBOC and other overseas regulatory bodies. The mandatory reserves are calculated based on the eligible deposits from customers. Such mandatory reserves are not available for use by the Group in its day-to-day operations.

	As at 30 June 2015	As at 31 December 2014
	%	%
- Mandatory reserve rate for deposits denominated in RMB	18.50	20.00
- Mandatory reserve rate for deposits denominated in foreign currencies	5.00	5.00

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 17 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Group	As at 30 June 2015	As at 31 December 2014
Due from banks and other financial institutions	177,295	174,261
Included in cash and cash equivalents (Note 38)	142,731	142,175
Securities purchased under reverse repurchase agreements	27,825	60,787
Bills purchased under reverse repurchase agreements	141,334	117,667
Placements with and loans to banks	181,702	107,570
Placements with and loans to other financial institutions	124,535	64,748
	652,691	525,033

As at 30 June 2015, the Group and the Bank's placement with certain wealth management products sponsored and not consolidated by the Group amounted to RMB59,550 million (31 December 2014: RMB41,500 million). These transactions were carried out at market prices and the Group and the Bank were not contractually obliged to make such arrangements. The maximum exposure to loss of those arrangements approximated the carrying amount of the placements. As at the approval date of these consolidated financial statements, the placements have matured and the amounts have been fully repaid.

## 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	As at 30 June 2015	As at 31 December 2014
Derivative financial instruments (Note 19)	13,705	10,656
Financial assets held for trading		
Government bonds		
– Listed in Hong Kong	1,526	1,464
– Listed outside Hong Kong	12,760	12,137
– Unlisted	10,478	5,051
Other debt securities		
– Listed in Hong Kong	3,884	922
– Listed outside Hong Kong	6,625	9,000
– Unlisted – corporate entities	70,707	54,129
– Unlisted – public sector	2,331	2,189
– Unlisted – banking sector	31,968	20,569
Equity securities and funds		
– Listed in Hong Kong	456	172
– Listed outside Hong Kong	331	69
Precious metal contracts	31,456	19,276
	186,227	135,634

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Financial assets – financial assets at fair value through profit or loss are analysed by issuer as follows:

Group	As at 30 June 2015	As at 31 December 2014
Financial assets – Financial assets at fair value through profit or loss		
– Governments and central banks	24,764	18,652
– Public sector entities	2,434	2,376
– Banks and other financial institutions	40,346	28,894
– Corporate entities	73,522	55,780
	141,066	105,702

The financial assets at fair value through profit or loss include financial assets held for trading and derivatives designated as effective hedging instruments.

Majority of the investments in unlisted bonds are traded in China's inter-bank bond market.

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative instruments are utilized by the Group for trading or hedging purposes:

Currency forwards are contracts between two parties to buy or sell certain currencies at a specified future date at a predetermined price. The party agreeing to buy the underlying currency in the future assumes a long position, and the party agreeing to sell the currency in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) on or before a set date or during a set period, a specific amount of a foreign currency at a predetermined price or to receive an interest payment based on a variable interest rate and pay a fixed interest rate or vice versa. The seller receives a premium from the purchaser in consideration for assuming foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter market).

The notional amounts of certain types of financial instruments provide a reference of the amounts recognized in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 19 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Group	Contractual/ notional amount	Fair values	
		Assets	Liabilities
As at 30 June 2015			
Foreign exchange contracts	1,694,737	11,854	(11,714)
Interest rate contracts and others	722,650	1,851	(2,370)
Total amount of derivative instruments recognized	2,417,387	13,705	(14,084)

Group	Contractual/ notional amount	Fair values	
		Assets	Liabilities
As at 31 December 2014			
Foreign exchange contracts	1,123,840	9,445	(8,550)
Interest rate contracts and others	552,916	1,211	(1,524)
Total amount of derivative instruments recognized	1,676,756	10,656	(10,074)

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at period/year end. These instruments, comprising foreign exchange and interest rate derivatives allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

The Group undertakes its transactions in foreign exchange and interest rates contracts with other financial institutions and customers. Management has established limits for these contracts based on counterpart types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

Group	As at	As at
	30 June 2015	31 December 2014
RMB	1,234,393	805,306
US dollar	925,053	680,022
HK dollar	114,799	106,253
Others	143,142	85,175
Total	2,417,387	1,676,756

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 19 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notional amounts of derivative financial instruments by original currency: (Continued)

### Hedge accounting

Included in the derivative financial instruments above are those designated as hedging instruments by the Group as follows:

Group	Contractual/ notional amount	Fair values	
		Assets	Liabilities
As at 30 June 2015			
Derivative financial instruments designated as hedging instruments in cash flow hedges-currency swaps	917	–	(20)
Derivative financial instruments designated as hedging instruments in fair value hedges-interest rate swaps	14,430	42	(265)
<b>Total</b>	<b>15,347</b>	<b>42</b>	<b>(285)</b>

Group	Contractual/ notional amount	Fair values	
		Assets	Liabilities
As at 31 December 2014			
Derivative financial instruments designated as hedging instruments in fair value hedges-interest rate swaps	11,220	8	(281)
<b>Total</b>	<b>11,220</b>	<b>8</b>	<b>(281)</b>

The Group uses interest rate swaps to minimize its exposure to fair value changes of its fixed-rate bond investments by swapping fixed-rate bond investments from fixed rates to floating rates. The interest rate swaps and the corresponding bond investments have the same terms and management of the Group considers that the interest rate swaps are highly effective hedging instruments.

The Group uses foreign exchange swaps to hedge against exposures to cash flow variability primarily from foreign exchange risks of placement with banks. The maturities of hedging instruments and hedged items are both within one year.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 19 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notional amounts of derivative financial instruments by original currency (Continued)

The following table shows the effects on profits or losses arising from fair value hedges:

Group	As at 30 June 2015	As at 30 June 2014
Gains/(losses) on hedging instruments	63	(20)
(Losses)/Gains on hedged items attributable to the risk	(79)	16
Net losses arising from fair value hedges	(16)	(4)

For the six months ended 30 June 2015, the Group's net loss from the cash flow hedge of RMB7 million (for the six months ended 30 June 2014: Nil) were recognised in other comprehensive income and the gain and loss arising from ineffective portion of cash flow hedge was immaterial for the period ended 30 June 2015. There were no transactions for which cash flow hedge accounting had to be ceased for the period ended 30 June 2015, as a result of the highly probable cash flows no longer being expected to occur.

## 20 LOANS AND ADVANCES TO CUSTOMERS

### 20.1 Loans and advances to customers

Group	As at 30 June 2015	As at 31 December 2014
Loans and advances to customers	3,709,152	3,431,735
Less: allowance for collectively assessed impairment losses	(63,201)	(58,908)
allowance for individually assessed impairment losses	(22,277)	(18,040)
	3,623,674	3,354,787

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

### 20.2 Movements in impairment allowances on loans and advances

Group	Six months ended 30 June 2015		Six months ended 30 June 2014	
	Collectively assessed	Individually assessed	Collectively assessed	Individually assessed
Balance at the beginning of the period	58,908	18,040	57,123	16,182
Net impairment allowances for loans charged to profit or loss (Note 10)	6,677	4,777	4,657	5,502
– Impairment allowances for loans	6,677	5,917	4,657	6,783
– Reversal of impairment allowances on loans	–	(1,140)	–	(1,281)
Recoveries of loans written-off in previous years	–	160	–	214
Unwinding discount on allowances during the period	–	(989)	–	(626)
Loans written off during the period as uncollectible	–	(2,109)	–	(4,039)
Other transfer (out)/in	(2,395)	2,395	(1,090)	1,090
Exchange difference	11	3	89	10
Balance at the end of the period	63,201	22,277	60,779	18,333

Group	Six months ended 30 June 2015		Six months ended 30 June 2014	
	Corporate	Individual	Corporate	Individual
Balance at the beginning of the period	62,863	14,085	59,922	13,383
Net impairment allowances for loans charged to profit or loss	8,510	2,944	7,489	2,670
– Impairment allowances for loans	9,437	3,157	8,678	2,762
– Reversal of impairment allowances for loans	(927)	(213)	(1,189)	(92)
Recoveries of loans written-off in previous years	66	94	91	123
Unwind of discount on allowances during the period	(895)	(94)	(517)	(109)
Loans written off during the period as uncollectible	(1,578)	(531)	(3,077)	(962)
Exchange difference	12	2	91	8
Balance at the end of the period	68,978	16,500	63,999	15,113

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

### 20.3 Analysis of loans and advances to customers by collective and individual assessments

Group	Identified impaired loans and advances				Subtotal	Total	Identified impaired gross loans and advances as a % of total gross loans and advances
	Loans and advances for which the allowance is collectively assessed	For which the allowance is collectively assessed	For which the allowance is individually assessed				
30 June 2015							
Gross loans and advances	3,658,999	6,216	43,937	50,153	3,709,152	1.35	
Allowance for impairment losses	(57,458)	(5,743)	(22,277)	(28,020)	(85,478)		
Net loans and advances to customers	3,601,541	473	21,660	22,133	3,623,674		
31 December 2014							
Gross loans and advances	3,388,718	4,789	38,228	43,017	3,431,735	1.25	
Allowance for impairment losses	(54,600)	(4,308)	(18,040)	(22,348)	(76,948)		
Net loans and advances to customers	3,334,118	481	20,188	20,669	3,354,787		

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 21 FINANCIAL INVESTMENTS

Group	As at 30 June 2015	As at 31 December 2014
Loans and receivables – at amortized cost		
– Unlisted	268,372	213,594
Less: impairment allowance	(2,614)	(2,006)
Loans and receivables (net)	265,758	211,588
Available-for-sale debt securities – at fair value		
– Listed in Hong Kong	15,969	12,005
– Listed outside Hong Kong	61,888	59,930
– Unlisted	154,592	135,068
Debt securities	232,449	207,003
Equity securities and fund investments – at fair value		
– Listed in Hong Kong	281	104
– Listed outside Hong Kong	2,680	1,837
– Unlisted	1,377	1,072
Equity securities and fund investments	4,338	3,013
Available-for-sale financial investment total	236,787	210,016
Include: Fair value of listed securities – available-for-sale	80,818	73,876
Held-to-maturity-at amortized cost		
– Listed in Hong Kong	433	–
– Listed outside Hong Kong	276,715	294,720
– Unlisted	469,795	340,850
Held-to-maturity investments	746,943	635,570
Include: Fair value of listed held-to-maturity investments	292,406	294,720

Net gains arising from de-recognition of financial investments comprise of:

Group	Six months ended 30 June	
	2015	2014
Net gains arising from de-recognition of financial investments		
– available-for-sale financial investment	890	130

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 21 FINANCIAL INVESTMENTS (Continued)

The movements in allowance for impairment losses of financial investments are summarized as follows:

Group	Loans and receivables	Available-for-sale	Held-to-maturity	Total
Allowance for impairment losses As at 1 January 2015	(2,006)	(1,115)	–	(3,121)
Provision for impairment	(635)	–	–	(635)
Reversal of impairment allowances	27	27	–	54
Transfer out <sup>(1)</sup>	–	–	–	–
Exchange differences	–	(58)	–	(58)
As at 30 June 2015	(2,614)	(1,146)	–	(3,760)

Group	Loans and receivables	Available-for-sale	Held-to-maturity	Total
Allowance for impairment losses As at 1 January 2014	(35)	(1,248)	–	(1,283)
Provision for impairment	(741)	–	–	(741)
Reversal of impairment allowances	18	–	–	18
Transfer out <sup>(1)</sup>	–	128	–	128
Exchange differences	–	(31)	–	(31)
As at 30 June 2014	(758)	(1,151)	–	(1,909)

(1) Transfer out resulted from the disposal or redemption of the impaired securities.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 21 FINANCIAL INVESTMENTS (Continued)

Financial investments analyzed by issuer are as follows:

Group	As at 30 June 2015	As at 31 December 2014
Loans and receivables		
– Governments and central banks	341	312
– Banks and other financial institutions	28,994	29,321
– Corporate entities	236,423	181,955
	265,758	211,588
Available-for-sale		
– Governments and central banks	37,749	36,959
– Public sector entities	2,752	3,655
– Banks and other financial institutions	137,444	123,245
– Corporate entities	58,842	46,157
	236,787	210,016
Held-to-maturity		
– Governments and central banks	380,602	289,276
– Public sector entities	15,486	14,088
– Banks and other financial institutions	268,295	243,619
– Corporate entities	82,560	88,587
	746,943	635,570

