

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



始于1908 您的财富管理银行

交通銀行股份有限公司 Bank of Communications Co., Ltd.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03328, 4605 (Preference Share))

2015 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of Bank of Communications Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited consolidated financial information (the “**Interim Results**”) of the Bank and its subsidiaries (the “**Group**”) for the six months ended 30 June 2015 (the “**Reporting Period**”), which has been prepared in accordance with the International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The Board of Directors of the Bank (the “**Board of Directors**”) and the Audit Committee of the Board of Directors have reviewed and adopted the Interim Results.

I. CORPORATE INFORMATION

(1) Stock Exchanges on which Shares of the Bank are Listed:

A Share: Shanghai Stock Exchange

H Share: The Stock Exchange of Hong Kong Limited

(2) Stock Name and Stock Code:

A Share: Bank of Communications, 601328

H Share: BANKCOMM, 03328

(3) Company Secretary: Du Jianglong

Address: No. 188, Yin Cheng Zhong Lu, Pudong New District, Shanghai, P.R. China

Telephone: 86-21-58766688

Fax: 86-21-58798398

E-mail: investor@bankcomm.com

II. FINANCIAL HIGHLIGHTS

(1) 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:

<i>(in millions of RMB unless otherwise stated)</i>			
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 the parent company	37,324	36,773	1.50
Earnings per share attributable to shareholders of the 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 the parent company	488,779	471,055	3.76
Net assets per share attributable to shareholders of the parent company (in RMB yuan)	6.58	6.34	3.79
Net Capital ¹	588,364	584,502	0.66
Includes: Core Tier 1 Net Capital ¹	487,289	470,456	3.58
Other Tier 1 Capital ¹	18	10	80.00
Tier 2 Capital ¹	101,057	114,036	(11.38)
Risk-weighted assets ¹	4,485,830	4,164,477	7.72

Main Financial Indicator (%)	January to June 2015	January to June 2014	Changes (percentage point)
Cost-to-income ratio ²	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)
	As at 30 June 2015	As at 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 ¹	13.12	14.04	(0.92)
Tier 1 capital adequacy ratio ¹	10.86	11.30	(0.44)
Core tier 1 capital adequacy ratio ¹	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.

(2) 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”.

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

(1) Changes in share capital

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

	31 December 2014		Changes (+/-)					30 June 2015	
	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

(2) Shareholdings of the shareholders (The below data is sourced from the Bank's register of members maintained at its share registrar.)

There are no controlling shareholders of the Bank, nor any ultimate beneficial owners. Shareholders holding over 5% shares remain the same over the Reporting Period.

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

i) Shareholdings of the top 10 shareholders

Name of shareholder	Increase/decrease in number of shares held during the Reporting Period	Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)	Number of shares held subject to sales restrictions	Number of shares pledged or frozen ¹	Nature of shareholders
Ministry of Finance of the People's Republic of China	–	19,702,693,828	26.53	2,530,340,780	Nil	State
HKSCC Nominees Limited ²	21,249,437	14,938,533,678	20.12	–	Unknown	Foreign legal person
The Hongkong and Shanghai Banking Corporation Limited ³	–	13,886,417,698	18.70	–	Nil	Foreign legal person
National Council for Social Security Fund ⁴	–	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:

1. 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”.
2. 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)

3. According to the Bank's register of members, The Hongkong and Shanghai Banking Corporation Limited ("**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 Stock Exchange of Hong Kong Limited (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 interests 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)
4. According to the information provided by the National Council for Social Security Fund ("**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 has 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)

ii) 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 listing and trading shares (%)
Ministry of Finance of the People's Republic of China	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 "Measures for the Administration of the Takeover of Listed Companies".	
	(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 "Measures for the Administration of the Takeover of Listed Companies".	

iii) Shareholdings of Shareholders Subject to Sales Restrictions

No.	Name of shareholders subject to sales restrictions	Listing and trading situations of Number of shares subject to sales restrictions shares held subject to sales restrictions			Lock-up period
			Listing and trading time	Increase in number of listing and trading shares	
1	Ministry of Finance of the People's Republic of China	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 “Measures for the Administration of the Takeover of Listed Companies”.

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

iv) The strategic investors or general legal persons becoming the top 10 shareholders after private placement of ordinary 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 for such shares have been completed, the shares subject to a lock-up period of 36 months (listed and traded on 24 August 2015). The Bank has not agreed the disposal date of the shares held with Ping An Life Insurance Company of China Ltd. – Traditional – High interest rate policy products.