The certificates of deposits held included in financial investments are analyzed as follows:

Group	As at 30 June 2015	As at 31 December 2014
Available-for-sale financial investment, at fair value – Unlisted	17,276	13,108

The maturity profile of certificates of deposits held by the remaining period as at period/year end to the contractual maturity dates are summarized as follows:

Group	As at 30 June 2015	As at 31 December 2014
Within 3 months	2,040	4,353
3 months to 12 months	9,964	3,112
1 year to 5 years	5,272	5,643
	17,276	13,108

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 22 PROPERTY AND EQUIPMENT

Group	Land and Buildings	Construction in Progress	Equipment	Transportation Equipment	Property Improvement	Total
<b>Cost</b>						
As at 1 January 2015	42,849	13,540	21,933	14,386	5,797	98,505
Additions	617	981	617	6,931	181	9,327
Disposals	(185)	–	(168)	(7)	(17)	(377)
Transfers in/(out)	479	(574)	–	–	95	–
As at 30 June 2015	43,760	13,947	22,382	21,310	6,056	107,455
<b>Accumulated depreciation</b>						
As at 1 January 2015	(10,436)	–	(14,830)	(1,145)	(2,327)	(28,738)
Charge for the period	(787)	–	(1,750)	(274)	(267)	(3,078)
Disposals	48	–	127	4	10	189
As at 30 June 2015	(11,175)	–	(16,453)	(1,415)	(2,584)	(31,627)
Net book value						
As at 30 June 2015	32,585	13,947	5,929	19,895	3,472	75,828
<b>Group</b>						
Group	Land and Buildings	Construction in Progress	Equipment	Transportation Equipment	Property Improvement	Total
<b>Cost</b>						
As at 1 January 2014	36,482	13,261	19,073	8,044	4,828	81,688
Additions	1,711	5,567	3,644	6,385	499	17,806
Disposals	(117)	(13)	(784)	(43)	(32)	(989)
Transfers in/(out)	4,773	(5,275)	–	–	502	–
As at 31 December 2014	42,849	13,540	21,933	14,386	5,797	98,505
<b>Accumulated depreciation</b>						
As at 1 January 2014	(9,084)	–	(12,919)	(738)	(1,768)	(24,509)
Charge for the year	(1,420)	–	(2,571)	(443)	(584)	(5,018)
Disposals	68	–	660	36	25	789
As at 31 December 2014	(10,436)	–	(14,830)	(1,145)	(2,327)	(28,738)
Net book value						
As at 31 December 2014	32,413	13,540	7,103	13,241	3,470	69,767

With exception to the Hong Kong branch and Hong Kong subsidiaries, all other land and buildings are held outside Hong Kong.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 22 PROPERTY AND EQUIPMENT (Continued)

	As at 30 June 2015	As at 31 December 2014
Net book value of land and buildings of Hong Kong branch and subsidiaries	212	199

The net book value of land and buildings analyzed based on the remaining lease terms is as follows:

Group	As at 30 June 2015	As at 31 December 2014
Held in Hong Kong		
under long-term lease (over 50 years)	59	142
under medium-term lease (10 – 50 years)	153	57
	212	199
Held outside Hong Kong		
under long-term lease (over 50 years)	18	18
under medium-term lease (10 – 50 years)	29,654	30,109
under short-term lease (less than 10 years)	2,701	2,087
	32,373	32,214
	32,585	32,413

As at 30 June 2015, the net book value of aircrafts and vessels rented out by the Group under operating lease arrangements was RMB19,055 million (31 December 2014: RMB12,370 million).

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 23 OTHER ASSETS

Group	As at 30 June 2015	As at 31 December 2014
Interest receivable	32,246	34,790
Settlement accounts	15,921	17,181
Other receivables	28,876	3,522
Less: impairment allowance <sup>(e)</sup>	(611)	(624)
Land use rights <sup>(a)</sup>	908	918
Leasehold improvement	845	625
Intangible assets <sup>(b)</sup>	1,104	789
Foreclosed assets	685	456
Rental deposits	402	194
Goodwill <sup>(f)</sup>	322	322
Investment properties <sup>(c)</sup>	7,291	7,276
Finance lease receivables <sup>(d)</sup>	115,278	100,810
Less: impairment allowance <sup>(e)</sup>	(1,818)	(1,680)
Others	5,073	6,646
	206,522	171,225

- (a) The net book value of land use rights analyzed based on the remaining terms of the leases is as follows:

Group	As at 30 June 2015	As at 31 December 2014
Held outside Hong Kong under medium-term lease (10 – 50 years)	889	895
under short-term lease (less than 10 years)	19	23
	908	918

- (b) Intangible assets

Group	Software
Cost	
As at 1 January 2015	1,878
Additions	457
As at 30 June 2015	2,335
Accumulated amortization	
As at 1 January 2015	(1,089)
Amortization expense	(142)
As at 30 June 2015	(1,231)
Net book value	1,104

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 23 OTHER ASSETS (Continued)

### (b) Intangible assets (Continued)

Group	Software
Cost	
As at 1 January 2014	2,109
Additions	364
Disposals	(595)
As at 31 December 2014	1,878
Accumulated amortization	
As at 1 January 2014	(1,339)
Amortization expense	(263)
Disposals	513
As at 31 December 2014	(1,089)
Net book value	789

### (c) Investment properties

Group	Six months ended 30 June 2015	Year ended 31 December 2014
Balance at the beginning of the period/year	7,276	194
Additions	–	7,077
Gains on property revaluation	13	9
Effects of foreign exchange differences	2	(4)
Balance at the end of the period/year	7,291	7,276

The Group's investment properties are located in active real estate markets. The external appraisers make reasonable estimation of fair value using market prices of the same or similar properties from the real estate market.

As at 30 June 2015, fair value hierarchies of the investment properties of the Group are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 June 2015
Commercial property units located in Hong Kong	–	–	212	212
Commercial property units located outside Hong Kong	–	–	7,079	7,079

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 23 OTHER ASSETS (Continued)

### (c) Investment properties (Continued)

The net book value of investment properties is analysed based on the remaining terms of the leases as follows:

Group	As at 30 June 2015	As at 31 December 2014
Held in Hong Kong		
on long-term lease (over 50 years)	59	57
on medium-term lease (10 – 50 years)	153	142
	212	199

Group	As at 30 June 2015	As at 31 December 2014
Held outside Hong Kong		
on long-term lease (over 50 years)	7,079	7,077

### (d) Finance lease receivables

Group	As at 30 June 2015	As at 31 December 2014
Minimum finance lease receivables		
Within 1 year (inclusive)	35,539	29,554
1 year to 5 years (inclusive)	78,891	71,521
Over 5 years	16,806	15,260
	131,236	116,335
Gross investments in finance lease	131,236	116,335
Unearned finance income	(15,958)	(15,525)
Net investments in finance lease	115,278	100,810
The net investments in finance lease are analyzed as follows:		
Within 1 year (inclusive)	30,620	24,887
1 year to 5 years (inclusive)	70,202	63,029
Over 5 years	14,456	12,894
	115,278	100,810
Allowances for uncollectible finance lease receivables	(1,818)	(1,680)
Net finance lease receivables	113,460	99,130

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 23 OTHER ASSETS (Continued)

### (e) Impairment allowance

Group	As at 1 January 2015	Amounts accrued	Reversal	Write-off	As at 30 June 2015
Other receivables	(624)	–	103	(90)	(611)
Finance lease receivables	(1,680)	(138)	–	–	(1,818)
<b>Total</b>	<b>(2,304)</b>	<b>(138)</b>	<b>103</b>	<b>(90)</b>	<b>(2,429)</b>

Group	As at 1 January 2014	Amounts accrued	Reversal	Write-off	As at 31 December 2014
Other receivables	(531)	(200)	2	105	(624)
Finance lease receivables	(1,406)	(274)	–	–	(1,680)
<b>Total</b>	<b>(1,937)</b>	<b>(474)</b>	<b>2</b>	<b>105</b>	<b>(2,304)</b>

### (f) Goodwill

Group	As at 1 January 2015	Addition during the period	Decrease during the period	As at 30 June 2015	Impairment allowance
Bank of Communications International Trust Co., Ltd.	200	–	–	200	–
BoComm Life Insurance Company Limited	122	–	–	122	–
<b>Total</b>	<b>322</b>	<b>–</b>	<b>–</b>	<b>322</b>	<b>–</b>

## 24 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Group	As at 30 June 2015	As at 31 December 2014
Loans from central banks	63,724	83,669
Deposits from other banks	286,626	360,497
Deposits from other financial institutions	861,114	661,540
Loans from banks and other financial institutions	298,204	212,996
Financial instruments sold under repurchase agreements	189,540	89,573
<b>Total</b>	<b>1,699,208</b>	<b>1,408,275</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	As at 30 June 2015	As at 31 December 2014
Derivative financial instruments (Note 19)	14,084	10,074
Short position of securities held for trading	987	5,347
Certificates of deposits issued	17,135	13,402
Financial liabilities related to precious metal contracts	17,293	9,757
<b>Total</b>	<b>49,499</b>	<b>38,580</b>

Except for certificates of deposits issued which are designated as at fair value through profit or loss, the financial liabilities at fair value through profit or loss include financial liabilities held for trading and derivatives designated as effective hedging instruments.

### Financial liabilities designated as fair value through profit or loss

Group	As at 30 June 2015	As at 31 December 2014
Difference between carrying amount and maturity amount		
– Fair value	17,135	13,402
– Amount payable at maturity	17,062	13,343
<b>Difference</b>	<b>73</b>	<b>59</b>

For the six months ended 30 June 2015 and year ended 31 December 2014, there were no significant changes in the fair value of the Group's financial liabilities designated as at fair value through profit or loss that were attributable to the changes in credit risk.

## 26 DUE TO CUSTOMERS

Group	As at 30 June 2015	As at 31 December 2014
Corporate demand deposits	1,415,102	1,395,657
Corporate time deposits	1,669,001	1,270,614
Individual demand deposits	560,477	542,124
Individual time deposits	864,156	815,778
Other deposits	5,830	5,495
	<b>4,514,566</b>	<b>4,029,668</b>
Including:		
– Pledged deposits held as collateral	534,154	494,860

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 27 CERTIFICATES OF DEPOSITS ISSUED

Certificates of deposits were issued by domestic branches and branches of the Bank in Hong Kong, New York, Tokyo, Singapore, Frankfurt and Sydney.

## 28 OTHER LIABILITIES

Group	As at 30 June 2015	As at 31 December 2014
Interest payable	76,169	70,892
Settlement accounts	52,737	29,536
Staff compensation payable	4,311	6,163
Business and other tax payable	3,782	3,338
Insurance contracts reserve	6,338	4,657
Deposits received for finance lease	8,502	7,488
Provision for outstanding litigation <sup>(a)</sup>	221	191
Provision for unsettled obligation <sup>(a)</sup>	88	88
Dividends payable	9,519	61
Others	22,760	19,725
<b>Total</b>	<b>184,427</b>	<b>142,139</b>

### (a) The movements in the provision for outstanding litigation and unsettled obligation

Group	As at 1 January 2015	Amounts accrued during the period	Amounts reversed during the period	Amounts paid during the period	As at 30 June 2015
Provision for outstanding litigation	191	74	(44)	-	221
Provision for unsettled obligation	88	-	-	-	88
	279	74	(44)	-	309

Group	As at 1 January 2014	Amounts accrued during the year	Amounts reversed during the year	Amounts paid during the year	As at 31 December 2014
Provision for outstanding litigation	378	67	(241)	(13)	191
Provision for unsettled obligation	89	-	(1)	-	88
	467	67	(242)	(13)	279

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 29 DEFERRED INCOME TAX

Deferred income taxes for transactions in PRC are calculated on all temporary differences using an effective tax rate of 25% for the six months ended 30 June 2015 (six months ended 30 June 2014: 25%). Deferred income taxes for transactions in Hong Kong are calculated on all temporary differences using an effective tax rate of 16.5% (six months ended 30 June 2014: 16.5%).

The movements in deferred income tax account are as follows:

Group	Six months ended 30 June	
	2015	2014
Balance at the beginning of the period	16,045	17,206
Charge to profit or loss	(59)	(1,739)
Charge to other comprehensive income		
Change in fair value of available-for-sale financial assets – unhedged	(183)	(1,069)
Cash flow hedge reserve	2	–
Actuarial changes on pension benefits	(7)	2
Balance at the end of the period	15,798	14,400

Deferred income tax assets and liabilities are attributable to the following items:

Group	As at	As at
	30 June 2015	31 December 2014
Deferred income tax liabilities		
Change in fair value of available-for-sale financial assets	(399)	(299)
Change in fair value of derivative instruments	(3,427)	(2,662)
Other temporary differences	(171)	(240)
	(3,997)	(3,201)
Deferred income tax assets		
Impairment allowances for loans	13,594	13,374
Impairment allowances for investments	923	756
Impairment allowances for other assets	252	205
Unpaid salaries and bonuses	632	1,150
Retirement supplementary pension payable	109	118
Outstanding litigation and unsettled obligation	77	70
Change in fair value of available-for-sale financial assets	109	192
Change in fair value of derivative instruments	3,527	2,532
Other temporary differences	572	849
	19,795	19,246
Net deferred income tax assets	15,798	16,045

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 29 DEFERRED INCOME TAX (Continued)

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities:

Group	As at 30 June 2015	As at 31 December 2014
Deferred income tax assets	15,936	16,077
Deferred income tax liabilities	(138)	(32)

The deferred tax charge to profit or loss comprises the following temporary differences:

Group	Six months ended 30 June	
	2015	2014
Impairment allowances for loans:		
Additional impairment allowances for loans	3,255	167
Prior year written-off amounts which are approved to be deductible in current period	(3,035)	(266)
Sub-total	220	(99)
Impairment allowances for investments	167	(2)
Impairment allowances for other assets	47	(57)
Outstanding litigation and unsettled obligation	7	(13)
Unpaid salaries and bonuses	(518)	(410)
Retirement supplementary pension payable	(2)	(4)
Other temporary differences	20	(1,154)
	(59)	(1,739)

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 30 RETIREMENT BENEFIT OBLIGATIONS

The Group participates in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China under which it is required to make monthly contributions to these plans at rates ranging from 10% to 27% of the employees' basic salary for the period. The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss and other comprehensive income in the period to which they relate.

The Group pays supplementary retirement benefits to employees in Mainland China, who retired before 31 December 2008. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits, which are estimated by using key parameters such as inflation rate and mortality ratio, are discounted to their present values. The discount rate is the yield on government bonds at the end of reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains and losses and changes in actuarial assumptions are recognised in other comprehensive income, and amendments to pension plan are recognised in profit or loss in the period of a plan amendment. The amounts recognised in the statement of financial position represent the present value of unfunded obligations.

Employees who retire after 1 January 2009 can voluntarily participate in an Annuity Plan. The Bank contributes to the Annuity Plan based on certain percentage of the employees' gross salary and recognised in profit or loss as incurred.

Retirement benefit obligations of the Group in locations other than Mainland China, which are immaterial to the Group, are made in accordance with the relevant local policies and regulations.

The amounts recognised in profit or loss is as follows:

Group	Six months ended 30 June	
	2015	2014
Expenses incurred for retirement benefit plans and unemployment insurance	1,072	1,312
Expenses (reversed)/incurred for supplementary retirement benefits	12	(15)
Expenses incurred for annuity plan	324	264
Total	1,408	1,561

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 30 RETIREMENT BENEFIT OBLIGATIONS (Continued)

	As at 30 June 2015	As at 31 December 2014
Statement of financial position – obligations for pension benefits	434	472

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

Group	Six months ended 30 June	
	2015	2014
Components of defined benefit costs recognised in profit or loss	12	(15)
Components of defined benefit costs recognised in other comprehensive income	(26)	6
<b>Total</b>	<b>(14)</b>	<b>(9)</b>

The supplementary retirement benefits plan exposes the Group to actuarial risks such as interest risk, longevity risk and inflation risk. A decrease in the government bond yield will increase the present value of unfunded obligations. The present value of unfunded obligations is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability. The present value of unfunded obligations is also measured by future payment standards, which are determined by inflation rate. Hence, an increase in inflation rate will increase the present value of the unfunded obligations.

The principle actuarial assumptions regarding interest risk and inflation risk used by the Group are discount rate and inflation rate, which were 3.85% and 1.30% respectively as at 30 June 2015. In the meantime, assumptions regarding future mortality rate are set based on published statistics by China Insurance Regulatory Commission. As at 30 June 2015, an average longevity of a pensioner after retirement at age 60 for male is average 19.70 years while a pensioner after retirement at age 55 for female is average 28.70 years

The average duration of the supplementary retirement benefits plan at 30 June 2015 is 13.89 years (2014: 14.24 years).

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 31 DEBT SECURITIES ISSUED

		As at 31 December 2014	Additions	Foreign exchange differences	Amortization	Disposals	As at 30 June 2015 (Unaudited)
Carried at amortized cost:							
Subordinated bonds	31.1	55,500	–	–	–	–	55,500
Tier 2 capital bonds	31.2	38,930	–	(296)	8	–	38,642
Bonds	31.3	27,706	–	(4)	–	(487)	27,215
Sub-total		122,136	–	(300)	8	(487)	121,357

		As at 31 December 2014	Additions	Foreign exchange differences	Amortization	Change in fair value	Disposals	As at 30 June 2015
Carried at fair value:								
Bonds	31.3	7,411	4,607	(33)	7	83	–	12,075
Total		129,547	4,607	(333)	15	83	(487)	133,432

Note: These debt securities are designated as fair value through profit and loss upon initiation as the Hongkong branch of the Bank considers such designation could eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring the corresponding financial assets or recognizing the gains or loss on them on different basis. Accordingly, the debts are designated as fair value through profit and loss with changes in fair values charged to profit and loss account.

### 31.1 Subordinated bonds

Detailed information of subordinated bonds is disclosed as follows:

Group	Currency	Issue Place	Coupon Rate	Par value (CCY)	Issue Date	Maturity	Note	Issue Amount	Balance
07 BoComm 01	RMB	China	4.13%	16,000	2007/03/06	15 Years	(a)	16,000	16,000
09 BoComm 02	RMB	China	4.00%	13,500	2009/07/01	15 Years	(b)	13,500	13,500
11 BoComm 01	RMB	China	5.75%	26,000	2011/10/21	15 Years	(c)	26,000	26,000
Total								55,500	55,500

- (a) The Group has an option to redeem these bonds on 8 March 2017. The bonds bear a fixed coupon rate of 7.13% for the remaining 5 years.
- (b) The Group has an option to redeem these bonds on 3 July 2019. The bonds bear a fixed coupon rate of 7% for the remaining 5 years.
- (c) The Group has an option to redeem these bonds on 24 October 2021. The bonds bear a fixed coupon rate of 5.75% for the remaining 5 years.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 31 DEBT SECURITIES ISSUED (Continued)

### 31.2 Tier 2 capital bonds

Detailed information of Tier 2 capital bonds is disclosed as follows:

Group	Currency	Issue Place	Coupon Rate	Par Value (CCY)	Issue Date	Maturity	Note	Issue Amount	Balance
14 BoComm	RMB	China	5.80%	28,000	2014/08/18	10 Years	(a)	28,000	27,970
14 BoComm USD	USD	Hong Kong	4.50%	1,200	2014/10/03	10 Years	(b)	7,329	7,271
14 BoComm Euro	Euro	Hong Kong	3.625%	500	2014/10/03	12 Years	(c)	3,308	3,401
Total								38,637	38,642

(a) The Group has an option to redeem these bonds at the face value partially or as a whole on 19 August 2019, provided CBRC's permission is acquired in advance and the Group's capital structure fulfils the CBRC requirements on capital if the redemption is exercised.

(b) The Group has an option to redeem these bonds as a whole on 3 October 2019. If the issuer does not exercise the redemption right at the end of 5th year, the interest rate will be adjusted based on swap value of 5-year US treasury bonds plus 285 basis points.

(c) The Group has an option to redeem these bonds as a whole on 3 October 2021. If the issuer does not exercise the redemption right at the end of 5th year, the interest rate will be adjusted based on swap value of 5-year Euro plus 300 basis points.

These secondary capital bonds have the write-down feature of a secondary capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. The subordinated debts are regarded as tier 2 capital without any guarantees provided and the proceeds of the debts cannot be used for offsetting daily operating loss of the Group.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 31 DEBT SECURITIES ISSUED (Continued)

### 31.3 Bonds

Detailed information of bonds held at amortized cost is as follows:

Group	Currency	Issue Place	Coupon Rate	Par Value (CCY)	Issue Date	Maturity	Issue Amount	Balance
12 Hong Kong Bond B	RMB	Hong Kong	3.10%	300	2012/03/08	3 Years	300	-
13 Azure Orbit	USD	Hong Kong	3.75%	500	2013/03/06	10 Years	3,070	3,052
13 BoComm 01	RMB	China	4.37%	10,000	2013/07/26	5 Years	10,000	10,000
13 Taiwan Bond A	RMB	Taiwan	3.40%	800	2013/12/10	3 Years	800	800
13 Taiwan Bond B	RMB	Taiwan	3.70%	400	2013/12/10	5 Years	400	400
14 Leasing 01	RMB	China	6.10%	200	2014/01/17	3 Years	200	200
14 HK 2 Years Bills	RMB	Hong Kong	3.30%	1,500	2014/03/21	2 Years	1,500	1,500
14 Azure Orbit	USD	Hong Kong	3.375%	500	2014/04/25	5 Years	3,070	3,053
14 Taiwan Bond A	RMB	Taiwan	3.45%	1,000	2014/06/23	3 Years	1,000	1,000
14 Taiwan Bond B	RMB	Taiwan	3.85%	500	2014/06/23	5 Years	500	500
14 Taiwan Bond C	RMB	Taiwan	4.15%	500	2014/06/23	7 Years	500	500
14 Leasing 02	RMB	China	5.20%	3,800	2014/07/16	3 Years	3,800	3,800
14 Leasing ABS	RMB	China	5.20%-6.40%	480	2014/09/16	3 Years	1,012	410
P14JHTP1A	RMB	Taiwan	3.30%	200	2014/12/04	2 Years	200	200
P14JHTP1B	RMB	Taiwan	3.75%	900	2014/12/04	5 Years	900	900
P14JHTP1C	RMB	Taiwan	3.90%	700	2014/12/04	7 Years	700	700
P14JHTP1D	RMB	Taiwan	4.00%	200	2014/12/04	10 Years	200	200
Total							28,152	27,215

Detailed information of bonds held at fair value is as follows:

Group	Currency	Issue Place	Coupon Rate	Par Value (CCY)	Issue Date	Maturity	Issue Amount	Balance	Fair Value
14 Hong Kong medium-term notes	USD	Hong Kong	2.125%	700	2014/01/15	3 Years	4,307	4,271	4,311
14 Hong Kong bond	HKD	Hong Kong	4.00%	500	2014/02/14	7 Years	396	391	408
14 Hong Kong bond 02	HKD	Hong Kong	3.20%	350	2014/04/02	5 Years	277	276	283
14 CHF bond	CHF	Hong Kong	0.875%	300	2014/06/26	3 Years	2,017	1,964	2,015
14 SGD bond	SGD	Hong Kong	2.10%	100	2014/07/24	3 Years	493	454	454
15 Hong Kong medium-term notes	USD	Hong Kong	2.50%	750	2015/01/16	3 Years	4,607	4,570	4,604
Total							12,097	11,926	12,075

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 32 SHARE CAPITAL AND CAPITAL SURPLUS

Group	Number of shares (in millions)	Ordinary shares of RMB1 each	Capital surplus	Total
As at 1 January 2015	74,263	74,263	113,496	187,759
As at 30 June 2015	74,263	74,263	113,443	187,706

Group	Number of shares (in millions)	Ordinary shares of RMB1 each	Capital surplus	Total
As at 1 January 2014	74,263	74,263	113,383	187,646
As at 31 December 2014	74,263	74,263	113,496	187,759

As at 30 June 2015 and 31 December 2014, the number of A shares of the Group is 39,251 millions, and the number of H shares of the Group is 35,012 millions, both with par value of RMB1 per share.