(3) 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 Hong Kong Securities and Future Ordinance (the “SFO”) were as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest ¹	Approximate percentage of total issued A shares (%) ⁷	Approximate percentage of total issued shares (%) ⁷
Ministry of Finance of the People’s Republic of China	Beneficial owner	15,148,693,829 ²	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 ¹	Approximate percentage of total issued H shares (%) ⁷	Approximate percentage of total issued shares (%) ⁷
SSF	Beneficial owner	8,433,333,332	Long position	24.09	11.36
Ministry of Finance of the People’s Republic of China	Beneficial owner	4,553,999,999 ²	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 ³	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 ⁴	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 ⁵	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 ⁶	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 of the People's Republic of China 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 have interest in the 2,674,232 H shares held by its wholly-owned subsidiaries. Such amount of 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 have interest 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 have interest in the 14,138,310,845 H shares held by HSBC and the 9,075,250 H shares held by HSBC Bank plc.
7. The above percentages are calculated pursuant to total shares of 74,262,726,645 issued by the Bank as of 30 June 2015, including 39,250,864,015 A shares and 35,011,862,630 H shares, respectively.

Save as disclosed above, as at 30 June 2015, no 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.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

(1) 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 assets 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 over aged assets and firmly refining its loans and guarantee business by reducing high risk loans and increased collateralisation 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 loss provision rate 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 entities 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 Banco BBM S.A. (“**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 operation momentum was effectively stimulated. 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.

i) 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 state-owned enterprises financial services 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 businesses enterprises, to comprehensively improve its ability to provide financial service to MSMEs. As at the end of the Reporting Period, loan 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 loan 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 innovative 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.

ii) *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 supports 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 consumers' 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.

iii) 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, so as to steadily improve the bond investment yield. 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.

iv) “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.

v) *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, 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 moving its domestic and overseas, onshore and offshore business interactively, 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.

(2) Financial Statements Analysis

i) 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:

	<i>(in millions of RMB)</i>	
	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:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2015			For the six months ended 30 June 2014		
	Annualised			Annualised		
	Average	Interest	average	Average	Interest	average
	balance	income/	yield/(cost)	balance	income/	yield/(cost)
		(expense)	(%)		(expense)	(%)
Assets						
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 ³	150,590 ³	4.80	5,626,192 ³	141,728 ³	5.04
Total non-interest-bearing assets	299,415			224,616		
TOTAL ASSETS	6,570,419 ³			5,850,808 ³		
Liabilities and Shareholders' Equity						
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 ³	79,531 ³	2.70	5,238,998 ³	74,517 ³	2.84
Shareholders' equity and non-interest bearing liabilities	684,877			611,810		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,570,419 ³			5,850,808 ³		
Net interest income		71,059			67,211	
Net interest spread ¹			2.10 ³			2.20 ³
Net interest margin ²			2.27 ³			2.39 ³
Net interest spread ¹			2.16 ⁴			2.26 ⁴
Net interest margin ²			2.33 ⁴			2.45 ⁴

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.

	<i>(in millions of RMB)</i>		
	Comparison between January to June 2015 and January to June 2014		
	Increase/(decrease) due to		
	Balance	Interest rate	Net increase/(decrease)
Interest-bearing assets			
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
Interest-bearing liabilities			
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 expenses

During the Reporting Period, the Group's interest expenses 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 expenses. 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:

	<i>(in millions of RMB)</i>	
	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
Total fee and commission income	20,972	17,314
Less: Fee and commission expense	(1,586)	(1,613)
Net fee and commission income	19,386	15,701

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.

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

	<i>(in millions of RMB)</i>	
	For the six months ended 30 June	
	2015	2014
Current tax	10,724	8,561
Deferred tax	59	1,739

ii) 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:

	<i>(in millions of RMB unless otherwise stated)</i>			
	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.

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

<i>(in millions of RMB unless otherwise stated)</i>				
	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
Total corporate loans	2,766,272	74.58	2,563,378	74.69
Mortgage loans	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
Total personal loans	942,880	25.42	868,357	25.31
Gross amount of loans and advances to customers before impairment allowances	3,709,152	100.00	3,431,735	100.00

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.

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	
		Loan	Percentage of
		balances	total loans
			and advances
			(%)
	Type of industry		
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
Total		69,226	1.87

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.

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 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
Total	<u>1,390,554</u>	<u>100.00</u>	<u>1,162,876</u>	<u>100.00</u>

– 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
Total	<u>1,390,554</u>	<u>100.00</u>	<u>1,162,876</u>	<u>100.00</u>

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:

	<i>(in millions of RMB)</i>	
	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

iii) 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.

iv) 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 income¹	Profit before tax	Net operating income¹
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
Total ²	<u>48,289</u>	<u>97,146</u>	<u>47,195</u>	<u>90,873</u>

Note:

1. 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.
2. 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:

	30 June 2015		<i>(in millions of RMB)</i> 31 December 2014	
	Deposit balances	Loans and advances balances	Deposit balances	Loans and advances balances
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
Total	<u>4,514,566</u>	<u>3,709,152</u>	<u>4,029,668</u>	<u>3,431,735</u>

(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 accounted 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:

	<i>(in millions of RMB)</i>				
	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)	–	–

(3) 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.

(4) 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^{Note}:

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.

<i>(in millions of RMB)</i>	
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
Total risk-weighted asset	4,485,830

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
Total	3,947,142

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
Total credit risk exposure not covered under the internal rating approach	3,985,543

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 uncovered by internal model	1,313
Total market risk capital requirement	8,896

Value at risk (VaR)

The Bank 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.

	<i>(in millions of RMB)</i>	
	January to June 2015	
Item name	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

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.

	<i>(in millions of RMB)</i>	
Item	Outstanding risk exposure	Unrealised potential risk returns^{Note}
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.

(5) Information on Leverage Ratio

The Group calculated the leverage ratio in accordance with the *Leverage Ratio Rules for Commercial Banks(Revised)* issued by CBRC 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 *Leverage Ratio Rules for 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

(6) 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.

i) 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 six 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.

ii) 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.

iii) 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.

iv) *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 principle 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.

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	<u>3,709,152</u>	<u>100.00</u>	<u>3,431,735</u>	<u>100.00</u>	<u>3,266,368</u>	<u>100.00</u>

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.

v) *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.

vi) *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.

vii) *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 reserve deposit services for payment institution customers 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.

viii) *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.

ix) *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.

x) *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.

(7) 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.

(8) 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.

V. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) 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 President	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

(2) 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		

(3) Members of Senior Management

Name	Position	Name	Position
Peng Chun	President	Wang Jiang	Executive Vice President ¹
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 ¹		

Note:

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.

(4) Changes in Directors, Supervisors and Senior Management

Name	Position	Changes
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 of the Bank, 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 of the Bank with the effective date being 30 January 2015; due to re-assignment 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.

(5) Shareholdings Of Directors, Supervisors And Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the year ¹	Increase (or decrease) in shareholdings during the Reporting Period ¹	Number of shares held as at the end of the Reporting Period ¹
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, 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)

Name	Position	Class of shares	Number of shares held at the beginning of the year ¹	Increase (or decrease) in shareholdings during the Reporting Period ¹	Number of shares held as at the end of the Reporting Period ¹
Qian Wenhui ²	Former Executive Director and Executive Vice President	A share	80,000(L)	–	80,000(L)
Zhu Hexin ³	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 for Securities Transactions by Directors of Listed Issuers" (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. SIGNIFICANT EVENTS

(1) 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 Interim 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.

(2) Shareholdings in Other Companies

i) Holdings of Equity Interest in Other Listed Companies

(in RMB unless otherwise stated)

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		
	Total	999,714,120.42		1,269,358,132.91	41,854,331.50	180,905,748.81		

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
Total	<u>1,155,930,000.00</u>			<u>1,392,824,717.18</u>	<u>45,799,221.47</u>	<u>(53,290,742.96)</u>		

iii) Purchases and sales of equity interest of other listed companies

(in RMB unless otherwise stated)

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

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.

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

During the Reporting Period, the Bank had not been involved in any material litigation or arbitration, or issues questioned by the media generally.

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

(4) 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.

(5) 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.

(6) 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. 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 results.

(7) 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.

(8) 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 China Securities Regulatory Commission, the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Hong Kong Listing Rules, 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 Mode 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.

(9) Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

During the Reporting Period, the Bank complied with the code provisions contained in the "Corporate Governance Code" as set out in Appendix 14 to the Hong Kong Listing Rules. Details are stated in the Bank's interim report.