As at 30 June 2015 and 31 December 2014, the Group's capital surplus is listed as follows:

Group	As at 1 January 2015	Additions	Utilisation	As at 30 June 2015
Share premium	112,769	–	–	112,769
Property revaluation gain designated by MOF	472	–	–	472
Donation of non-cash assets	145	–	–	145
Acquisition of non-controlling interests	(29)	–	–	(29)
Capital increase in an associate	113	–	(53)	60
Others	26	–	–	26
<b>Total</b>	<b>113,496</b>	<b>–</b>	<b>(53)</b>	<b>113,443</b>

Group	As at 1 January 2014	Additions	Utilisation	As at 31 December 2014
Share premium	112,769	–	–	112,769
Property revaluation gain designated by MOF	472	–	–	472
Donation of non-cash assets	145	–	–	145
Acquisition of non-controlling interests	(29)	–	–	(29)
Capital increase in an associate	–	113	–	113
Others	26	–	–	26
<b>Total</b>	<b>113,383</b>	<b>113</b>	<b>–</b>	<b>113,496</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 33 RESERVES AND RETAINED EARNINGS

Pursuant to the relevant PRC regulations, the appropriation of profits to the statutory general reserve, the discretionary reserve and the distribution of dividends in each year are based on the recommendations of the Directors and are subject to the resolutions to be passed at the General Meeting.

Pursuant to the relevant PRC regulations, the bank is required to appropriate 10% of its net profit for the year (Note 34) to the undistributable statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Pursuant to the relevant PRC banking regulations, the Bank is required to transfer a certain amount of its net income to the statutory general reserve through its profit appropriation. It is determined based on the overall unidentified loss exposure; normally no lower than 1.5% of the ending balance of risk assets. The statutory general reserve is an integral part of shareholders' equity but not subject to dividend distribution. Such statutory general reserve is recognized in the statement of financial position upon approval by the shareholders at the Annual General Meeting. Regulatory reserve of the Hong Kong branch required by the Hong Kong Monetary Authority is also included in above statutory general reserve.

Since 1 July 2012, pursuant to "Administrative Measures for the Provisioning of Financial Enterprises" (Cai Jin [2012] No. 20), the Group made general reserve for the risk assets as defined by the policy.

In accordance with the relevant PRC legislation, upon the approval by shareholders at the General Meeting, discretionary reserve can be appropriated following the appropriation of statutory reserve from the distributable profit of the Bank.

Pursuant to the approval by the Annual General Meeting on 29 June 2015, the Bank appropriated RMB2,960 million to the statutory general reserve and RMB34,522 million to discretionary reserve. It was also resolved that a cash dividend of RMB0.27 (before tax) for each share, totaling RMB20,051 millions, calculated based on 74,263 million shares outstanding as at 31 December 2014, will be distributed to shareholders.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 34 DIVIDENDS

	Six months ended 30 June	
	2015	2014
Dividends to shareholders of the Bank	20,051	19,308

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (1) Making up cumulative losses from prior years, if any;
- (2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;
- (3) Allocations to statutory general reserves;
- (4) Allocations to the discretionary reserve upon approval by the Annual General Meeting. These funds form part of the shareholders' equity.

The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at the Annual General Meeting.

## 35 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

### Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group has committed to its customers:

Group	As at	As at
	30 June 2015	31 December 2014
Letters of guarantee	356,029	310,500
Letters of credit	188,606	226,469
Acceptances	338,297	381,368
Credit card commitments	359,376	388,038
Loan commitments		
– Within 1 year	44,869	61,424
– 1 year and over	146,957	166,728
	1,434,134	1,534,527

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 35 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

### Capital expenditure commitments

Group	As at 30 June 2015	As at 31 December 2014
Authorized but not contracted for	202	173
Contracted but not provided for	10,352	9,114
	10,554	9,287

### Operating lease commitments

Where the Group and the Bank is the lessee, the future minimum lease payments on buildings and equipment under irrevocable operating leases are as follows:

Group	As at 30 June 2015	As at 31 December 2014
Within 1 year	2,239	1,394
Beyond 1 year and not more than 2 years	1,816	1,248
Beyond 2 years and not more than 3 years	1,470	1,071
Beyond 3 years and not more than 5 years	1,665	1,443
More than 5 years	1,049	1,425
	8,239	6,581

The Group acts as lessor in operating leases principally through aircrafts and vessels leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircrafts and vessel under irrevocable operating leases are as follows:

Group	As at 30 June 2015	As at 31 December 2014
Within 1 year	2,132	824
Beyond 1 year but no more than 2 years	2,134	827
Beyond 2 years but no more than 3 years	2,123	827
Beyond 3 years but no more than 5 years	4,213	1,602
More than 5 years	11,138	3,393
	21,740	7,473

### 35 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

#### Commitments on security underwriting and bond acceptance

The Bank is entrusted by the MOF to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Bank has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 30 June 2015, the principal value of the government bonds that the Bank had the obligation to buy back amounted to RMB62,206 million (31 December 2014: RMB58,443 million).

The original maturities of these bonds vary from 1 to 5 years.

The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. The Group expects the amount of redemption before the maturity dates of these bonds through the Bank will not be material.

As at 30 June 2015, there was no irrevocable commitment on security underwriting of the Group announced to the public (31 December 2014: Nil).

#### Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note 28. The total outstanding claims against the Group (as defendant) by a number of third parties at the end of the periods are summarized as follows:

Group	As at 30 June 2015	As at 31 December 2014
Outstanding claims	2,041	1,725
Provision for outstanding litigation (Note 28)	221	191

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 36 COLLATERALS

### (1) Assets pledged

Assets pledged are mainly collaterals under repurchase and short selling agreements with banks and other financial institutions. The titles of the pledged securities have not been transferred to counterparties.

Group	Pledged Assets		Related Liabilities	
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
Investment securities	253,898	178,708	247,272	166,654
	253,898	178,708	247,272	166,654

Financial assets sold under repurchase agreements included certain transactions under which, titles of the pledged securities have been transferred to counterparties. These transactions have been disclosed in Note 42 "Transfers Of Financial Assets".

### (2) Collateral accepted

The Group accepts collaterals under reverse repurchase agreements, which are permitted for sale or re-pledge. The titles of the pledged securities have been transferred to the Bank from counterparties. As at 30 June 2015, the fair value of such collaterals amounted to RMB1,819 million (31 December 2014: RMB1,022 million). All pledges are conducted under standard and normal business terms. As at 30 June 2015 and 31 December 2014, the Group did not sell or re-pledge any collaterals received.

## 37 OTHER COMPREHENSIVE INCOME

Group	Six months ended 30 June 2015		
	Before tax amount	Tax benefit (expense)	Net of tax amount
Other comprehensive income			
Financial investments – available-for-sale	731	(183)	548
– Changes in fair value recorded in equity	653	(163)	490
– Changes in fair value reclassified from equity to profit or loss	78	(20)	58
Cash flow hedge reserve	(7)	2	(5)
Translation differences on foreign operations	(36)	–	(36)
Actuarial gains on pension benefits	26	(7)	19
Other comprehensive income for the period	714	(188)	526

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 37 OTHER COMPREHENSIVE INCOME (Continued)

Group	Six months ended 30 June 2014		
	Before tax amount	Tax benefit (expense)	Net of tax amount
Other comprehensive income			
Financial investments – available-for-sale	4,385	(1,097)	3,288
– Changes in fair value recorded in equity	4,517	(1,129)	3,388
– Changes in fair value reclassified from equity to profit or loss	(132)	32	(100)
Translation differences on foreign operations	191	–	191
Actuarial gains on pension benefits	(6)	2	(4)
Other comprehensive income for the period	4,570	(1,095)	3,475

## 38 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### Analysis of the balance of cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than or equal to 90 days used for the purpose of meeting short-term cash commitments:

	As at 30 June 2015	As at 30 June 2014
Cash and balances with central banks (Note 16)	351,058	159,403
Due from banks and other financial institutions (Note 17)	142,731	93,993
	493,789	253,396

## 39 INVESTMENT IN AN ASSOCIATE

Group	As at 30 June 2015	As at 31 December 2014
Investment cost	300	300
Net profit adjusted by the equity method	177	134
Changes in other equity	60	113
Investment in an associate	537	547

The Group's investment in associates mainly represent the investment in Bank of Tibet Co., Ltd., which was registered in Tibet of the PRC and established on 30 December 2011. The registered capital of the entity is RMB3,018 million, and the principal activities of the entity are commercial banking activities. The Group held 10.60% of equity interest in this associate as at 30 June 2015 (31 December 2014: 10.60%).

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 40 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are primarily wealth management products. When assessing whether to consolidate structured entities, the Bank reviews all facts and circumstances to determine whether the Bank, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those wealth management products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at 30 June 2015, the wealth management products managed and consolidated by the Group amounted to RMB789,068 million (31 December 2014: RMB576,923 million). The financial impact of any individual wealth management products on the Group's financial performance is not significant.

Interests held by other interest holders are included in due to customers.

## 41 UNCONSOLIDATED STRUCTURED ENTITIES

The Group is involved with other structured entities through investments in structured entities or sponsors structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of the products. The Group did not control these structured entities and therefore, these structured entities were not consolidated.

As at 30 June 2015, those structured entities sponsored by the Group mainly include funds, trusts, asset management products and not principal protected wealth management products. The Group earned commission income by providing management services to the investors of those structured entities, which was not material to the Group. Meanwhile, the Group is involved in certain structured entities sponsored by the Group or other institutions through investments. These investments are recognized by the Group in accordance with the classification of financial assets, either at fair value or at amortized cost.

The following table summarizes the size of these structured entities sponsored or through investments by the Group, the carrying values recognised in the consolidated statement of financial position of the Group's interests in unconsolidated structured entities and the Group's maximum exposure to loss as at 30 June 2015 and 31 December 2014:

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 41 UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

As at 30 June 2015	Interests					Maximum exposure to loss	Type of income
	Size	Financial assets at fair value through profit or loss	Financial investments -available-for-sale	Financial investments -loans and receivables			
Funds	76,260	90	1,945	–	2,035	Commission income and investment income	
Trusts and asset management products	717,968	–	560	236,621	237,217	Commission income and investment income	
Not principal protected wealth management products	529,303	–	–	–	–	Commission income	
<b>Total</b>	<b>1,323,521</b>	<b>90</b>	<b>2,505</b>	<b>236,621</b>	<b>239,252</b>		

As at 31 December 2014	Interests					Maximum exposure to loss	Type of income
	Size	Financial assets at fair value through profit or loss	Financial investments -available-for-sale	Financial investments -loans and receivables			
Funds	39,581	2	1,221	–	1,223	Commission income and investment income	
Trusts and asset management products	621,977	–	–	181,955	181,955	Commission income and investment income	
Not principal protected wealth management products	457,031	–	–	–	–	Commission income	
<b>Total</b>	<b>1,118,589</b>	<b>2</b>	<b>1,221</b>	<b>181,955</b>	<b>183,178</b>		

The Group's interests in unconsolidated structured entities are recognised in financial investments – loans and receivables and financial investments – available-for-sale.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 42 TRANSFERS OF FINANCIAL ASSETS

### 42.1 Financial assets sold under repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Group does not have the ability to use during the term of the arrangements, are not derecognized from the financial statements but regarded as “collateral” for the secured lending from these because the Group retains substantially all the risks and rewards of these securities. In addition, it recognizes a financial liability for cash received.

As at 30 June 2015 and 31 December 2014, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as “financial instruments sold under repurchase agreements” (Note 24).

The following table provides a summary of carrying amounts related to the transferred financial assets that are not derecognized and the associated liabilities:

As at 30 June 2015	Financial assets at fair value through profit or loss	Financial investments – Available-for-sale	Financial investments – Held-to-maturity
Carrying amount of transferred assets	–	805	1,372
Carrying amount of associated liabilities	–	879	1,389

As at 31 December 2014	Financial assets at fair value through profit or loss	Financial investments – Available-for-sale	Financial investments – Held-to-maturity
Carrying amount of transferred assets	–	2,761	170
Carrying amount of associated liabilities	–	2,757	163

**42 TRANSFERS OF FINANCIAL ASSETS** (Continued)**42.2 Asset securitization**

The Group enters into securitization transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognized on the condensed consolidated financial statement to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 31 December 2014, loans with an original carrying amount of RMB3,034 million had been securitized by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 26 January 2015, all these securitized assets became due.