VII. FINANCIAL REPORTS

(1) Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

(In millions of RMB unless otherwise stated)

	Six months ended 30 June	
	2015	2014
Interest income	152,283	143,412
Interest expense	(81,224)	(76,201)
Net interest income	71,059	67,211
Fee and commission income	20,972	17,314
Fee and commission expense	(1,586)	(1,613)
Net fee and commission income	19,386	15,701
Dividend income	54	26
Net (loss)/gains arising from trading activities	(336)	3,410
Net gains arising from de-recognition of financial investments	890	130
Insurance business income	3,028	2,143
Other operating income	3,022	2,197
Impairment losses on loans and advances to customers	(11,454)	(10,159)
Insurance business expense	(3,576)	(2,095)
Other operating expense	(33,827)	(31,424)
Share of profits of associates	43	55
Profit before tax	48,289	47,195
Income tax	(10,783)	(10,300)
Net profit for the period	37,506	36,895
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
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
Item that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on pension benefits	19	(4)
Other comprehensive income for the period	526	3,475
Total comprehensive income for the period	38,032	40,370

(In millions of RMB unless otherwise stated)

Six months ended 30 June
2015 2014

Net profit attributable to:

Shareholders of the Bank
Non-controlling interests

37,324	36,773
182	122
37,506	36,895

Total comprehensive income attributable to:

Shareholders of the Bank
Non-controlling interests

37,828	40,250
204	120
38,032	40,370

**Basic and diluted earnings per share for profit
attributable to the shareholders of the Bank
(in RMB yuan)**

0.50	0.50

(2) Unaudited Condensed Consolidated Statement of Financial Position

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

(3) Unaudited Condensed Consolidated Statement of Changes in Equity

(in millions of RMB)

	Share capital	Capital surplus	Statutory reserve	Discretionary reserve	Other Reserves		Cash flow hedge reserve	Translation reserve on foreign operations	Actuarial changes reserve	Retained earnings	Attributable to the shareholders of the Bank	Non controlling interests	Total
					Statutory general reserve	Revaluation reserve for available for-sale financial assets							
Balance at													
1 January 2015	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
Total comprehensive income	-	-	-	-	-	526	(5)	(36)	19	37,324	37,828	204	38,032
Capital increase in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	267	267
Dividends paid and accrued	-	-	-	-	-	-	-	-	-	(20,051)	(20,051)	-	(20,051)
Transfer to reserve	-	-	51	34,522	3,197	-	-	-	-	(37,770)	-	-	-
Others	-	(53)	-	-	-	-	-	-	-	-	(53)	-	(53)
Balance at 30 June 2015	<u>74,263</u>	<u>113,443</u>	<u>37,573</u>	<u>139,764</u>	<u>74,746</u>	<u>657</u>	<u>(5)</u>	<u>(3,020)</u>	<u>30</u>	<u>51,328</u>	<u>488,779</u>	<u>3,021</u>	<u>491,800</u>
Balance at 1 January 2014	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
Total comprehensive income	-	-	-	-	-	3,290	-	191	(4)	36,773	40,250	120	40,370
Capital increase in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserve	-	-	-	-	-	-	-	-	-	(19,308)	(19,308)	-	(19,308)
Others	-	-	-	26,732	8,257	-	-	-	-	(34,989)	-	-	-
Balance at 30 June 2014	<u>74,263</u>	<u>113,383</u>	<u>30,999</u>	<u>105,242</u>	<u>71,014</u>	<u>(1,638)</u>	<u>-</u>	<u>(2,588)</u>	<u>22</u>	<u>49,806</u>	<u>440,503</u>	<u>2,043</u>	<u>442,546</u>

(4) Unaudited Condensed Consolidated Statement of Cash Flows

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2015	2014
Cash flows from operating activities:		
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
Impairment of financial investments	581	723
(Reversal of)/Provision for impairment of other receivables	(153)	55
Impairment/(Reversal of) losses on foreclosed assets	23	(28)
Impairment/(Reversal of impairment) allowances on unpossessed assets	2	(4)
Insurance contracts reserve	1,681	2,082
Depreciation of property and equipment	3,078	2,774
Amortisation of land use rights	17	13
Amortisation of intangible assets	142	128
Provision/(Reversal of) for outstanding litigation and unsettled obligation	30	(50)
Net gains on disposal of property and equipment	(2)	(69)
Net gains arising from de-recognition of foreclosed assets	(108)	(5)
Interest income from investment in debt securities	(22,859)	(21,304)
Unwind of discount on allowances during the period	(989)	(626)
Net losses/(gains) on fair value	460	(4,271)
Share of profits of associates	(43)	(55)
Net gains arising from de-recognition of financial investments	(890)	(130)
Dividend income	(54)	(26)
Interest expense on subordinated debts securities and other debts issued	2,982	1,956
Interest expense on certificates of deposit issued	703	411

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2015	2014
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 (decrease)/increase in business tax payable	444	(220)
Income tax paid	(9,735)	(8,720)
Net cash from/(used in) operating activities	<u>355,947</u>	<u>(10,241)</u>

(in millions of RMB)

Six months ended 30 June

2015 2014

Cash flows from investing activities:

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

Net cash used in investing activities **(172,386)** (901)

Cash flows from financing activities:

Proceeds from debt securities and certificates of deposit issued	50,565	46,503
Interest paid on debt securities and certificates of deposit issued	(1,903)	(1,170)
Dividends paid to shareholders of the Bank	(10,593)	–
Capital contribution by non-controlling interests	267	–
Repayment of debts securities and certificates of deposit issued	(41,676)	(24,709)

Net cash from financing activities **(3,340)** 20,624

Effect of exchange rate changes on cash and cash equivalents

(58) 520

Net increase in cash and cash equivalents **180,163** 10,002

Cash and cash equivalents at the beginning of the period **313,626** 243,394

Cash and cash equivalents at the end of the period **493,789** 253,396

Net cash flows from operating activities include:

Interest received	131,022	118,122
Interest paid	(74,044)	(68,387)

(5) Notes to the Unaudited Condensed Consolidated Financial Statements

i) *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 Annual Report as at 31 December 2014.

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.

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.

ii) Net interest income

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
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

iii) *Fee and commission income*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
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
	<u>20,972</u>	<u>17,314</u>

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
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	<u>427</u>	<u>431</u>
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	<u>1,109</u>	<u>963</u>

iv) *Impairment losses on loans and advances to customers*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Loans and advances to customers		
– Collectively assessed loan loss provision	6,677	4,657
– Individually assessed loan loss provision	4,777	5,502
	<u>11,454</u>	<u>10,159</u>

v) **Income Tax**

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
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	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 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:

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
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 ⁽¹⁾	(1,439)	(1,550)
Tax effect of expenses that are not deductible for tax purposes ⁽²⁾	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 income tax free 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.

vi) 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 year. There were no potentially dilutive ordinary shares outstanding during the six months ended 30 June 2015 and 2014.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Net profit attributable to shareholders of the Bank (expressed in millions of RMB)	<u>37,324</u>	<u>36,773</u>
Number of ordinary shares in issue (expressed in millions)	<u>74,263</u>	<u>74,263</u>
Basic and Diluted earnings per share (expressed in RMB yuan)	<u><u>0.50</u></u>	<u><u>0.50</u></u>

vii) Derivative financial instruments

	<i>(in millions of RMB)</i>		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
As at 30 June 2015 (Unaudited)			
Foreign exchange contracts	<u>1,694,737</u>	<u>11,854</u>	<u>(11,714)</u>
Interest rate contracts and others	<u>722,650</u>	<u>1,851</u>	<u>(2,370)</u>
Total amount of derivative instruments recognised	<u><u>2,417,387</u></u>	<u><u>13,705</u></u>	<u><u>(14,084)</u></u>

		<i>(in millions of RMB)</i>	
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
As at 31 December 2014 (Audited)			
Foreign exchange contracts	1,123,840	9,445	(8,550)
Interest rate contracts and others	<u>552,916</u>	<u>1,211</u>	<u>(1,524)</u>
Total amount of derivative instruments recognised	1,676,756	10,656	(10,074)

The tables above provide a breakdown of the contractual or notional amount 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 entered into foreign exchange and interest rate contracts with other financial institutions and clients. Management has set limits to the contractual amounts for these deals depending on the respective counterparty, industry and country and it monitors and controls the associated risks on a regular basis.