**43 RELATED PARTY TRANSACTIONS****(a) Transactions with the MOF**

As at 30 June 2015, the MOF holds 19,703 million (31 December 2014: 19,703 million) shares of the Bank which represents 26.53% (31 December 2014: 26.53%) of total share capital of the Bank. The Group enters into banking transactions with the MOF under normal course of business and they mainly include the purchase and redemption of financial investments issued by the MOF and the deposits from the MOF.

The volumes and outstanding balances of the related party transactions at the period end, and related income and expenses for the periods are summarized as follows:

**(1) Treasury bonds issued by the MOF**

	Six months ended 30 June 2015	
	2015	2014
Outstanding balance of treasury bonds at the beginning of the period/year	265,957	273,357
Purchase during the period	73,513	77,324
Redemption during the period	(62,284)	(84,116)
Change in fair value and others during the period	444	897
Outstanding balance of treasury bonds at the end of the period/year	277,630	267,462
Interest income	4,744	4,548
Maturity range of the bonds	1 year-50 years	9 months-50 years
Interest rate range of the bonds	2.44%-6%	2.38%-6.15%

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 43 RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions with the MOF (Continued)

#### (2) Deposits

	As at 30 June 2015	As at 31 December 2014
Fixed-term deposits	101,255	58,000
Maturity range of fixed-term deposits	3 months-6 months	3 months-6 months
Interest rate range of fixed-term deposits	0.81%-6.05%	2.85%-6.05%

#### (3) Interest expense

	Six months ended 30 June 2015	
	2015	2014
Interest expense	1,206	524

### (b) Transactions with National Council for Social Security Fund

As at 30 June 2015, National Council for Social Security Fund holds 10,311 million (31 December 2014: 10,311 million) shares in the Bank, which represents 13.88% (31 December 2014: 13.88%) of total share capital of the Bank. The Group enters into transactions with National Council for Social Security Fund under normal course of business and they mainly include deposits which are carried out under normal commercial terms and paid at market rates.

The volumes and outstanding balances at the period end, and related interest expenses for the period are summarized as follows:

#### Deposits

	Six months ended 30 June 2015	
	2015	2014
Outstanding balance at the beginning of the period	50,119	58,600
Deposited during the period	5,141	7,340
Repaid during the period	(12,667)	(6,540)
Outstanding balance at the end of the period	42,593	59,400
Interest expense	1,005	1,491

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 43 RELATED PARTY TRANSACTIONS (Continued)

### (c) Transactions with the Hong Kong and Shanghai Banking Corporation and its subsidiaries ("HSBC")

As at 30 June 2015, HSBC holds 13,886 million (31 December 2014: 13,886 million) shares of the Bank which represents 18.70% (31 December 2014: 18.70%) of total share capital of the Bank. Transactions between the Group and HSBC are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarized below:

#### (1) Due from HSBC

	Six months ended 30 June 2015	
	2015	2014
Outstanding at the beginning of the period	55	478
Granted during the period	29,811	352,128
Repaid during the period	(26,903)	(352,141)
Outstanding at the end of the period	2,963	465
Interest income	5	–

#### (2) Due to HSBC

	Six months ended 30 June 2015	
	2015	2014
Outstanding at the beginning of the period	15,717	25,162
Deposited during the period	25,541	18,915
Repaid during the period	(22,201)	(22,534)
Outstanding at the end of the period	19,057	21,543
Interest expense	224	123

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 43 RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with the Hong Kong and Shanghai Banking Corporation and its subsidiaries ("HSBC") (Continued)

### (3) Financial investments issued by HSBC

	Six months ended 30 June 2015	
	2015	2014
Outstanding at the beginning of the period	1,056	1,326
Purchase during the period	–	75
Redemption during the period	(466)	(173)
Outstanding at the end of the period	590	1,228
Interest income	29	19

### (4) Derivative financial instruments

	As at 30 June 2015	As at 31 December 2014
Notional amount of derivative financial instruments	170,688	145,286
Fair value of derivative financial instruments	(83)	(113)

(d) Transactions with directors and senior management

The Group enters into transactions with directors and senior management under the normal course of business and they mainly include loans and deposits, which are carried out under commercial terms and paid at market rates. The volumes during the six months ended and outstanding balances as at 30 June 2015 and 2014 are summarized as follows:

#### (1) Loans

For the six months ended 30 June 2015 and 2014, no loans and advances has been issued to directors and senior management and no allowance for impairment has been recognized in respect of loans granted to directors and senior management. As at 30 June 2015 and 31 December 2014, there were no issued loans and advances to directors and senior management.

#### (2) Deposits

	Six months ended 30 June 2015	
	2015	2014
Outstanding at the beginning of the period	6	6
Deposited during the period	(5)	2
Repaid during the period	4	(4)
Outstanding at the end of the period	5	4

## 43 RELATED PARTY TRANSACTIONS (Continued)

## (e) Transactions with an associate

The Group's investments in associates mainly represent the investment in Bank of Tibet Co., Ltd.. As at 30 June 2015, The Group holds 10.60% (31 December 2014: 10.60%) of total share capital of Bank of Tibet Co., Ltd. Transactions between the Group and Bank of Tibet Co., Ltd. are carried out under normal commercial terms and paid at market rates. Details of transaction volumes and outstanding balances are summarized below:

## (1) Due to Bank of Tibet Co., Ltd.

	Six months ended 30 June 2015	
	2015	2014
Outstanding at the beginning of the year	2,371	3,075
Deposited during the year	2,900	–
Repaid during the year	(3,268)	(501)
Outstanding at the end of the year	2,003	2,574
Interest expense	25	66

## (f) Transactions with state-owned entities in PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organizations (collectively the "state-owned entities"). During the period, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 44 SEGMENTAL ANALYSIS

The Group's senior management reviewed the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's operating segments are decided based upon location of the assets, as the Group's branches mainly serve local customers.

The reportable operating segments derive their revenue primarily from the commercial banking services provided to customers and investing activities, including deposits/loans, bills, trade finance, money market placements and takings and securities investments. The operating segments are:

- (1) Northern China – Including the following provinces: Beijing, Tianjin, Hebei, Shanxi, and Inner Mongolia;
- (2) North Eastern China – Including the following provinces: Liaoning, Jilin, and Heilongjiang;
- (3) Eastern China – Including the following provinces: Shanghai (excluding Head Office), Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;
- (4) Central and Southern China – Including the following provinces: Henan, Hunan, Hubei, Guangdong, Guangxi, and Hainan;
- (5) Western China – Including the following provinces: Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang;
- (6) Head Office;
- (7) Overseas – Including overseas subsidiaries and the following branches: Hong Kong, New York, Singapore, Seoul, Tokyo, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, London, Luxembourg and Taipei.

There were no changes in the reportable segments during the period.

The revenue from external parties reported to the senior management is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

As the Group's major revenue is derived from interest and the senior management relies primarily on net interest income to assess the performance of the segment, the total interest income and expense for all reportable segments will be presented on a net basis.

The measure of segment profit or loss reviewed by the Group's senior management is profit before tax. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the segments.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 44 SEGMENTAL ANALYSIS (Continued)

### Operating segment information

Group	Six months ended 30 June 2015								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Group Total
Interest income 1	36,787	11,544	78,456	43,807	21,983	49,506	7,631	(97,431)	152,283
Interest expense 2	(27,684)	(8,295)	(54,488)	(31,419)	(14,462)	(38,990)	(3,317)	97,431	(81,224)
Net interest income 3	9,103	3,249	23,968	12,388	7,521	10,516	4,314	-	71,059
Fee and commission income	2,207	757	7,032	4,048	1,799	4,031	1,197	(99)	20,972
Fee and commission expense	(211)	(45)	(561)	(271)	(179)	(217)	(201)	99	(1,586)
<b>Net fee and commission income</b>	1,996	712	6,471	3,777	1,620	3,814	996	-	19,386
Dividend income	-	-	51	3	-	-	-	-	54
Net gains/(losses) arising from trading activities	264	57	310	130	39	(40)	(1,096)	-	(336)
Net gains/(losses) arising from de-recognition of financial investments	3	-	910	20	-	(46)	3	-	890
Insurance business income	-	-	3,009	-	-	-	19	-	3,028
Share of profit of an associate	-	-	-	-	-	43	-	-	43
Other operating income	354	100	1,089	509	247	232	491	-	3,022
<b>Total operating revenue</b>	11,720	4,118	35,808	16,827	9,427	14,519	4,727	-	97,146
Impairment losses on loans and advances to customers	(1,127)	(363)	(6,627)	(856)	(319)	(2,105)	(57)	-	(11,454)
Insurance business expense	-	-	(3,564)	-	-	-	(12)	-	(3,576)
Other operating expense	(4,323)	(1,781)	(10,237)	(5,668)	(2,793)	(7,562)	(1,463)	-	(33,827)
<b>Profit before tax</b>	6,270	1,974	15,380	10,303	6,315	4,852	3,195	-	48,289

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 44 SEGMENTAL ANALYSIS (Continued)

### Operating segment information (Continued)

Group	Six months ended 30 June 2015								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Group Total
<b>Profit before tax</b>	6,270	1,974	15,380	10,303	6,315	4,852	3,195	-	48,289
Income tax	(1,492)	(480)	(3,787)	(2,602)	(1,511)	-	(911)	-	(10,783)
<b>Net profit for the year</b>	4,778	1,494	11,593	7,701	4,804	4,852	2,284	-	37,506
Depreciation and amortisation	(385)	(214)	(1,052)	(493)	(318)	(760)	(216)	-	(3,438)
Acquisition cost of property and equipment and intangible assets	(399)	(333)	(5,206)	(616)	(399)	(560)	(3,322)	-	(10,835)
1 Include									
External interest income	15,655	5,596	41,305	22,713	11,871	49,435	5,708	-	152,283
Inter-segment interest income	21,132	5,948	37,151	21,094	10,112	71	1,923	(97,431)	-
2 Include									
External interest expense	(15,816)	(3,961)	(29,339)	(15,795)	(5,958)	(7,563)	(2,792)	-	(81,224)
Inter-segment interest expense	(11,868)	(4,334)	(25,149)	(15,624)	(8,504)	(31,427)	(525)	97,431	-
3 Include									
External net interest (expense)/income	(161)	1,635	11,966	6,918	5,913	41,872	2,916	-	71,059
Inter-segment net interest income/(expense)	9,264	1,614	12,002	5,470	1,608	(31,356)	1,398	-	-
Group	As at 30 June 2015								
<b>Total assets</b>	1,137,502	335,423	2,515,897	1,300,895	662,303	5,669,539	821,925	(5,321,329)	7,122,155
<b>Total liabilities</b>	(1,147,399)	(344,869)	(2,514,250)	(1,303,691)	(670,454)	(5,151,183)	(819,838)	5,321,329	(6,630,355)

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 44 SEGMENTAL ANALYSIS (Continued)

### Operating segment information (Continued)

Group	Six months ended 30 June 2014								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Total
Interest income 1	38,586	10,818	75,591	39,195	19,446	42,397	7,337	(89,958)	143,412
Interest expense 2	(28,599)	(7,959)	(51,184)	(28,350)	(12,902)	(33,023)	(4,142)	89,958	(76,201)
Net interest income 3	9,987	2,859	24,407	10,845	6,544	9,374	3,195	-	67,211
Fee and commission income	1,748	506	6,345	3,283	1,384	3,195	853	-	17,314
Fee and commission expense	(274)	(42)	(569)	(321)	(152)	(187)	(68)	-	(1,613)
<b>Net fee and commission income</b>	1,474	464	5,776	2,962	1,232	3,008	785	-	15,701
Dividend income	-	-	-	7	-	19	-	-	26
Net gains/(losses) arising from trading activities	262	26	493	181	133	1,973	342	-	3,410
Net gains/(losses) arising from de-recognition of financial investments	-	-	41	71	-	6	12	-	130
Insurance business income	-	-	2,124	-	-	-	19	-	2,143
Share of profit of an associate	-	-	-	-	-	55	-	-	55
Other operating income	347	100	833	398	197	217	105	-	2,197
<b>Total operating revenue</b>	12,070	3,449	33,674	14,464	8,106	14,652	4,458	-	90,873
Impairment losses on loans and advances to customers	(996)	(580)	(6,352)	(1,651)	(454)	-	(126)	-	(10,159)
Insurance business expense	-	-	(2,083)	-	-	-	(12)	-	(2,095)
Other operating expense	(4,070)	(1,657)	(9,904)	(5,480)	(2,809)	(6,369)	(1,135)	-	(31,424)
<b>Profit before tax</b>	7,004	1,212	15,335	7,333	4,843	8,283	3,185	-	47,195