Notional amount of derivative financial instruments by original currency:

	<i>(in millions of RMB)</i>	
	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
RMB	1,234,393	805,306
US dollar	925,053	680,022
HK dollar	114,799	106,253
Others	<u>143,142</u>	<u>85,175</u>
Total	<u><u>2,417,387</u></u>	<u><u>1,676,756</u></u>

Hedge accounting

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

	Contractual/ notional amount	(in millions of RMB) Fair value	
		Assets	Liabilities
As at 30 June 2015 (Unaudited)			
Derivative financial instruments designated as hedging instruments in fair value hedges			
– Foreign currency swaps	917	–	(20)
Derivative financial instruments designated as hedging instruments in fair value hedges			
– Interest rate swaps	14,430	42	(265)
Total	15,347	42	(285)

		<i>(in millions of RMB)</i>	
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
As at 31 December 2014 (Audited)			
Derivative financial instruments designated as hedging instruments in fair value hedges			
– Interest rate swaps	<u>11,220</u>	<u>8</u>	<u>(281)</u>
Total	<u>11,220</u>	<u>8</u>	<u>(281)</u>

The Group uses interest rate swaps to minimise 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 following table shows the profit or loss effects in the fair value hedges:

	<i>(in millions of RMB)</i>	
	As at	As at
	30 June	30 June
	2015	2014
	(Unaudited)	(Unaudited)
Gains/(losses) on hedging instruments	63	(20)
(Losses)/gains on hedged items attributable to the hedge risk	(79)	16
Net losses from fair value hedges	(16)	(4)

viii) Dividends

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Declared to shareholders of the Bank in the period	20,051	19,308

Under PRC Company Law and the Bank's Articles of Association, the net profit 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 a bank as determined under the relevant PRC accounting standards;
- (3) Allocations to statutory general reserve;
- (4) Allocations to the discretionary reserve if approved by the General Meeting. These funds form part of the shareholders' equity.

The cash dividends are recognised in the condensed consolidated statement of financial position upon approval by the shareholders at the General Meeting.

ix) 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 extend to customers:

	<i>(in millions of RMB)</i>	
	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Letters of guarantees	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
	<u>1,434,134</u>	<u>1,534,527</u>

Capital expenditure commitments

	<i>(in millions of RMB)</i>	
	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Authorised but not contracted for	202	173
Contracted but not provided for	10,352	9,114
	<u>10,554</u>	<u>9,287</u>

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments on properties and equipment under non-cancellable operating leases terms are as follows:

	<i>(in millions of RMB)</i>	
	As at	As at
	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
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
	<u>8,239</u>	<u>6,581</u>

The Group acts as lessor in operating leases principally through flight equipment and vessel leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircrafts and vessel under non-cancellable operating leases are as follows:

	<i>(in millions of RMB)</i>	
	As at	As at
	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
Within 1 year	2,132	824
Beyond 1 year and not more than 2 years	2,134	827
Beyond 2 years and not more than 3 years	2,123	827
Beyond 3 years and not more than 5 years	4,213	1,602
More than 5 years	11,138	3,393
	<u>21,740</u>	<u>7,473</u>

Commitments on security underwriting and bond acceptance

The Bank is entrusted by the Ministry of Finance of the People's Republic of China of People's Republic of China ("MOF") to underwrite certain Certificates-type Treasury Bonds and Saving-type Treasury Bonds. The investors of Certificates Type Treasury Bonds and Saving Type Treasury Bonds have early redemption right while the Bank has the obligation to buy back those Certificates Type Treasury Bonds and Saving Type Treasury Bonds. The redemption price is the principal value of the Certificates Type Treasury Bond or Saving Type Treasury Bond plus unpaid interest till redemption date. As at 30 June 2015, the principal value of the Treasury 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 Certificates Type Treasury Bonds and Saving Type Treasury Bonds on a back-to-back basis but will pay interest and principal at maturity.

As at 30 June 2015, there was no unexpired commitment on security underwriting of the Group which was irrevocable and 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. The total outstanding claims against the Group (defendant) by a number of third parties at the end of the years are summarised as follows:

	<i>(in millions of RMB)</i>	
	As at	As at
	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
Outstanding claims	2,041	1,725
Provision for outstanding litigations	221	191

x) 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 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.

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 unaudited condensed 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.