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 44 SEGMENTAL ANALYSIS (Continued)

### Operating segment information (Continued)

Group	Six months ended 30 June 2014								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Total
<b>Profit before tax</b>	7,004	1,212	15,335	7,333	4,843	8,283	3,185	-	47,195
Income tax	(1,651)	(285)	(3,887)	(1,858)	(1,151)	(680)	(788)	-	(10,300)
<b>Net profit for the year</b>	5,353	927	11,448	5,475	3,692	7,603	2,397	-	36,895
Depreciation and amortisation	(340)	(172)	(793)	(423)	(299)	(854)	(34)	-	(2,915)
Acquisition cost of property and equipment and intangible assets	(409)	(184)	(1,048)	(397)	(591)	(787)	(4,157)	-	(7,573)
1 Include									
External interest income	18,586	5,561	43,517	20,486	11,332	37,489	6,441	-	143,412
Inter-segment interest income	20,000	5,257	32,074	18,709	8,114	4,908	896	(89,958)	-
2 Include									
External interest expense	(16,898)	(3,984)	(25,509)	(14,407)	(5,341)	(6,318)	(3,744)	-	(76,201)
Inter-segment interest expense	(11,701)	(3,975)	(25,675)	(13,943)	(7,561)	(26,705)	(398)	89,958	-
3 Include									
External net interest income	1,688	1,577	18,008	6,079	5,991	31,171	2,697	-	67,211
Inter-segment net interest income/(expense)	8,299	1,282	6,399	4,766	553	(21,797)	498	-	-
Group	As at 31 December 2014								
<b>Total assets</b>	1,102,396	381,279	2,375,564	1,632,086	718,492	2,936,371	645,068	(3,522,957)	6,268,299
<b>Total liabilities</b>	(1,000,746)	(318,231)	(2,202,878)	(1,180,924)	(596,613)	(3,332,080)	(686,179)	3,522,957	(5,794,694)

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 44 SEGMENTAL ANALYSIS (Continued)

### Geographical information

	Six months ended 30 June 2015 Revenue	As at 30 June 2015 Non-current assets <sup>(a)</sup>	Six months ended 30 June 2014 Revenue	As at 30 June 2014 Non-current assets <sup>(a)</sup>
PRC	179,739	84,937	168,173	93,043
Other countries	217	126	514	160
<b>Total</b>	<b>179,956</b>	<b>85,063</b>	<b>168,687</b>	<b>93,203</b>

- (a) Non-current assets include property and equipment, land use rights, intangible assets, prepaid rental deposits, leasehold improvements, investment property and goodwill etc. It excludes financial assets, deferred income tax assets and rights arising under insurance contracts.

### Business Information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit card and remittance. Treasury mainly comprises money market placements and takings, financial investments, and securities sold under repurchase agreements. The "Others Business" segment mainly comprises items which cannot be categorized in the above business segments.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 44 SEGMENTAL ANALYSIS (Continued)

### Business Information (Continued)

The group business information is summarized as follows:

Group	Six months ended 30 June 2015				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	38,988	7,411	24,202	458	71,059
Internal net interest income/(expense)	834	9,340	(10,174)	-	-
Net interest income	39,822	16,751	14,028	458	71,059
Net fee and commission income	11,229	7,323	126	708	19,386
Dividend income	-	-	-	54	54
Net gains/(losses) arising from trading activities	459	(3)	(1,594)	802	(336)
Net gains arising from de-recognition of financial investments	-	-	890	-	890
Insurance business income	-	-	-	3,028	3,028
Other operating income	564	1,950	23	485	3,022
Impairment losses on loans and advances to customers	(8,510)	(2,944)	-	-	(11,454)
Insurance business expense	-	-	-	(3,576)	(3,576)
Other operating expense					
- depreciation and amortisation	(1,035)	(2,169)	(75)	(159)	(3,438)
- others	(13,877)	(13,751)	(1,695)	(1,066)	(30,389)
Share of profit of an associate	-	-	-	43	43
Profit before tax	28,652	7,157	11,703	777	48,289
Capital expenditure	3,260	6,836	237	502	10,835
Group	As at 30 June 2015				
Total assets	2,854,815	984,003	3,204,455	78,882	7,122,155
Total liabilities	(3,329,855)	(1,448,484)	(1,835,712)	(16,304)	(6,630,355)

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 44 SEGMENTAL ANALYSIS (Continued)

Group	Six months ended 30 June 2014				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	42,284	7,719	16,857	351	67,211
Internal net interest income/(expense)	(2,590)	8,402	(5,812)	-	-
Net interest income	39,694	16,121	11,045	351	67,211
Net fee and commission income	9,060	5,836	57	748	15,701
Dividend income	-	-	-	26	26
Net gains/(losses) arising from trading activities	756	(12)	2,598	68	3,410
Net gains arising from de-recognition of financial investments	-	-	130	-	130
Insurance business income	-	-	-	2,143	2,143
Other operating income	387	1,377	2	431	2,197
Impairment losses on loans and advances to customers	(7,489)	(2,670)	-	-	(10,159)
Insurance business expense	-	-	-	(2,095)	(2,095)
Other operating expense					
- depreciation and amortisation	(877)	(1,839)	(64)	(135)	(2,915)
- others	(13,004)	(12,939)	(1,704)	(862)	(28,509)
Share of profit of an associate	-	-	-	55	55
Profit before tax	28,527	5,874	12,064	730	47,195
Capital expenditure	1,756	3,682	128	270	5,836
Group	As at 31 December 2014				
Total assets	2,639,542	907,829	2,666,063	54,865	6,268,299
Total liabilities	(2,868,281)	(1,369,055)	(1,552,316)	(5,042)	(5,794,694)

There were no significant transactions with a single external customer that the Group mainly relying on.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

(All amounts expressed in millions of RMB unless otherwise stated)

## 45 NON-ADJUSTING EVENT AFTER REPORTING PERIOD

According to the board resolution of the Bank passed on 26 March 2015 and the general meeting of shareholders on 18 May 2015, the Bank was approved to issue domestic and offshore preference shares with aggregate proceeds not exceeding RMB60 billion or its equivalent, amongst which, the domestic preference shares to be issued in the domestic market will not be more than RMB45 billion and the offshore preference shares to be issued in overseas markets will not be more than RMB15 billion. After obtaining the approvals by the CBRC and the China Securities Regulatory Commission (“CSRC”), the issuance of offshore preference shares was completed on 29 July 2015. The gross proceeds from the issuance of the offshore preference shares amounting to U.S.\$2.45 billion, after deduction of the relevant expenses, will be used to replenish the Bank’s Additional Tier 1 Capital.

## 46 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

# Unaudited Supplementary Financial Information

(All amounts expressed in millions of RMB unless otherwise stated)

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## Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

### 1 Capital Adequacy Ratio

At the end of June 2014, upon the approval from regulator, the Group adopted the advanced capital management method for calculating the capital adequacy ratio in accordance with the “Administrative Measures for the Capital of Commercial Banks (Provisional)” issued by the CBRC. As at 30 June 2015, the capital ratios calculated based the “Administrative Measures for the Capital of Commercial Banks (Provisional)” are as follows:

Group	As at 30 June 2015	As at 31 December 2014
Items		
Net Core Tier 1 Capital	487,289	470,456
Net Tier 1 Capital	487,307	470,466
Net Capital	588,364	584,502
Core Tier 1 Capital Adequacy Ratio (%)	10.86	11.30
Tier 1 Capital Adequacy Ratio (%)	10.86	11.30
Capital Ratio (%)	13.12	14.04

### 2 Liquidity Ratio

The liquidity ratios that the Bank submitted to the regulator are calculated in accordance with the formula promulgated by CBRC.

Bank	As at 30 June 2015	As at 31 December 2014
Liquidity ratios (%)	53.87	47.17

### 3 Currency Concentrations

Group As at 30 June 2015	US dollar	HK dollar	Others	Total
Spot assets	582,579	169,450	95,322	847,351
Spot liabilities	(543,405)	(205,370)	(72,047)	(820,822)
Forward purchases	630,552	72,299	49,999	752,850
Forward sales	(609,938)	(14,693)	(47,057)	(671,688)
Net option position	345	–	(161)	184
Net long position	60,133	21,686	26,056	107,875
Net structural position	14,127	10,669	3,156	27,952

## Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

### 3 Currency Concentrations (Continued)

Group As at 31 December 2014	US dollar	HK dollar	Others	Total
Spot assets	386,181	168,310	53,082	607,573
Spot liabilities	(406,428)	(173,146)	(51,168)	(630,742)
Forward purchases	529,812	69,780	34,761	634,353
Forward sales	(537,450)	(18,112)	(12,010)	(567,572)
Net option position	(289)	–	(80)	(369)
Net (short)/long position	(28,174)	46,832	24,585	43,243
Net structural position	14,183	8,242	2,229	24,654

The net options position is calculated using the model user approach as set out by CBRC. 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 fixed assets and premises, net of depreciation charges;
- Capital and statutory reserve of overseas branches;
- Investments in overseas subsidiaries and related companies; and
- Loan capital.

### 4 International Claims

The Group is principally engaged in business operations within Mainland China. The international claims of the Group is the sum of cross-border claims in all currencies and local claims in foreign currencies.

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.

International 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.

International 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 international claims, after taking into account any risk transfers. Risk transfers are only made if risk exposure is transferred to other counterparty by risk resolving methods. Exposure to credit risk is also controlled by obtaining collaterals and corporate and individual guarantees.

## Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

### 4 International Claims (Continued)

As at 30 June 2015	Non-bank private sector				Total
	Banks	Official sector	Non-bank private sector	Unallocated	
Asia Pacific	268,642	46,153	339,474	23	654,292
– attributable to Hong Kong	24,190	16,755	187,899	23	228,867
North and South America	45,224	5,621	11,974	–	62,819
Africa	–	183	–	–	183
Europe	35,869	297	3,782	–	39,948
	349,735	52,254	355,230	23	757,242

### 5 Overdue and Rescheduled Assets

#### 5.1 Gross amount of overdue loans

Group	As at 30 June 2015	As at 31 December 2014
Gross loans and advances to customers which have been overdue for:		
– within 3 months	40,489	36,633
– between 3 and 6 months	18,132	11,416
– between 6 and 12 months	25,835	17,230
– over 12 months	27,026	15,968
	111,482	81,247
Percentage (%):		
– within 3 months	1.09	1.07
– between 3 and 6 months	0.49	0.33
– between 6 and 12 months	0.70	0.50
– over 12 months	0.73	0.47
	3.01	2.37

#### 5.2 Overdue and rescheduled loans

Group	As at 30 June 2015	As at 31 December 2014
Total rescheduled loans and advances to customers	14,664	6,809
Including: rescheduled loans and advances to customers overdue above 3 months	1,280	975
Percentage of rescheduled loans and advances to customers overdue above 3 months in total loans	0.03	0.03

# Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

## 6 Segmental Information of Loans

### 6.1 Impaired loans by geographical area

Group	As at 30 June 2015		As at 31 December 2014	
	Impaired loans	Allowances for individually assessed impaired loans	Impaired loans	Allowances for individually assessed impaired loans
PRC domestic regions				
– Northern China	5,332	(2,469)	3,960	(1,331)
– North Eastern China	2,145	(1,031)	2,218	(1,179)
– Eastern China	32,699	(14,282)	29,855	(12,676)
– Central and Southern China	6,490	(2,974)	4,862	(1,977)
– Western China	3,233	(1,228)	1,831	(684)
	49,899	(21,984)	42,726	(17,847)
Hong Kong, Macau, Taipei and overseas regions	254	(293)	291	(193)
	50,153	(22,277)	43,017	(18,040)