Operating segment information

(in millions of RMB)

Six months ended 30 June 2015 (Unaudited)

	Northern China	North Eastern China	Central and Eastern China	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 income³	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)
Net fee and commission income	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 profits of associates	-	-	-	-	-	43	-	-	43
Other operating income	354	100	1,089	509	247	232	491	-	3,022
Total operating revenue	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)
Profit before tax	6,270	1,974	15,380	10,303	6,315	4,852	3,195	-	48,289

(in millions of RMB)

Six months ended 30 June 2015 (Unaudited)

	Northern China	North Eastern China	Central and Eastern China	Southern China	Western China	Head Office	Overseas	Eliminations	Group Total
Profit before tax	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)
Net profit for the year	<u>4,778</u>	<u>1,494</u>	<u>11,593</u>	<u>7,701</u>	<u>4,804</u>	<u>4,852</u>	<u>2,284</u>	<u>-</u>	<u>37,506</u>
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)	<u>9,264</u>	<u>1,614</u>	<u>12,002</u>	<u>5,470</u>	<u>1,608</u>	<u>(31,356)</u>	<u>1,398</u>	<u>-</u>	<u>-</u>
As at 30 June 2015 (Unaudited)									
Total assets	1,137,502	335,423	2,515,897	1,300,895	662,303	5,669,539	821,925	(5,321,329)	7,122,155
Total liabilities	<u>(1,147,399)</u>	<u>(344,869)</u>	<u>(2,514,250)</u>	<u>(1,303,691)</u>	<u>(670,454)</u>	<u>(5,151,183)</u>	<u>(819,838)</u>	<u>5,321,329</u>	<u>(6,630,355)</u>

(in millions of RMB)

Six months ended 30 June 2014 (Unaudited)

	North China	Northeast China	East China	Central and South China	West 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 income³	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)
Net fee and commission income	1,474	464	5,776	2,962	1,232	3,008	785	–	15,701
Dividend income	–	–	–	7	–	19	–	–	26
Net gains/(loss) arising from trading activities	262	26	493	181	133	1,973	342	–	3,410
Net gains arising from de-recognition of financial investments	–	–	41	71	–	6	12	–	130
Insurance business income	–	–	2,124	–	–	–	19	–	2,143
Share of profits of associates	–	–	–	–	–	55	–	–	55
Other operating income	347	100	833	398	197	217	105	–	2,197
Net operating income	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)
Profit before tax	7,004	1,212	15,335	7,333	4,843	8,283	3,185	–	47,195

(in millions of RMB)

Six months ended 30 June 2014 (Unaudited)

	North China	Northeast China	East China	Central and South China	West China	Head Office	Overseas	Eliminations	Total
Profit before tax	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)
Net profit for the period	<u>5,353</u>	<u>927</u>	<u>11,448</u>	<u>5,475</u>	<u>3,692</u>	<u>7,603</u>	<u>2,397</u>	<u>–</u>	<u>36,895</u>
Depreciation and amortisation	(340)	(172)	(793)	(423)	(299)	(854)	(34)	–	(2,915)
Acquisition cost of property and equipment and intangible assets	<u>(409)</u>	<u>(184)</u>	<u>(1,048)</u>	<u>(397)</u>	<u>(591)</u>	<u>(787)</u>	<u>(4,157)</u>	<u>–</u>	<u>(7,573)</u>
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 income/(expense)	1,688	1,577	18,008	6,079	5,991	31,171	2,697	–	67,211
Inter-segment net interest income/(expense)	<u>8,299</u>	<u>1,282</u>	<u>6,399</u>	<u>4,766</u>	<u>553</u>	<u>(21,797)</u>	<u>498</u>	<u>–</u>	<u>–</u>

As at 31 December 2014 (Audited)

Total assets	1,102,396	381,279	2,375,564	1,632,086	718,492	2,936,371	645,068	(3,522,957)	6,268,299
Total liabilities	<u>(1,000,746)</u>	<u>(318,231)</u>	<u>(2,202,878)</u>	<u>(1,180,924)</u>	<u>(596,613)</u>	<u>(3,332,080)</u>	<u>(686,179)</u>	<u>3,522,957</u>	<u>(5,794,694)</u>

Geographical information

(in millions of RMB)

	Six months ended 30 June 2015 Revenue (Unaudited)	As at 30 June 2015 Non-current assets^(a) (Unaudited)	Six months ended 30 June 2014 Revenue (Unaudited)	As at 31 December 2014 Non-current assets^(a) (Audited)
PRC	179,739	84,937	168,173	93,043
Other countries	<u>217</u>	<u>126</u>	<u>514</u>	<u>160</u>
Total	<u>179,956</u>	<u>85,063</u>	<u>168,687</u>	<u>93,203</u>

- (a) Non-current assets include property and equipment, land use rights, intangible assets, prepaid rental expenses, leasehold improvement, 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 classes of business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit cards 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 categorised in the above business segments.