### 6.2 Overdue loans and advances to customers by geographical area

Group	As at 30 June 2015			As at 31 December 2014		
	Overdue loans	Allowances for individually assessed impaired loans	Allowances for collectively assessed impaired loans	Overdue loans	Allowances for individually assessed impaired loans	Allowances for collectively assessed impaired loans
PRC domestic regions						
– Northern China	12,762	(2,469)	(1,503)	8,891	(1,287)	(1,111)
– North Eastern China	5,330	(1,023)	(671)	4,156	(1,159)	(462)
– Eastern China	65,690	(14,263)	(12,592)	54,635	(12,029)	(8,763)
– Central and Southern China	15,877	(2,963)	(2,045)	8,061	(1,300)	(703)
– Western China	10,823	(1,224)	(1,629)	4,895	(568)	(760)
	110,482	(21,942)	(18,440)	80,638	(16,343)	(11,799)
Hong Kong, Macau, Taipei and overseas regions	1,000	(296)	(218)	609	(407)	–
	111,482	(22,238)	(18,658)	81,247	(16,750)	(11,799)
Fair value of collaterals	63,168	Not applicable	Not applicable	38,193	Not applicable	Not applicable

## Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

### 7 Loans and Advances to Customers

#### 7.1 The risk concentration analysis for loans and advances to customers by industry sectors (gross)

Hong Kong	As at 30 June 2015			As at 31 December 2014		
		%	Amount covered by collaterals		%	Amount covered by collaterals
Corporate loans						
Manufacturing						
– Electronics	3,556	1.67	2,728	1,488	0.78	167
– Textile and clothing	2,547	1.19	115	3,444	1.81	12
– Other manufacturing	12,379	5.80	391	11,949	6.29	318
Electricity, gas and water production and supply	2,840	1.33	695	2,218	1.17	43
Construction	14,238	6.67	3,213	13,353	7.03	2,392
Transportation, storage and postal service	13,024	6.10	8,826	9,743	5.13	5,826
Telecommunication, IT service and software	189	0.09	3	7	–	3
Wholesale and retail	91,420	42.81	10,931	86,684	45.64	9,487
Accommodation and catering	64	0.03	30	61	0.03	39
Financial institutions	22,727	10.65	3,211	20,780	10.94	4,249
Real estate	11,404	5.34	9,376	11,279	5.94	10,038
Education	19	0.01	19	18	0.01	18
Others	10,927	5.12	4,731	9,801	5.16	649
<b>Total corporate loans</b>	<b>185,334</b>	<b>86.81</b>	<b>44,269</b>	<b>170,825</b>	<b>89.93</b>	<b>33,241</b>
Individual loans						
Mortgage loans	13,047	6.11	12,968	9,915	5.22	9,812
Credit card advances	108	0.05	–	112	0.06	–
Others	15,007	7.03	13,491	9,064	4.79	6,305
<b>Total individual loans</b>	<b>28,162</b>	<b>13.19</b>	<b>26,459</b>	<b>19,091</b>	<b>10.07</b>	<b>16,117</b>
Gross amount of loans and advances before allowance for impairment	213,496	100.00	70,728	189,916	100.00	49,358
Outside Hong Kong	3,495,656			3,241,819		

The risk concentration analysis for loans and advances to customers by industry sectors is based on the Group's internal classification system.

The ratio of collateral loans to the total loans of the Group is 48% as at 30 June 2015 (31 December 2014: 47%).

## Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

### 7 Loans and Advances to Customers (Continued)

#### 7.2 Allowance on loans and advances by loan usage

Group	As at 30 June 2015		As at 31 December 2014	
	Impaired loans	Allowance for individually assessed impaired loans	Impaired loans	Allowance for individually assessed impaired loans
Corporate	39,532	(18,446)	34,040	(14,443)
Individuals	10,621	(3,831)	8,977	(3,597)
	50,153	(22,277)	43,017	(18,040)
Fair value of collateral	22,277	Not applicable	15,688	Not applicable

Collateral held against such loans mainly include cash deposits and mortgages over properties.

The amount of new provisions charged to statement of profit or loss and other comprehensive income, and the amount of loans and advances written off during the years are disclosed below:

Group	Six months ended 30 June 2015			Six months ended 30 June 2014		
	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years
Corporate	8,510	(1,578)	66	7,489	(3,077)	91
Individuals	2,944	(531)	94	2,670	(962)	123
	11,454	(2,109)	160	10,159	(4,039)	214

# Supplementary Information on Capital Adequacy Ratio

Appendices 1 to 4 are disclosed in accordance with the *Notice on Enhancing Disclosure Requirements for Composition of Capital* issued by the CBRC.

## Appendix 1: Group Balance Sheet (Accounting and Regulatory Consolidation)

(in millions of RMB)

	Balance sheet of the accounting consolidation	Balance sheet of the regulatory consolidation
<b>Assets:</b>		
Cash and balances with central banks	1,111,252	1,111,252
Deposits with banks and non-bank financial institutions	177,295	176,069
Placements with banks and non-bank financial institutions	306,237	306,237
Financial assets at fair value through profit or loss	172,522	170,904
Positive fair value of derivatives	13,705	13,705
Financial assets held under resale agreements	169,159	168,850
Interest receivable	32,246	32,179
Loans and advances to customers	3,623,674	3,630,465
Available-for-sale financial assets	236,787	233,199
Held-to-maturity investments	746,943	745,888
Debt securities classified as receivables	265,758	263,968
Investments to subsidiaries	537	2,411
Fixed assets	61,881	58,321
Land use rights	908	908
Deferred tax assets	15,936	15,936
Goodwill	322	200
Intangible assets	1,104	1,098
Other assets	185,889	179,864
<b>Total assets</b>	<b>7,122,155</b>	<b>7,111,454</b>

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 1: Group Balance Sheet (Accounting and Regulatory Consolidation) (Continued)

(in millions of RMB)

	Balance sheet of the accounting consolidation	Balance sheet of the regulatory consolidation
<b>Liabilities:</b>		
Borrowings from central banks	63,724	63,724
Deposits from banks and non-bank financial institutions	1,147,740	1,148,690
Placements from banks and non-bank financial institutions	298,204	298,131
Financial liabilities at fair value through profit or loss	35,415	35,415
Financial assets sold under repurchase agreements	189,540	187,880
Deposits from customers	4,514,566	4,515,351
Negative fair value of derivatives	14,084	14,084
Debt securities issued	133,432	133,432
Employee benefits payable	4,311	4,225
Taxes payable	12,623	12,564
Interest payable	76,169	76,189
Deferred tax liabilities	138	78
Provisions	309	309
Other liabilities	140,100	130,010
<b>Total liabilities</b>	<b>6,630,355</b>	<b>6,620,082</b>
<b>Equity:</b>		
Share capital	74,263	74,263
Capital surplus	113,443	113,472
Other comprehensive income	(2,338)	(2,269)
Surplus reserve	177,337	177,331
General risk reserve	74,746	74,746
Retained earnings	51,328	51,927
Minority interests	3,021	1,902
<b>Total equity</b>	<b>491,800</b>	<b>491,372</b>

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 2: Elaborated Balance Sheet Under Regulatory Consolidation

(in millions of RMB)

	Balance sheet of the regulatory consolidation	Code <sup>Note</sup>
<b>Assets:</b>		
Cash and balances with central banks	1,111,252	
Deposits with banks and non-bank financial institutions	176,069	
Placements with banks and non-bank financial institutions	306,237	
Financial assets at fair value through profit or loss	170,904	
Positive fair value of derivatives	13,705	
Financial assets held under resale agreements	168,850	
Interest receivable	32,179	
Loans and advances to customers	3,630,465	
Available-for-sale financial assets	233,199	
Held-to-maturity investments	745,888	
Debt securities classified as receivables	263,968	
Investments to subsidiaries	2,411	
Including: Investments in Core Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	1,778	a
Fixed assets	58,321	
Land use rights	908	
Deferred tax assets	15,936	b
Including: Net deferred tax assets arising from operating losses which is expected to off-set against future profits	–	c
Including: Other net deferred tax assets relying on the Bank's future profits	15,936	
Intangible assets	1,098	d
Goodwill	200	e
Other assets	179,864	
<b>Total assets</b>	<b>7,111,454</b>	

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 2: Elaborated Balance Sheet Under Regulatory Consolidation (Continued)

(in millions of RMB)

	Balance sheet of the regulatory consolidation	Code <sup>Note</sup>
<b>Liabilities:</b>		
Borrowings from central banks	63,724	
Deposits from banks and non-bank financial institutions	1,148,690	
Placements from banks and non-bank financial institutions	298,131	
Financial liabilities at fair value through profit or loss	35,415	
Financial assets sold under repurchase agreements	187,880	
Deposits from customers	4,515,351	
Negative fair value of derivatives	14,084	
Debt securities issued	133,432	
Including: Recognised in Tier 2 Capital	85,542	f
Employee benefits payable	4,225	
Taxes payable	12,564	
Interest payable	76,189	
Deferred tax liabilities	78	g
Including: Deferred tax liabilities relating to goodwill	–	h
Including: Deferred tax liabilities relating to other intangible assets	–	i
Provisions	309	
Other liabilities	130,010	
<b>Total liabilities</b>	<b>6,620,082</b>	
<b>Equity:</b>		
Share capital	74,263	
Including: Those to be included in Core Tier 1 Capital	74,263	j
Including: Those to be included in other Tier 1 Capital	–	k
Capital surplus	113,472	l
Other comprehensive income	(2,269)	m
Including: Exchange reserve	(2,981)	n
Surplus reserve	177,331	o
General risk reserve	74,746	p
Undistributed profits	51,927	q
Minority interests	1,902	
Including: Those to be included in Core Tier 1 Capital	895	r
Including: Those to be included in other Tier 1 Capital	18	s
Including: Recognised in Tier 2 Capital	50	t
<b>Total equity</b>	<b>491,372</b>	

Note: The code is used for matching the items in the group's composition of capital.

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 3: Group's Composition of Capital

(in millions of RMB unless otherwise stated)

	Items	Amount	Code
	Core Tier 1 Capital:		
1	Paid-in capital	74,263	j
2	Retained earnings	304,004	
2a	Surplus reserve	177,331	o
2b	General risk reserve	74,746	p
2c	Undistributed profits	51,927	q
3	Accumulated other comprehensive income and disclosed reserve	111,203	
3a	Capital reserve	114,184	l+m-n
3b	Others	(2,981)	n
4	Amount given recognition in Core Tier 1 Capital (Only applicable to non-stock companies; for joint-stock companies, to be completed with "0")	–	
5	Minority interest given recognition in Core Tier 1 Capital	895	r
6	Core Tier 1 Capital before regulatory adjustments	490,365	
	Core Tier 1 Capital: Regulatory adjustments		
7	Prudent valuation adjustment	–	
8	Goodwill (net of deferred tax liabilities)	200	e-h
9	Other intangible assets (excluding land use rights) (net of deferred tax liabilities)	1,098	d-i
10	Net deferred tax assets relying on future profitability and arising from operating losses	–	c
11	Cash-flow hedge reserves	–	
12	Gaps of loan loss provisions	–	
13	Gains from sales of asset securitisation	–	
14	Unrealised profit/loss arising from the changes in own credit risks on fair value of liability	–	
15	Net defined-benefit pension assets (net of deferred tax liabilities)	–	
16	Direct or indirect investments in own shares	–	
17	Reciprocal cross-holdings in Core Tier 1 Capital	–	
18	Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	–	
19	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation	–	

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 3: Group's Composition of Capital (Continued)

(in millions of RMB unless otherwise stated)

Items	Amount	Code
20	Mortgage servicing rights	–
21	Other deferred tax assets relying on the Bank's future profitability	–
22	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other deferred tax assets that rely on the Bank's future profitability after all regulatory adjustments (amount exceeding the 15% threshold)	–
23	Including: Significant investments in the capital of financial institutions	–
24	Including: Mortgage servicing rights	–
25	Including: Other deferred tax assets that rely on the Bank's future profitability	–
26a	Investments in Core Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	1,778 a
26b	Gaps of Core Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	–
26c	Other deductions from Core Tier 1 Capital	–
27	Regulatory adjustments applied to Core Tier 1 Capital due to insufficient Other Tier 1 and Tier 2 Capital to cover deductions	–
28	Total regulatory adjustments to Core Tier 1 Capital	3,076
29	Core Tier 1 Capital	487,289
Other Tier 1 Capital:		
30	Directly issued qualifying Other Tier 1 instruments plus stock surplus	–
31	Including: Classified as equity	–
32	Including: Classified as liabilities	–
33	Instruments not given recognition in Other Tier 1 Capital after the transition period	–
34	Minority interest given recognition in Other Tier 1 Capital	18 s
35	Including: Portions not given recognition in Other Tier 1 Capital after the transition period	–
36	Other Tier 1 Capital before regulatory adjustments	18