(in millions of RMB)

	Six months ended 30 June 2015 (Unaudited)				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Businesses	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 profits of associates	–	–	–	43	43
Profit before tax	<u>28,652</u>	<u>7,157</u>	<u>11,703</u>	<u>777</u>	<u>48,289</u>
Capital expenditure	<u>3,260</u>	<u>6,836</u>	<u>237</u>	<u>502</u>	<u>10,835</u>
	As at 30 June 2015 (Unaudited)				
Total assets	<u>2,854,815</u>	<u>984,003</u>	<u>3,204,455</u>	<u>78,882</u>	<u>7,122,155</u>
Total liabilities	<u>(3,329,855)</u>	<u>(1,448,484)</u>	<u>(1,835,712)</u>	<u>(16,304)</u>	<u>(6,630,355)</u>

(in millions of RMB)

Six months ended 30 June 2014 (Unaudited)

	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Businesses	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 profits of associates	–	–	–	55	55
Profit before tax	<u>28,527</u>	<u>5,874</u>	<u>12,064</u>	<u>730</u>	<u>47,195</u>
Capital expenditure	<u>1,756</u>	<u>3,682</u>	<u>128</u>	<u>270</u>	<u>5,836</u>

As at 31 December 2014 (Audited)

Total assets	<u>2,639,542</u>	<u>907,829</u>	<u>2,666,063</u>	<u>54,865</u>	<u>6,268,299</u>
Total liabilities	<u>(2,868,281)</u>	<u>(1,369,055)</u>	<u>(1,552,316)</u>	<u>(5,042)</u>	<u>(5,794,694)</u>

There were no large transactions with a single external customer that the Group mainly relying on.

xi) Liquidity risk

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 dates.

	<i>(in millions of RMB)</i>								
	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 (Unaudited)									
Assets									
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
Total assets	509,961	745,786	530,165	1,601,147	1,595,821	1,224,405	63,560	851,310	7,122,155
Liabilities									
Due to banks and other financial institution	(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)
Total liabilities	(2,656,549)	(1,404,249)	(545,095)	(1,232,187)	(678,567)	(113,708)	-	-	(6,630,355)
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

(in millions of RMB)

	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 (Audited)									
Assets									
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
Total assets	349,254	713,059	483,289	1,284,898	1,411,195	1,130,935	55,090	840,579	6,268,299
Liabilities									
Due to banks and other financial institution	(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)
Total liabilities	(2,346,852)	(798,304)	(828,465)	(936,107)	(772,023)	(112,943)	–	–	(5,794,694)
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

xii) Non-adjusting event subsequent to the balance sheet date

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.

VIII. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Hong Kong Stock Exchange *HKExnews* website www.hkexnews.hk, as well as the Bank's website www.bankcomm.com. This results announcement is extracted from the 2015 Interim Report prepared in accordance with the IFRSs. The full report will be published on the Hong Kong Stock Exchange *HKExnews* website www.hkexnews.hk, as well as the Bank's website www.bankcomm.com for shareholders' and investors' inspection. The 2015 Interim Report, which is prepared in accordance with the PRC GAAP, will be available on the Shanghai Stock Exchange website www.sse.com.cn and the Bank's website www.bankcomm.com. Investors should read the full Interim Report for details of the Interim Results. The Interim Report, prepared in accordance with the IFRSs, is expected to be dispatched to the holders of H shares in September 2015.

By order of the Board of Directors
Bank of Communications Co., Ltd.
Niu Ximing
Chairman of the Board of Directors

Shanghai, the PRC
27 August 2015

As at the date of this announcement, the directors of the Bank are Mr. Niu Ximing, Mr. Peng Chun, Ms. Yu Yali, Mr. Hu Huating, Mr. Wang Taiyin*, Mr. Liu Changshun*, Mr. Wong Tung Shun, Peter*, Mr. Ma Qiang*, Mr. Lei Jun*, Ms. Zhang Yuxia*, Mr. Peter Hugh Nolan#, Mr. Chen Zhiwu#, Mr. Choi Yiu-kwan#, Mr. Yu Yongshun#, Ms. Li Jian# and Mr. Liu Li#.*

* *Non-executive directors*

Independent non-executive directors