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 3: Group's Composition of Capital (Continued)

(in millions of RMB unless otherwise stated)

Items	Amount	Code
Other Tier 1 Capital: Regulatory adjustments		
37 Directly or indirectly investments in own other Tier 1 instruments	–	
38 Reciprocal cross-holdings in other Tier 1 instruments	–	
39 Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	–	
40 Significant investments in the Other Tier 1 Capital of financial institutions outside the scope of regulatory consolidation	–	
41a Investments in Other Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	–	
41b Gaps of Other Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	–	
41c Other deductions from Other Tier 1 Capital	–	
42 Regulatory adjustments applied to Other Tier 1 Capital due to insufficient Tier 2 Capital to cover deductions	–	
43 Total regulatory adjustments to Other Tier 1 Capital	–	
44 Other Tier 1 Capital	18	
45 Tier 1 Capital (Core Tier 1 Capital + Other Tier 1 Capital)	487,307	
Tier 2 Capital:		
46 Directly issued qualifying Tier 2 instruments plus stock surplus	85,542	f
47 Including: Portions not given recognition in Tier 2 Capital after the transition period	–	
48 Minority interest given recognition in Tier 2 Capital	50	t
49 Including: Portions not given recognition after the transition period	–	
50 Provisions in Tier 2	15,465	
51 Tier 2 Capital before regulatory adjustments	101,057	
Tier 2 Capital: Regulatory adjustments		
52 Directly or indirectly investments in own Tier 2 instruments	–	
53 Reciprocal cross-holdings in Tier 2 instruments	–	
54 Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	–	
55 Significant investments in the Tier 2 Capital of financial institutions outside the scope of regulatory consolidation	–	

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 3: Group's Composition of Capital (Continued)

(in millions of RMB unless otherwise stated)

Items	Amount	Code	
56a	Investments in Tier 2 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	–	
56b	Gaps of Tier 2 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	–	
56c	Other deductions from Tier 2 Capital	–	
57	Total regulatory adjustments to Tier 2 Capital	–	
58	Tier 2 Capital	101,057	
59	Total capital (Tier 1 Capital + Tier 2 Capital)	588,364	
60	Total risk-weighted assets	4,485,830	
Capital adequacy ratio and reserve capital requirements			
61	Core Tier 1 Capital adequacy ratio	10.86%	
62	Tier 1 Capital adequacy ratio	10.86%	
63	Capital adequacy ratio	13.12%	
64	Specific buffer requirements of regulators	3.50%	
65	Including: Capital conservation buffer requirements	2.50%	
66	Including: Countercyclical buffer requirements	0.00%	
67	Including: Additional buffer requirements of global systemically important banks	1.00%	
68	Core Tier 1 Capital available to meet buffers as a percentage of risk-weighted assets	5.86%	
Domestic minimum regulatory capital requirements			
69	Core Tier 1 Capital adequacy ratio	5%	
70	Tier 1 Capital adequacy ratio	6%	
71	Capital adequacy ratio	8%	
Amounts below the threshold deductions			
72	Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	146	
73	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation	1,654	
74	Mortgage servicing rights (net of deferred tax liabilities)	–	
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	15,858	b-g

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 3: Group's Composition of Capital (Continued)

(in millions of RMB unless otherwise stated)

Items	Amount	Code
Limit of provisions in Tier 2 Capital		
76 Provisions actually made in respect of exposures subject to risk-weighted approach	13,656	
77 Provisions eligible for inclusion in Tier 2 Capital under risk-weighted approach	12,252	
78 Provisions actually made in respect of exposures subject to internal ratings-based approach	71,821	
79 Provisions eligible for inclusion in Tier 2 Capital under internal ratings-based approach	3,213	
Capital instruments subject to phase-out arrangements		
80 Amount given recognition in current-period Core Tier 1 Capital due to transitional arrangements	–	
81 Amount not given recognition in current-period Core Tier 1 Capital due to transitional arrangements	–	
82 Amount given recognition in current-period Other Tier 1 Capital due to transitional arrangements	–	
83 Amount not given recognition in current-period Other Tier 1 Capital due to transitional arrangements	–	
84 Amount given recognition in current-period Tier 2 Capital due to transitional arrangements	85,542	
85 Amount not given recognition in current-period Tier 2 Capital due to transitional arrangements	(18,542)	

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 4: Main Features of Qualified Regulatory Capital Instruments

1	Issuer	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications
2	Unique identifier	3328	601328	1428013	XS1113240268	XS1115459528
3	Governing law(s)	China Hong Kong Securities and Futures Ordinance	China/Securities law of China	China/Securities law of China, Measures for Capital Management of Commercial Banks (Provisional)	Non-contractual obligation of bonds, arising from or relating to bonds shall be governed by and construed in accordance with British laws, while provisions relating to subordinated position of bonds in the bonds terms are governed by and construed in accordance with Chinese laws.	Non-contractual obligation of bonds, arising from or relating to bonds shall be governed by and construed in accordance with British laws, while provisions relating to subordinated position of bonds in the bonds terms are governed by and construed in accordance with Chinese laws.
4	Regulatory treatment Transitional rules under the Measures for Capital Management of Commercial Banks (Provisional)	Core Tier 1 Capital	Core Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Tier 2 Capital
5	Post-transitional rules under the Measures for Capital Management of Commercial Banks (Provisional)	Core Tier 1 Capital	Core Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Tier 2 Capital

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 4: Main Features of Qualified Regulatory Capital Instruments (Continued)

6	Eligible at Bank/ Group level	Bank and Group level	Bank and Group level	Bank and Group level	Bank and Group level	Bank and Group level
7	Instrument type	Equity instruments	Equity instruments	Tier 2 Capital bonds	Tier 2 Capital bonds	Tier 2 Capital bonds
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	RMB89,498	RMB97,534	RMB27,970	Equivalent to RMB7,271	Equivalent to RMB3,401
9	Par value of instrument	RMB35,012	RMB39,251	RMB28,000	USD1,200	EUR500
10	Accounting classification	Share capital and capital reserve	Share capital and capital reserve	Bonds payable	Bonds payable	Bonds payable
11	Original date of issuance	2005/6/23	2007/4/24	2014/8/19	2014/10/3	2014/10/3
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity date	No maturity date	2024/8/19	2024/10/3	2026/10/3
14	Issuer call subject to prior supervisory approval	No	No	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	2019/8/19; full or partial.	2019/10/3; full.	2021/10/3; full.
16	Subsequent call dates, if applicable Coupons/ dividends	N/A	N/A	Nil	Nil	Nil

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 4: Main Features of Qualified Regulatory Capital Instruments (Continued)

17	Fixed or floating dividend/coupon	Floating	Floating	Fixed	Floating (coupon rate is fixed for the first 5 years; if issuer does not exercise the right of redemption at the end of the fifth year, the coupon rate will be reset)	Floating (coupon rate is fixed for the first 7 years; if issuer does not exercise the right of redemption at the end of the seventh year, the coupon rate will be reset)
18	Coupon rate and any related index	N/A	N/A	5.80%	It is 4.5% for the first 5 years; if issuer does not exercise the right of redemption at the end of the fifth year (3 October 2019), the coupon rate will be reset based on the rate of 5-year US treasury bond, plus 285 basis points	It is 3.625% for the first 7 years; if issuer does not exercise the right of redemption at the end of the seventh year (3 October 2021), the coupon rate will be reset based on the 7-year EUR swaps value, plus 300 basis points
19	Existence of a dividend stopper	N/A	N/A	No	No	No
20	Fully discretionary, partially discretionary or mandatory dividends	Totally at discretion	Totally at discretion	Without discretion	Without discretion	Without discretion
21	Existence of incentive to redeem	No	No	No	No	No

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 4: Main Features of Qualified Regulatory Capital Instruments (Continued)

22	Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	No	No	Yes	Yes	Yes

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 4: Main Features of Qualified Regulatory Capital Instruments (Continued)

31	If write-down, write-down trigger(s)	N/A	N/A	Earlier of the following: (1) CBRC identifies that the issuer is unable to survive if write-down is not carried out; (2) Relevant departments identify that the issuer is unable to survive if capital is not rejected by the public departments or equally authentic support is not provided.	Earlier of the following: (1) CBRC identifies that the issuer is unable to survive if write-down is not carried out; (2) Relevant departments identify that the issuer is unable to survive if capital is not rejected by the public departments or equally authentic support is not provided.	Earlier of the following: (1) CBRC identifies that the issuer is unable to survive if write-down is not carried out; (2) Relevant departments identify that the issuer is unable to survive if capital is not rejected by the public departments or equally authentic support is not provided.
32	If write-down, full or partial	N/A	N/A	Full	Full	Full
33	If write-down, permanent or temporary	N/A	N/A	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A

## Supplementary Information on Capital Adequacy Ratio (Continued)

### Appendix 4: Main Features of Qualified Regulatory Capital Instruments (Continued)

35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranking after depositors, normal creditors and subordinated debt and other Tier 1 Capital holders	Ranking after depositors, normal creditors and subordinated debt and other Tier 1 Capital holders	Ranking after depositors and normal creditors, ranking before equity capital, other Tier 1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as other Tier 2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors and normal creditors, ranking before equity capital, other Tier 1 instruments and mixed capital bonds, at least ranking at the same sequence as all other subordinated debts that are issued by the issuer currently and in future (including other Tier 2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future)	Ranking after depositors and normal creditors, ranking before equity capital, other Tier 1 instruments and mixed capital bonds, at least ranking at the same sequence as all other subordinated debts that are issued by the issuer currently and in future (including other Tier 2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future)
36	Non-compliant transitioned features If yes, specify non-compliant features	No N/A	No N/A	No N/A	No N/A	No N/A

# Supplementary Information on Leverage Ratio

Appendix 1 and Appendix 2 are information disclosed according to the requirement of the CBRC Revised Rules on Leverage Ratio of Commercial Banks.

## Appendix 1: Difference of Items between Regulatory Consolidation and Accounting Consolidation

(in millions of RMB)

SN	Item	Balance
1	Total consolidation assets	7,122,155
2	Adjusted item of consolidation	(10,702)
3	Adjusted item of customer's assets	–
4	Adjusted item of derivatives	19,484
5	Adjusted item of securities financing transactions	–
6	Adjusted item of off-balance sheet item	791,272
7	Other adjusted items	(3,075)
8	Balance of adjusted on-and-off-balance sheet assets	7,919,134

## Supplementary Information on Leverage Ratio (Continued)

### Appendix 2: Information relating to Leverage Ratio

(in millions of RMB unless otherwise stated)

SN	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	6,781,019
2	Less: Deduction of Tier 1 Capital	(3,075)
3	<b>Balance of adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)</b>	6,777,944
4	Replacement costs of derivatives (less eligible margin)	13,704
5	Potential risk exposure of derivatives	20,537
6	Sum of collaterals that have been deducted from the balance sheet	–
7	Less: Assets receivable from providing eligible margin	–
8	Less: Asset balance of derivatives from transactions with central counterparties in providing clearing services for customers	(1,612)
9	Notional principal of sold credit derivatives	559
10	Less: Balance of deductible sold credit derivatives	–
11	<b>Balance of derivatives</b>	33,188
12	Accounting asset balance of securities financing transactions	316,729
13	Less: Balance of deductible securities financing transaction assets	–
14	Counterparty credit risk exposure of securities financing transactions	–
15	Balance of securities financing transaction assets from acting for securities financing transactions	–
16	<b>Asset balance of securities financing transactions</b>	316,729
17	Balance of off-balance sheet items	1,483,241
18	Less: Balance of off-balance sheet items from reduction of credit transfer	(691,969)
19	<b>Balance of adjusted off-balance sheet items</b>	791,272
20	Net Tier 1 Capital	487,307
21	Balance of adjusted on-and-off-balance sheet items	7,919,134
22	<b>Leverage ratio</b>	6.15%





SINCE 1908 YOUR WEALTH MANAGEMENT BANK

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